



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

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

**REPORT OF THE
INTERNATIONAL TROPICAL TIMBER COUNCIL
AT ITS FIFTY-THIRD SESSION**

Lima, Peru

27 November – 2 December 2017

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REPORT

OPENING OF THE SESSION (AGENDA ITEM 1)

1. The Fifty-third Session of the International Tropical Timber Council (ITTC, the Council) was opened by the Chairperson, Mr. Tabi Agyarko. He warmly welcomed all participants, thanked the Government of Peru for its hospitality, expressed appreciation to the President of Peru, Mr. Pedro Pablo Kuczynski Godard, and the ministers of various governments in attendance at the opening session, and thanked the Government of Japan and the Mayor of Yokohama for hosting alternate sessions of the Council.
2. The Chairperson acknowledged the efforts of the Secretariat to implement the ten key decisions made by the Council at its Fifty-second Session. As a result of this work, he said, some projects that had been put on hold due to the financial impairment had been restarted. Nevertheless, some projects still needed reactivation, necessitating the Council's support. The Chairperson referred to the widening gap between the number of approved projects and the finance available to fund them. The total value of projects pending finance, he said, was USD 40 million. The lack of financing was frustrating for countries, which had gone to considerable efforts to prepare project proposals. The Chairperson suggested placing a moratorium on the submission of new project proposals until the issue of funding of already-approved projects had been addressed.
3. The Chairperson referred to the process of electing the Organization's Executive Director and to the report of the ad hoc working group created to address it. He appealed to the Council to approach discussion of the report with an open mind. He concluded his address by reiterating his thanks to the hosts for what was sure to be a successful meeting.
4. In his address to the Council, Mr. Benito Owusu Bio, Honorary Deputy Minister of Lands and Natural Resources, Government of Ghana, noted that 70 percent of people in local communities depended on forests for food and energy. Nevertheless, he said, forests faced serious threats, and perhaps the greatest challenge to forest management in Ghana was addressing the drivers of deforestation and forest degradation, particularly agricultural development, as well as fire, illegal mining, illegal logging, weak law enforcement and population pressure. Recently, in Ghana, the focus of forest and wildlife management policy had shifted from timber harvesting to payments for environmental services, ecotourism, plantations and the mitigation of climate change. Mr. Owusu Bio outlined some of Ghana's recent initiatives on forests, including the Ghana Forest Investment Programme and the Prince of Wales Cacao and Forest Initiative, which involved a joint framework of action to address deforestation and forest degradation with Côte d'Ivoire. Tree tenure reforms and benefit-sharing arrangements were also being made to motivate farmers to retain trees on farms. Moreover, the Wildlife Resource Management Bill had received the approval of the Cabinet and was now being considered by the national parliament, and another law had been passed recently which paved the way for the issuance of Ghana's first Forest Law Enforcement, Governance and Trade licence with the European Union.
5. Mr. John Leigh, Executive Director of the Peruvian Forest Service (SERFOR), described Peru's 73 million hectares of humid, Andean and dry forests—the fourth largest tropical forest estate worldwide. More than 50 million hectares of the country's forest were under management, said Mr. Leigh, including 12.2 million hectares of community-owned forest and 22.2 million hectares of protected areas. Of the 17.7 million hectares of permanent production forest, 9.2 million hectares were under sustainable forest management. Mr. Leigh said that, officially, the forest sector contributed less than 1 percent to gross domestic product, although this was an underestimate because it didn't take into account the contributions of forest ecosystem services, suggesting the need for better information on the contributions of forests and wildlife to Peru's development. Wood exports earned significant revenue, but the country had an overall negative trade balance in wood products. Mr. Leigh introduced Peru's strategy to reduce the illegal trade of wildlife products and spoke about SERFOR's mission, which was to promote the sustainable management of forest resources and wildlife. SERFOR had started a national plantation programme with the objective of promoting the establishment, management and use of plantations that were competitive, environmentally friendly and responsible, within a framework of favourable sectoral policies. Mr. Leigh spoke about the national forestry and wildlife plan and the national forestry and wildlife information system, which, among other things, would provide reliable information on the chain of custody of forest and wildlife products. A system for timber tracking was in place and was being used by more than 50 companies, providing real-time information at each stage of the supply chain. Mr. Leigh thanked ITTC, which, since 1990, had enabled the implementation of more than 50 projects in Peru with funding of more than USD 20 million.

6. Dr. Eva Müller, Director, Forestry Policy and Resources Division, Food and Agriculture Organization of the United Nations (FAO), reminded delegates that she was once an ITTO staff member, and she had maintained a strong personal commitment to the Organization over the years. She was pleased, she said, to see that it was being revitalized and was gaining new impetus under the new Executive Director. Dr. Müller said she had also been personally involved in many collaborative actions by FAO and ITTO, both directly and as members of the Collaborative Partnership on Forests, and she had found that the two organizations share many priorities and can create synergies by working together. Dr. Müller said that FAO was responding to the challenge of the 2030 Agenda and the Paris Agreement on climate change by aligning its Strategic Objectives with the Sustainable Development Goals (SDGs), making climate change a crosscutting priority, and promoting holistic approaches to food security, nutrition, poverty eradication and the sustainable management and use of natural resources. FAO believed that achieving the SDGs and mitigating and adapting to climate change required healthy, productive forests. Dr. Müller said that the recently endorsed UN Strategic Plan on Forests was firmly embedded in the SDGs and other global commitments to sustainable development. Its six global goals and 29 targets clearly outlined the actions to be taken by countries to integrate forests and trees into development strategies. The task now, said Dr. Müller, was to put the targets into action through partnerships such as between ITTO and FAO. She was here, she said, to renew FAO's commitment to working together, including through activities set out in ITTO's work plan. She mentioned two conferences the two organizations were co-convening, with other partners—on sustainable wood for a sustainable future, held earlier in 2017, and “Working across Sectors to Halt Deforestation and Increase Forest Area”, to be held in February 2018. Dr. Müller ended her intervention by transmitting a message from the chair of the Collaborative Partnership on Forests, Mr. Hiroto Mitsugi, reconfirming the commitment of the Partnership to supporting countries in achieving their forest-related goals and targets.
7. Dr. Manoel Sobral Filho, Director of the United Nations Forum on Forests, said that Peru was to be commended for its commitment to restore 3.5 million hectares of forest by 2020 through commercial plantations and protected forests, and for its commitment to achieve zero net deforestation by 2021. Dr. Sobral said that, since the inception of the UNFF nearly two decades ago, ITTO had played a leading role in fostering effective international cooperation in support of the UNFF's work. He referred to a landmark in international policy on 27 April 2017 when the UN General Assembly had adopted the first UN Strategic Plan for Forests for the period 2017–2030. At its core, this plan had the shared UN vision of a world in which all types of forests were sustainably managed. Among the plan's 26 targets was a groundbreaking target to increase forest area globally by 3 percent, or 120 million hectares. Another important target, said Dr. Sobral, was to eradicate extreme poverty among forest-dependent people by 2030. Achieving the shared vision and mission would rely mostly on the voluntary actions of countries, partners and stakeholders. Several countries had indicated that they intended to announce their voluntary national contributions to the plan at the 13th session of the UNFF in May 2018. Dr. Sobral said that 1.4 billion hectares of forest had been lost worldwide in the last 300 years, but he believed the world was now at an inflexion point, when the trend of deforestation would be reversed. A 3 percent increase in forest area was, therefore, realistic, and well-grounded in the work already being carried out by the forestry community.
8. Dr. Sobral spoke about ITTO's Objective 2000, created in 1990, which aimed to achieve an international trade of tropical timber from sustainably managed forests by 2000. In 2000, the Council had made its final assessment of efforts to achieve Objective 2000, concluding that tropical countries had made significant progress in the formulation and adoption of policies compatible with the objective. That early work by ITTO and its members, said Dr. Sobral, was part of the foundation for the global forest-related targets that had now been universally adopted by the UN member states through the 2030 Agenda.
9. Dr. Sobral spoke about the challenges facing the world in meeting its forest-related targets, including the reliance of 2.7 billion people on charcoal and firewood for energy. He noted that natural tropical forests were often uncompetitive as a means of timber production and that ways needed to be found to remunerate the provision of forest ecosystem services. For example, a recent study had shown that deforestation in the Amazon could affect agricultural production as far away as Argentina. Thus, the UN Strategic Plan recognized that there was no single solution to addressing all the financial needs of sustainable forest management, and it called for combinations of actions to mobilize resources at all levels.
10. Dr. Sobral mentioned the Global Forest Financing Facilitation Network (GFFFN), which the UNFF had established to assist countries in mobilizing resources for sustainable forest management from the

Global Environment Facility, the Green Climate Fund and others. To date, the GFFFN had helped 13 countries to mobilize resources and it had convened 20 workshops to train more than 300 representatives of government, civil society and academia in formulating proposals on sustainable forest management. Dr Sobral said that the importance of this area of work could not be overstated, and he drew the attention of the Council to a recent announcement by the three environmental conventions calling for the establishment of a project preparation facility to secure financing for large-scale and transformative projects. Dr Sobral ended his intervention by renewing the UNFF Secretariat's invitation to ITTO to join forces as a strategic partner of the UNFF to help ITTO members access funds in the Global Environment Facility, the Green Climate Fund and others through the GFFFN.

11. In a pre-recorded address to the Council, Mr. John Scanlon, Executive Secretary of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), welcomed ITTO's new Executive Director, Dr. Dieterle, and said he looked forward to working closely with him in his new role. Mr. Scanlon said that CITES had a dedicated resolution on cooperation between ITTO and CITES, and work was underway to develop a memorandum of understanding between the two organizations on how to move forward on the CITES Tree Species Programme and other opportunities for collaboration. To date, cooperation between the two organizations had assisted ITTO member countries to implement CITES tree listings of tropical timber species in Africa, Asia, South and Central America, and the Caribbean. Mr Scanlon said he looked forward to continuing the cooperation and obtaining results on the ground for countries.
12. The final statement at the opening session was made by the Executive Director (see Agenda Item 8).
13. The Chairperson introduced the Vice-Chairperson, Mr. Zhang Zhongtian (China), who had been nominated for the post by the consumer caucus before the current session. Council members welcomed Mr. Zhang in this role with a round of applause. Mr. Zhang said he was honoured by the appointment. His first Council session, he recalled, had been in the early 1990s, in Bali, Indonesia, and, since then, he had attended Council sessions frequently as a representative of the Government of China. He had also served three terms on the Expert Panel for Appraisal of Project Proposals, and he had a deep affection for the Organization. Although ITTO had encountered a storm in recent years, the ship was now at the dock, he said, and he looked forward to supporting the Chair and helping to bring the Organization towards a brighter future.

ASCERTAINMENT OF THE QUORUM (AGENDA ITEM 2)

14. The Executive Director reported that the quorum for the Fifty-third Session of the Council had been met. The list of participants is contained in Document ITTC(LIII) Info.2 (Annex I).

ADOPTION OF AGENDA AND ORGANIZATION OF WORK (AGENDA ITEM 3)

15. The Chairperson referred to Document ITTC(LIII)/1 Rev.1 and invited comments on the Provisional Agenda.
16. In the absence of objections and further comments, the Provisional Agenda was adopted.

REPORT ON MEMBERSHIP OF THE COUNCIL (AGENDA ITEM 4)

17. The Executive Director informed the Council that the membership of the Organization stood at 73, comprising 38 consumer members and 35 producer members. There had been no change in membership since the Fifty-second Session of the Council. The Executive Director reported that he had received a high-level delegation from Sri Lanka, which had expressed strong interest in joining the Organization.

REPORT OF THE CREDENTIALS COMMITTEE (AGENDA ITEM 5)

18. Mr. Leoncio Julio Ugarte (Peru), Chairperson of the Credentials Committee, presented the Report of the Credentials Committee, drawing attention to Document ITTC(LIII)/3. The Committee, composed of China, Côte d'Ivoire, Estonia, India, New Zealand, Papua New Guinea and the United States of America (USA), examined and accepted the credentials and attendance of forty-six (46) countries and the European Union at the Fifty-third Session of the Council and Sessions of the Associated Committees.

19. The Committee also examined the representation of interest and the delegation of voting rights in accordance with Article 11 Paragraph 2 of the ITTA, 2006. The list of Member countries delegating their interests and voting rights was as shown below:

List of Member Countries delegating votes

Country	Delegating votes to:
Australia	New Zealand
Austria	Estonia
France	
Latvia	
Poland	
Croatia	
Hungary	European Commission
Ireland	
Lithuania	
Luxembourg	
Portugal	
Slovak Republic	
Spain	
UK	Netherlands

PROPOSED DISTRIBUTION OF VOTES FOR 2018–2019 BIENNIUM (AGENDA ITEM 6)

20. The Chairperson drew the attention of the Council to the annex of Document ITTC(LIII)/1 Rev.1, which shows the proposed distribution of votes for the 2018–2019 biennium, in accordance with Article 10(7) of the ITTA 2006.
21. He reminded Members that, in accordance with Article 19(5) of the ITTA, 2006, the distribution of votes will be used for the assessment of the contribution of each Member to the Biennial Administrative Budget for 2018 and 2019.
22. In the absence of any objections or comments, the distribution of votes as contained in Document ITTC(LIII)/1 Rev.1 was approved.

PROPOSED DISTRIBUTION OF VOTES FOR 2018-2019 BIENNIEUM

PRODUCER MEMBERS

	<u>2017</u> <u>No. of Votes</u>	2018/2019 Biennium <u>No. of Votes</u>
AFRICA		
Benin	21	21
Cameroon	22	22
Central African Republic	21	22
Congo	22	22
Côte d'Ivoire	21	22
Democratic Republic of the Congo	22	22
Gabon	22	22
Ghana	21	22
Liberia	21	21
Madagascar	21	21
Mali	21	21
Mozambique	22	22
Togo	21	21
ASIA & PACIFIC		
Cambodia	18	19
Fiji	14	14
India	28	29
Indonesia	94	89
Malaysia	97	90
Myanmar	54	49
Papua New Guinea	39	44
Philippines	16	15
Thailand	30	37
Vietnam	16	17
LATIN AMERICA/CARIBBEAN		
Brazil	130	125
Colombia	24	24
Costa Rica	12	13
Ecuador	18	19
Guatemala	12	13
Guyana	16	16
Honduras	12	12
México	25	26
Panamá	13	13
Peru	28	29
Suriname	15	15
Trinidad and Tobago	11	11
TOTAL:	1,000	1,000

CONSUMER MEMBERS

	2017	2018/2019 Biennium
	<u>No. of Votes</u>	<u>No. of Votes</u>
Albania	10	10
Australia	16	16
China	265	278
European Union	382	375
Austria	10	10
Belgium	15	15
Bulgaria	10	10
Croatia	10	10
Cyprus	10	10
Czech Republic	11	11
Denmark	11	11
Estonia	10	10
Finland	10	10
France	33	29
Germany	19	19
Greece	11	11
Hungary	10	10
Ireland	13	13
Italy	22	22
Latvia	10	10
Lithuania	10	10
Luxembourg	10	10
Malta	10	10
Netherlands	30	29
Poland	11	11
Portugal	13	13
Romania	10	10
Slovakia	10	10
Slovenia	10	10
Spain	15	14
Sweden	11	11
United Kingdom	27	26
Japan	164	156
New Zealand	11	11
Norway	10	10
Republic of Korea	58	60
Switzerland	11	11
United States of America	73	73
TOTAL:	<u>1,000</u>	<u>1,000</u>

ADMISSION OF OBSERVERS (AGENDA ITEM 7)

23. The Chairperson drew the attention of the Council to Document ITTC(LIII)/Info.3 and Document ITTC(LIII)/Info.5. He said that, in accordance with Decision III of the Fifty-first Session of the Council, the Executive Director had reviewed the applications for observer status for compliance with requirements, and the results of this initial review (Document ITTC/LIII/Info.5) had been published on the ITTO website two weeks before the present session of the Council.
24. In the absence of objections, all observers in compliance with the guidelines according to ITTO rules were admitted as observers to the Fifty-third Session of the Council.

STATEMENT BY THE EXECUTIVE DIRECTOR (AGENDA ITEM 8)

25. The Executive Director, Dr. Gerhard Dieterle, welcomed all participants to Lima for the Fifty-third Session of the Council. He thanked SERFOR, under the leadership of Mr. Leigh, for its excellent job in preparing for the session, and also Ambassador Forsyth at the Embassy of Peru in Tokyo for his support.
26. Dr. Dieterle said that, since the Council session had last been held in Lima in 2000, Peru had made great strides in its development, achieving, for example, significant economic growth and progress in social and development indicators. In the forest sector there had been advances in forest management, land titling, and forest governance. Peru had taken important steps to reduce deforestation and restore degraded areas.
27. Dr. Dieterle said this was a crucial session for ITTO, which was coming out of the deepest crisis in its history. The Secretariat had worked hard to put ITTO back on its feet, and there was a strong sense of motivation and solidarity in the team. Dr. Dieterle thanked all members of the Secretariat, especially Dr. Steven Johnson and Dr. Gerhard Breulmann, who had made the start of his term as Executive Director so easy. He spoke about the work that the Council would do during the session, including in the permanent committees. It was worrying, he said, that the number of approved projects lapsing under the provisions of the sunset clause in the period 2014–2016 had exceeded the number of funded projects. This had implications for the countries, the Organization and the Expert Panel for Technical Appraisal of Project Proposals. He hoped that this issue would be the subject of solid discussion during the session.
28. Dr. Dieterle said new research indicated that forest degradation in the tropics was progressing much faster than anticipated, at a time when rapidly growing populations globally were demanding more goods and services. In addressing the projected demand–supply gap, productive forests and sustainable supply chains needed to be a cornerstone of the global forest climate and development agenda. ITTO and its partners were in a privileged position and had a mandate through the International Tropical Timber Agreement to support such an approach. For ITTO to play a leadership role in supporting producer and consumer countries to harness the role of sustainable productive forests and supply chains would require effective fundraising and a sound financing architecture. A starting point for this would be the modification of the Organization's biennial work programme, as well as more substantive reforms to generate the funding ITTO required to achieve its ambitious objectives.
29. Resuming his statement after a break, Dr. Dieterle highlighted some milestones in the implementation of the decisions made by the Council at its Fifty-second Session. The Organization's financial rules had been greatly improved and streamlined through Decision 4(LII), thereby strengthening accountability and internal control. ITTO has adopted and was now fully compliant with the International Public Sector Accounting Standards, IPSAS, thereby increasing transparency and accountability. ITTO had been able to make the transition to this new accounting standard within a year, and, in June 2017, the Organization had received a clean audit from the independent auditors for its 2016 financial statements. Thus, said Dr. Dieterle, it was possible to say that ITTO now had a clean slate. The financial rules had also introduced best practices for internal control, including stricter checks on approvals for the disbursement of funds and improved systems for checking compliance with rules and regulations. An internal audit system had been developed in compliance with international standards to provide assurance of the effectiveness and integrity of the controls that had been implemented. Thus, ITTO now had a solid foundation for transparent and effective financial management.
30. ITTO had made efforts to recover part of the lost funds, and it had taken measures to pursue the responsible parties involved in the investment that had led to the financial impairment. The former

management officers involved had been officially requested to return the ITTO-paid portion of their provident funds in accordance with Council Decision 9(LII). The investment advisor who had sold the failed funds had been reported to the relevant authorities and ITTO had taken legal action against him, with the court expected to reach a conclusion soon.

31. ITTO had been active in developing draft gender guidelines, which would be discussed during the week. The Secretariat had also worked with the Expert Panel on Appraisal of Project Proposals to test the guidelines on environmental and social safeguards approved at the Fifty-first Session of the Council, and these would be included from now on in the recommendations for the funding of project proposals.
32. The ITTO Secretariat had worked with the Expert Panel for Appraisal of Project Proposals to test the environmental and social safeguards approved at the Fifty-first Session of the Council. These safeguards would be applied from now on in recommendations for the funding of project proposals.
33. Dr. Dieterle said that rebuilding trust and confidence in the Organization had been a top priority in his first few months as Executive Director. He informed the Council that he had visited institutions in the host country, Japan, and liaised closely with the City of Yokohama. He had signed a memorandum of understanding with JICA to continue and expand the close collaboration between the two institutions. ITTO staff had been strongly engaged in giving lectures at local university and schools.
34. Dr. Dieterle said he had visited Peru and Brazil, confirming ITTO's keen interest in maintaining close collaboration with, and learning from, those countries, and he had signed a memorandum of understanding with the Amazon Cooperation Treaty Organization. He had been in close contact with the embassies of countries in Africa and Asia and visits to those regions were planned in the first half of 2018. Dr. Dieterle said he had also been in close contact with several consumer countries and had held a high-level dialogue with officials in China, where he also signed memoranda of understanding on collaboration with the Chinese Academy of Forestry and APFNet.
35. Dr. Dieterle reported that the chief executive officers of companies in the Shanghai Timber Trade Organization had requested support for the creation of an international green supply-chain mechanism. They had asked ITTO to help build capacities in producer countries at the level of trade organizations and governments to enable them to meet strict requirements for legality and sustainability in supply chains. Such a role for ITTO would be in keeping with its core mandate.
36. Dr. Dieterle said that ITTO had worked with other members of the Collaborative Partnership on Forests to convene the successful conference, Sustainable Wood for a Sustainable World, and was helping to organize the forthcoming International Conference on Halting Deforestation and Increasing Forest Area and the International Symposium on the Promotion of Deforestation-free Global Supply Chains to Halt Deforestation.
37. Dr. Dieterle informed the Council that he had visited the Green Climate Fund Secretariat with a view to obtaining ITTO accreditation as an implementing organization. He reported that the Green Climate Fund was very interested in collaborating with ITTO in developing a private-sector facility on forests. Nevertheless, obtaining accreditation would require the full support of the Council and of those members represented in the Green Climate Fund.
38. Dr. Dieterle said that the Organization had re-engaged with traditional and new country donors, including Japan, the USA, the European Commission and China. It would take time to ramp up funding for ITTO, he said, but he looked forward to working with donors to make it happen as quickly as possible.
39. Dr. Dieterle introduced the Assistant Director of Operations, Ms. Sheam Satkuru, to the Council, which responded with a round of applause. He also announced that Mr. Youngtae Choi, from the Republic of Korea, had started a three-year term on secondment to the ITTO Secretariat, and he thanked the Government of Korea for its generous support for this position. The Council responded with a second round of applause.
40. Dr. Dieterle then turned his attention to where ITTO might want to be in coming years and what strategic niche it could fill in the global forests regime alongside its partners in the Collaborative Partnership on Forests. He said that new scientific research showed that forest degradation had been vastly underestimated and was contributing more than two-thirds of the carbon dioxide emissions of tropical forests and that tropical forests might therefore be a net emitter of carbon dioxide. This, said

Dr. Dieterle, was a fundamental new element in the global forest and climate change agenda. It could be positive for ITTO because of the Organization's mandate to look at forest management and its associated supply chains. Other studies had showed that, without action, there would be a widening supply deficit in timber and other wood products, an issue that would be exacerbated by continued forest degradation. The conclusion was clear, therefore: it was necessary to look at forest products in the same way, and with the same urgency, as food. Without action, there would be more forest degradation and deforestation, and less substitution of high-embodied-energy materials by wood. The only way out, said Dr. Dieterle, was more legal, sustainable timber in both international and domestic markets. It was a matter of urgency for productive forests, forest landscapes and value chains to become a cornerstone of the global forest, climate and development agenda, and ITTO, with its partners, was in a privileged position to support this.

41. Dr. Dieterle said that closing the potential wood-supply gap required five essential approaches: the continued protection of high-biodiversity forests; the restoration of degraded, multipurpose forest landscapes for productive uses; investment in high-productivity forests for the production of mass-market consumer products; the sustainable, efficient management and use of existing forests; and the establishment of green and degradation- and deforestation-free supply chains to ensure legality and sustainability in domestic and international markets.
42. All five approaches, said Dr. Dieterle, were within ITTO's core mandate and represented, therefore, a great opportunity. However, ITTO suffered from underfunding and insufficient resources to carry out this work, for two possible reasons. First, the overall willingness in the global forest and climate change regime to fund forest production and trade had been affected by concerns about the sustainability and governance of contributing countries. Second, ITTO's programmes and activities suffered from fragmentation and a lack of focus. There was often incoherence between the requests of producer countries for funding and the objectives of the Strategic Action Plan, creating an inefficient process in which producer countries invested considerable energy and resources to prepare project proposals without a significant chance of receiving donor funding for them. For example, 77 project proposals had been submitted for funding between 2014 and 2016, 64 of which had not received funding. The overall situation had been aggravated by the generally unfavourable public image of forest production and the recent mismanagement of ITTO funds.
43. Re-establishing ITTO's leadership role in promoting productive tropical forests could not be done overnight, said Dr. Dieterle, but he presented several ideas that could be implemented in the short and medium terms to help do so. ITTO's information and outreach strategy needed to be proactive and fact-based, and efforts towards this end had already commenced. The budget for communication had been increased slightly in the biennial work programme, but more would be needed, for example to hire additional consulting services to build capacities and upgrade technologies within a revised communication strategy. It would also be necessary to build a coherent finance architecture to ensure a more integrated approach in which the regular project cycle, thematic programmes and biennial work programmes were more closely connected and could build synergies. Project proposals from producer countries should remain the top priority, but it would also be desirable to ensure that these were better synchronized and reinforced with unearmarked funding sources to increase global impact. This would also help increase the participation of donors in wider programmatic approaches. Dr. Dieterle suggested strengthening the Organization's monitoring and evaluation work, and its communication effort, to demonstrate how the sum of individual activities was contributing to the SDGs, the Global Forest Goals, ITTO's objectives, and the priorities of the Strategic Action Plan. Dr. Dieterle proposed that the Council should take a decision at this session to establish a working group that would, over the next 12 months, develop a proposal for simplifying ITTO's financial architecture and sharpening ITTO's role in the global forest regime. The working group could also look at ways to simplify procedures by which countries could submit funding proposals to ITTO.
44. Dr. Dieterle proposed an increased focus on landscape restoration and integrated supply chains. Part of the reason for ITTO's funding decline had been the Organization's inability to present a distinct profile; there was an opportunity now, he said, for ITTO to champion the role of productive forests and associated supply chains. It was important to look from the markets back to the forest and to work with actors on the ground. The key elements of the approach would be to more strongly support green supply-chain initiatives and procurement policies, including log and forest product tracking, and to build capacities through training and education in tropical producer countries for meeting the requirements of legal and sustainable supply chains and tracking systems. It would also be important to create a level playing field for sustainable producers through, for example, innovative financial, administrative and reputational actions. Other ITTO work, such as on the development of tools, instruments and guidelines, and CITES-listed tropical tree species, would need to continue and be strengthened.

45. Dr. Dieterle said that international and domestic trade could not be dissociated from each other. It was important, therefore, to build strong legal and sustainable supply chains in domestic, regional and international markets and to cooperate across borders as interregional trade increased.
46. Dr. Dieterle said that the future role and impact of ITTO would depend largely on the level of funding that was forthcoming. One way to scale funding to a globally significant level was to build a bid consortium with other organizations along the lines of the CGIAR model. Such a consortium would be an opportunity to bring collaboration among Collaborative Partnership on Forests partners to a new level of engagement, making use of each organization's core capacity. Dr. Dieterle requested guidance from the Council on whether ITTO should engage in developing such partnerships and funding models. At the end of his intervention, Dr. Dieterle played a short video featuring a range of ITTO partners.
47. The Chairperson invited comments from delegates.
48. The delegate of the USA thanked Dr. Dieterle for his statement and expressed appreciation for the use of evidence-based infographics, although they were quite alarming. Ten years ago, the USA had proposed the development of thematic programmes as a way of addressing some of the issues mentioned by Dr. Dieterle, such as the lack of integration, lowering the barrier to entry, and identifying themes that were attractive to donors. Nevertheless, Dr. Dieterle's graphic on green supply chains identified a relevant topic that could perhaps be developed into a thematic programme.
49. The delegate of the European Union welcomed the work done by the Executive Director and the Secretariat in addressing the financial crisis and the vision expressed by the Executive Director for the future of ITTO. The European Union continued to see ITTO as a relevant and vital forum for cooperation and partnership and would like ITTO to continue to take appropriate measures to prevent a similar crisis in the future and to regain credibility. The European Union expressed its support for the Executive Director and the Secretariat.
50. The delegate of France said that the value chains mentioned by Dr. Dieterle were very important. The concept underlying ITTO was the sustainable development of tropical forests to help trade and to anchor the protection of the resources on which it depended. Thus, France had decided to support ITTO's work by seconding a forestry expert to address the question of green value chains for timber production.
51. The delegate of Japan said he found the thoughts and ideas expressed by the Executive Director to be inspiring and ambitious. Japan would like to further digest and reflect upon them, and to engage in discussion on them during the session.
52. Dr. Dieterle thanked France for offering to second an officer to the Organization, which would help in making progress on ITTO's programme. He also agreed with the delegate of the USA that the thematic programmes and the Bali Partnership Fund embodied much of what he had been talking about, but there was still a lack of coherence in the overall approach. For example, a project proposal received under the regular work programme might be a perfect fit for one of the thematic programmes and could be financed as such, but funding streams and administrative procedures did not allow the mixing of funding sources. It was not his desire to throw overboard the existing structure but to make it more consistent and to simplify the financing architecture.
53. The delegate of the USA thanked Dr. Dieterle for his presentation and expressed support for him in his new role. The USA appreciated the update on implementation, and especially the follow-up on decisions on financial roles, transparency and the recovery of funds. The USA also appreciated the ideas expressed on how ITTO could resume its substantive work and the focus on improving communications as a way of conveying ITTO's value, and it agreed that it would be useful to continue and perhaps intensify the Organization's work on forest degradation. The USA also believed it would be important to continue emphasizing the multiple uses of forests and forest landscapes while considering how to address particular ecosystem services. It was important to highlight forest products as renewable resources, and work on legality and governance should continue. The USA fully supported the effective engagement of ITTO with other international organizations; the Collaborative Partnership on Forests had stepped up its work in recent years, and new leadership at ITTO and FAO offered new possibilities for the Partnership. There was a need for a conversation on funding, fundraising and coherence to ensure a strong resource base for projects and activities. The additional structure and information for the proposed BWP provided good linkages with the Strategic Action Plan,

the UN Strategic Plan on Forests and other frameworks, which was helpful. It was the responsibility of the Council to consolidate and streamline certain activities at this session.

54. The delegate of the USA said that other ideas of the Executive Director were useful to consider, including simplifying the project proposal process, reconsidering how donors provided their funding, and how to link to other funding processes, such as the Green Climate Fund, for example through the GFFFN, as mentioned previously by the Director of the UNFF. Nevertheless, the USA had some questions about whether simplifying project proposals would automatically lead to some of the outcomes outlined in the presentation, and there was a need to obtain a realistic match between expectations and resources. The USA also had questions about the role of ITTO as a direct service provider, as opposed to an organization that helped countries and user groups more broadly to create conditions for sustainable forest management and legal supply chains. The USA would give consideration to the proposal for a working group and what it might focus on.

REPORT OF THE INFORMAL ADVISORY GROUP (IAG) – DECISIONS 3(XXII), 5(XXVI), 2(XLIX) AND 2(LI) (AGENDA ITEM 9)

55. The Chairperson presented the report of the 31st meeting of the Informal Advisory Group (IAG), which was convened on Sunday 26 November 2017, as contained in Document ITTC(LIII)/2. Chaired by the Council Chairperson, the meeting had been attended by the Vice-Chairperson of the Council, the Chairpersons of the Committees, the Spokesperson of the Consumer Group, the Representative of the Host Government of ITTO headquarters, and the Executive Director and other senior members of the Secretariat. The full report of the IAG is contained in Annex V.
56. The IAG meeting had been opened by the Chairperson of the Council, and the Executive Director had also made opening remarks. The IAG had 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.
57. The IAG had been informed of the current status of parties to the Organization, and it had discussed the impairment of ITTO funds. The spokespersons of the caucuses had been informed of the statutory positions in the Council that were vacant.
58. The IAG had considered five draft decisions. The first four of these had been submitted by the Secretariat on: projects and activities; the biennial work programme for 2018–2019; the ITTO policy guidelines on gender equality and empowering women; and improving ITTO's fundraising and fund management policies. The fifth draft decision, submitted by the Government of Japan, addressed further measures regarding the financial impairment. On this fifth draft decision, the IAG had recommended the insertion of an additional paragraph, which had been done.
59. The IAG had been briefed on the outcome 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), and it had also been informed on the successful convening of the Expert Panel for Appraisal of Project Proposals.

There had been a discussion on the budgeting for two sessions of this Expert Panel in 2018. The Panel had convened only once in 2017 in view of the impairment and the funding available but, given the importance of projects to the mandate of the Organization, the IAG had recognized that this should not be regarded as a normal situation.

60. The Council adopted the report.

ITTO BIENNIAL WORK PROGRAMME – DECISION 9(XXXIV) AND DECISION 2(LII) (AGENDA ITEM 10)

(a) ITTO Biennial Work Programme 2015-2016, extended into 2017 – Decision 2(LII)

(i) Progress Report on the Implementation of the ITTO Biennial Work Programme

61. The Secretariat (Dr. Gerhard Breulmann) presented a progress report on the implementation of the 2015–2016 Biennial Work Programme (BWP) (Document ITTC(LIII)/5) which was extended to 2017 in accordance with Decision 2(LII). The BWP 2015–2016 contained 51 activities, of which 30 sought voluntary contributions, six were funded through the core operational budget, and 15 were routine financial activities with no cost implications. Dr. Breulmann described the progress that had been made in some of the key funded elements of the BWP 2015–2016. He noted that a total of USD 7.7 million in voluntary contributions had been sought, of which USD 3.8 million had been received in the period 2015–2016 and an additional USD 530,000 had been received at the Fifty-second Session of the Council in 2016. In total, about USD 4.4 million or 57 percent of the total voluntary contributions sought, had been forthcoming over the three-year period.
62. Dr. Breulmann explained that strategic priority 2 had received 120 percent of the amount sought. This was largely due to the ITTO–CITES Programme, for which additional pledges had been made for the third year. On the other hand, the funds forthcoming for strategic priority 1 had amounted to only 17 percent of the total funds sought. Dr. Breulmann summarized that, of the 30 activities seeking voluntary contributions, six had been fully funded, 13 had received partial funding, and 11 had received no funding.
63. The ITTO Secretariat (Mr. Ramon Carrillo) presented on ITTO's communication and outreach as part of the BWP 2015–2016 (extended to 2017) under strategic priority 5. Mr. Carrillo described the purpose of ITTO's outreach activities and summarized these, including publication of the Tropical Forest Update in three languages, several technical and policy documents and the annual report; regular updating of the ITTO website in four languages; the convening of educational initiatives, including photo exhibitions and lectures; the production of posters, flyers and calendars; the publication of a regular e-newsletter, Tropical Forest News; the posting of videos on ITTO's YouTube channel, which now hosts 50 videos; the exhibition of ITTO's work at international forums; reporting of Council sessions via the ITTO website; the development of a dedicated website to disseminate videos, presentations and outcomes of an international conference on mangroves co-organized by ITTO; the active use of social-media accounts such as Twitter, Instagram and Facebook; and other materials and actions. Mr. Carrillo informed the Council that the ITTO website was under redevelopment, and he displayed some of the test pages.
64. The delegate of the USA thanked the Secretariat for the excellent presentation on communication and outreach, saying that it was striking how much outreach ITTO was doing. She asked whether the USA would be able to view and provide feedback on the website before it went live, and whether the Secretariat had a system in place to track the metrics of who was visiting and using ITTO's social media accounts. She also asked whether a cost analysis had been conducted of the outreach that was taking place and, if so, what it had found.
65. Mr. Carrillo responded that he would be happy to provide a link to the prototype website for those who were interested in providing feedback. He said that the social-media apps have technologies for tracking data, making it possible to obtain information on who was using the accounts and which posts were most popular. Mr. Carrillo informed the Council that, in the proposed new BWP, there was an activity that would place communication and outreach within a communication strategy, and this would assist in determining the cost-effectiveness of the work and enabling the Organization to better target its key audiences and serve its members.
66. The Executive Director, Dr. Dieterle, thanked the delegate of the USA for her questions on communication and outreach. He noted that the Organization had considerable quantities of good information to share but the website was underused. Therefore, the Secretariat wanted to establish a system to enable the Organization to reach its target group with short "sound bites" of information that

would then trigger more interest. This was what had been learned from other members of the Collaborative Partnership on Forests. The Center for International Forest Research, in particular, was a leading organization for outreach and was sending information out on a daily basis. If donors could be convinced of the role of productive forests, this could be an entry point for an improved fundraising outcome.

67. The delegate of the European Union noted that, of the 30 activities in the BWP 2015–2016, 11 remained unfunded. This was important, she said, and it indicated a need to prioritize activities so that, ideally, no activities remained unfunded.

**(ii) ITTO Fellowship Programme – Decision 4(XXVII)
(1) Progress report on the ITTO Fellowship Programme**

68. The ITTO Secretariat (Mr. Ramon Carrillo) presented a progress report on the ITTO Fellowship Programme (Document ITTC(LIII)/8).

(2) Report of the Chairperson of the Fellowship Selection Panel

69. The Chairperson invited the Chair of the Fellowship Selection Panel, Dr. Zhang, to take the floor.
70. Dr. Zhang reported that the 2017 Fellowship Selection Panel was composed of three producer members and three consumer members. The Secretariat had received 137 applications and had pre-selected 46, comprising 22 from Africa, 11 from Asia and the Pacific, 12 from Latin America and the Caribbean, and 1 from Europe, for consideration by the selection panel. The panel had determined a list of recommended applicants, which was included in the panel's report to the Council. Dr. Zhang expressed the panel's thanks to the Government of the USA for its contribution of US\$50 000 for the Fellowship Programme at this session.

(iii) Draft Policy Guidelines for Achieving Gender Equality and Empowering Women

71. The Chairperson introduced a consultant, Ms. Stephanie Caswell, who presented a report on the draft ITTO Policy Guidelines for Achieving Gender Equality and Empowering Women, which was prepared as part of the BWP 2015–2016. Ms. Caswell said she had been asked to develop implementable policy guidelines that took into account the gender policies, strategies and plans of member organizations of the Collaborative Partnership on Forests, the gender requirements of the Global Environment Facility and the Green Climate Fund and their implementing organizations, and Sustainable Development Goal 5. She said she was also asked to recommend changes to the Manual for Project Formulation to help users better integrate gender considerations into project planning and design. The draft report prepared by Ms. Caswell had been circulated to members on 21 September 2017, and comments had been received from Colombia, the European Union, Finland, Madagascar, Peru, the Philippines, and the USA. Ms. Caswell had revised the document in light of these comments and the revised version was Document ITTC(LIII)/6 of this Council session. Late comments had also been received from Ecuador.
72. Ms. Caswell described the document, which comprised two parts. The guidelines focused on eight core elements related to ITTO's work and functions: ITTO policies, action plans, and thematic programmes; the ITTO project cycle; capacity-building activities; statistics and information; learning, knowledge management and communication; networking and collaboration; the internal functioning of the organization; and accountability. The policy guidelines would be operationalized through actions taken with existing resources as well as through actions supported by additional contributions. Ms. Caswell highlighted Table 4 in Document ITTC(LIII)/6, which listed 29 actions that could be undertaken to begin implementing the guidelines. The Executive Director had already taken some steps on those actions. In conclusion, Ms. Caswell said it would be a very beneficial and positive step if the Council could reach consensus on the guidelines and support and finance gender-related actions in the new BWP.
73. The delegate of Malaysia informed the Council that Malaysia had embarked on a national policy on women and a plan of action in 1989, reflecting the government's commitment to optimizing the potential of women in socioeconomic development. Malaysia welcomed the Gender Equality and Empowering Women policy and would be taking proactive measures to enhance inclusiveness and gender equality.

74. Ms. Cécile Ndjebet, speaking on behalf of the Civil Society Advisory Group (CSAG) and the African Women's Network for Community Management of Forests (REFACOF), thanked ITTO for making gender equality and women's empowerment a core issue of its institutional policy. CSAG congratulated ITTO on the draft guidelines, finding it comprehensive and clear, but had some suggestions for improvement. The section on empowering women should focus more on implementation to strengthen and measure the impact of ITTO's interventions at all levels. The scope of the thematic programmes should go beyond awareness-raising and include concrete actions and budgets for gender mainstreaming and empowering women at the ground level. There was also a need for affirmative actions in favor of women's empowerment. In Table 4 it would be more effective to include priorities for short-, medium- and long-term interventions. There was a need for clearer gender-responsive indicators for monitoring and evaluating implementation. Ms. Ndjebet said that CSAG looked forward to working with the Council and member countries to implement the guidelines.
75. Dr. Manoel Sobral Filho, Director of the United Nations Forum on Forests, noted that, last September, UN Secretary-General Mr. Gutierrez had launched the new UN strategy on gender, which was now under implementation. The ambitious goal was to reach gender parity at the senior level by 2021 and across the board in the UN system by 2028.
76. The delegate of the European Union welcomed the revised report, which, she said, contained good elements for implementing gender mainstreaming. The European Union was ready to adopt the proposed decision on the Policy Guidelines on Gender Equality and Empowering Women. The delegate of the European Union requested the Executive Director to begin implementing the guidelines as soon as possible and to report at the next Council session. She also requested the Executive Director to finalize the draft of a new Appendix D on guidelines for project-related gender analysis in the ITTO Manual for Project Formulation.
77. Ms. Caswell asked the representative of CSAG to clarify whether her comments addressed Part 1 or Part 2 of the report because Part 2 constituted the proposed guidelines and was the aspect that the Council would consider at this session. Ms. Caswell also sought clarification about the extent to which the points raised by CSAG needed to be addressed in the proposed guidelines or whether they could be handled as activities under the BWP. She also requested CSAG and others to provide specific comments on the language used in the draft guidelines.
78. The delegate of the USA agreed that it was important to approve the guidelines to demonstrate that ITTO was serious and was taking action on this issue. The USA was poised to accept the guidelines as they were now, noting that there may be a need to tweak the Manual for Project Formulation.
79. The representative of CSAG reiterated the importance of ITTO member countries aligning with gender equality and women's empowerment in their forest sectors. For example, project proposals should have well-developed and budgeted gender activities because the problem was that everyone would say that gender was included and was cross-cutting but there was usually no follow-up. Therefore, CSAG considered that project formulation and submission should be gender-responsive. Moreover, the ITTO project cycle should be reviewed to ensure that it included gender-responsive indicators.
80. Ms. Caswell sought clarification on whether the CSAG representative was suggesting strengthening Section 5, Element 2. She indicated that it would be possible to strengthen that section.
81. The Executive Director commented that the guidelines were intended as a living document. Therefore, when project proposals were received, the gender aspect should be screened in the same way as environmental and social aspects were considered. The Secretariat would advise project managers to look at gender issues in project implementation, and gender would also be addressed in ex-post evaluations and other monitoring activities. Thus, gender would be considered continuously through a project's duration.

(b) Draft ITTO Biennial Work Programme 2018–2019

82. The Secretariat (Dr. Gerhard Breulmann) indicated that inputs had been received from several member countries to the draft BWP, as well as comments and inputs from TAG and CSAG. He outlined the structure of the BWP, with activities divided into five groups: 1) field-oriented activities with engagement of work in member countries; 2) normative work on policy guidelines; 2) collaborative work with other organizations or initiatives; 4) communication and outreach; and 5) analytical, statistical and other recurring work. In addition, the BWP included financial and administrative activities with no cost implications. Each proposed activity in the five groups referred to the strategic priorities of

the Strategic Action Plan, as well as to the Global Forest Goals and the UN Strategic Plan on Forests and therefore the Sustainable Development Goals. The annex contained the terms of reference of each proposed activity.

83. Dr. Breulmann said that the new BWP contained 18 activities seeking voluntary contributions, seven activities that would be funded from the core operational budget, one activity that would be funded by a European Union grant, and 15 administrative and financial activities without cost implications. The BWP sought USD 7.83 million in voluntary contributions over the two-year period, and it also included operational costs of USD 1.84 million and funds from other sources of USD 200 000, making a total of USD 9.87 million.
84. Dr. Breulmann provided descriptions of the activities and invited the Executive Director to comment on the proposed BWP 2018–2019.
85. Dr. Dieterle explained that the new format used in the draft BWP 2018–2019 was an effort to apply an internal logic and to build logically on ITTO's mandate and its core objectives. Group 1 focused on ITTO's role in establishing green and sustainable supply chains and thereby linking markets with forest management. Activities in Group 2 would help focus landscape restoration on the role of productive elements in landscapes because such restoration would only succeed if people living on the ground receive an economic benefit. Dr. Dieterle noted important aspects of Group 3 and 4. He said that Group 5 constituted a core strength of the Organization, which was to produce relevant data on forest product markets and trade. The ongoing provision of such information and statistics was essential.
86. Dr. Dieterle finished his intervention by suggesting that the draft BWP met the European Union's request to be more strategic and to set priorities. Some proposals that had not been funded in the past had been omitted, but others had been re-proposed because of their importance. There were also new activities that reflect a reorientation of the Organization's work to make it an important player at the international level.
87. The delegate of the European Union said her delegation strongly welcomed the linkage made between the BWP and the UN Strategic Plan on Forests. She noted, however, that the new BWP reduced the number of field-oriented activities while maintaining the same level of ambition of the previous BWP. Given that the Organization was in the first phase of financial recovery, the European Union would favor focusing on fewer activities, thereby increasing the chance of funding. Moreover, it was important to ensure that the BWP was in line with the human resources available in the Secretariat. The European Union was pleased that the independent market monitoring had resumed in 2017; it was an important project that would continue until 2020. The European Union strongly supported the work done in collaboration with the Collaborative Partnership on Forests, the United Nations Forum on Forests, and others. It also supported the proposal to prepare a new ITTO Strategic Action Plan, activities on sustainable supply chains, the involvement of the private sector, and the development of a communication strategy. The European Union believed that ITTO should become the global platform for facilitating global supply chains of legal and sustainable timber, including improved knowledge on verification, timber identification, and tracking tools. The European Union would support the activity related to the international conference on halting deforestation, and it believed ITTO work on the 2019 SFM Tropics report was important. On activity 12, related to the prevention and management of fire, the suggested outputs were too weak.
88. The delegate of Japan welcomed the incorporation of green-growth initiatives and the development of supply chains for legal and sustainable forest products in activities in the proposed BWP. He informed the Council that Japan would be hosting an international symposium on the promotion of deforestation-free global supply chains in January next year in collaboration with ITTO. The outcome of the symposium would be brought to the international conference on halting deforestation and increasing forest area, which would be hosted at FAO headquarters next February. Japan requested the Secretariat to ensure the appropriate management of the BWP, accompanied by regular reporting on progress in terms of both its substantive content and financial status.
89. The delegate of the USA said that the BWP's new structure was helpful, as was the addition of a summary table. She said that the focus of Activity 1 should be on creating meaningful change in supply chains; she would be interested to know what contributions the World Bank might make. On Activity 5, it would be important to provide technical support to the CITES Secretariat. On Activity 8(b), it would be worthwhile to explore opportunities for co-funding by FLEGT and African timber organizations. For Activity 10(a), the consultant had done a solid job in developing implementable guidelines and the budget for this item could be reduced. The budget might also be reduced for

Activity 11. On Activity 16, the delegate of the USA said that consultants had previously been employed to look at fundraising, and the USA would prefer that the bulk of funding on this element would be put towards implementing recommendations contained in earlier reports. She requested clarification on the training costs included in that item. It might be possible to introduce cost savings on Activity 17, such as by reducing the number of editions. On Activity 21 it was necessary to consider the number or expert panels that should be held in the biennium. Given the Organization's financial situation, it would be appropriate to consider a reduction in the budget of Activity 22. The USA joined with the European Union in indicating strong support for collaboration with other organizations. On some other activities, including activities 1 and 2, the USA delegation had questions about how to ensure that these had an impact for all members. In addressing some of the ideas expressed previously by the Executive Director, the BWP could be used to improve communication and outreach; branding could be considered in the process of developing a new strategic action plan; a consultant could usefully add extra analysis of the Executive Director's ideas on landscape restoration and integrated supply chains; and a consultant could also generate a draft strategic action plan that incorporated the Executive Director's ideas for consideration by members, including in a working group.

90. The delegate of China expressed support for ITTO's mission to encourage green supply chains. He informed the Council that, at China's 19th National Congress in the last month, President Xi Jinping had indicated a need to speed up the reform of the system for developing an ecological civilization, including stringent protection of the environment and the establishment of a diversified market-based mechanism for ecological compensation. China would work with other countries to build a community with a shared future. China would host the International Export Expo next November to facilitate the entry of goods for countries worldwide into China and other countries. China looked forward to ITTO's support in this endeavor and would welcome the participation of all delegations and timber trade companies.
91. In response to a query from the delegate of the USA, the Executive Director said that Activity 1 would be a strategic collaboration between FAO, the World Bank and ITTO and would be co-financed. Funds were already available through the Climate Investment Funds for this activity. Additional funds from ITTO would make it a significant new initiative because forest financing was an important issue that required innovative approaches.
92. The delegate of the USA thanked the Executive Director for this explanation and asked for clarification on ITTO's specific role in the case studies.
93. The Executive Director said that ITTO's role would be to work with the Organization's producer member countries to establish the link between forest work on the ground and macroeconomic discussions. ITTO's contribution would enable the collection of local data that would feed into the development of incentive mechanisms.

ENHANCING COOPERATION BETWEEN ITTO AND CITES – DECISIONS 3(XVI), 7(XXXIV), 2(XXXVII) AND 5(XLVI) (AGENDA ITEM 11)

(a) CITES Listing Proposals by Members – Decision 3(XVI)

94. The Secretariat (Dr. Steven Johnson) informed the Council that no proposals had been brought to the Secretariat for new listings of tree species on the CITES Appendices.

(b) Report on the Implementation of the ITTO-CITES Programme

95. The Secretariat (Dr. Steven Johnson) presented Document ITTC(LIII)/4. He recapped that the ITTO-CITES Programme had been running for many years in two phases. The second phase had been funded by a grant of EUR 5 million from the European Commission and an additional USD 3 million from other donors, namely China, Germany, the Netherlands, New Zealand, Norway, Switzerland, the USA, the private sector, and the Bali Partnership Fund. By its close in 2016, the programme's second phase had completed implementation of more than 40 activities in ITTO member countries in the three tropical regions. Demand for support from the programme had increased in line with the increasing number of timber species listed in the CITES Appendices. A final report and financial statement had been submitted to the European Commission, and the final payment under the contract was expected soon.
96. Dr. Johnson said that the cooperation fostered through the ITTO-CITES Programme had created a strong strategic alliance that benefited many tropical tree species beyond those listed in the CITES

Appendices. Sustainable tropical forest management was a goal of both ITTO and CITES, and both organizations perceived the cooperation as positive. In light of ITTO's financial impairment, however, the European Union had decided it could not continue to support ITTO work on CITES-listed tree species and instead made a grant for further work in this area directly to the CITES Secretariat. Although ITTO regretted losing this direct support, said Dr. Johnson, it looked forward to continuing its active collaboration with the CITES Secretariat. ITTO was already working with CITES to help launch the new CITES Tree Species Programme and was about to sign a contract to provide for ITTO's input into it.

97. Dr. Johnson invited Dr. Milena Sosa Schmidt from the CITES Secretariat to make some additional comments. Dr. Sosa Schmidt said that, in July 2017, the European Commission and the CITES Secretariat had announced a significant financial contribution of EUR 8 million by the European Union to support the sustainable management of tree species through CITES and the conservation of African elephants. An amount of EUR 7 million had been earmarked to support the CITES Tree Species Programme, and the funds would provide financial support to 25 exporting range States of CITES-listed tree species in Africa, Asia and Latin America. Dr. Sosa Schmidt informed the Council that more than 900 tree species, of which many were highly valuable in international trade, were listed on the CITES Appendices. Through the CITES Tree Species Programme, countries would be assisted in taking conservation and management measures to ensure that the trade of timbers, bark, oils and other products from CITES-listed tree species was sustainable, legal and traceable. CITES would work closely with ITTO and other partners in implementing the CITES Tree Species Programme. The first call for proposals under the programme had been made last August to all countries in Africa, Asia and Central and South America and the Caribbean, with countries invited to submit proposals by 15 October. The 68 project summaries received from 41 countries covered a range of CITES priority areas, such as the formulation of non-detriment findings; marking and traceability; tree product identification; and capacity building. The CITES Secretariat and the programme team, assisted by the ITTO Secretariat, had evaluated the 68 proposals, using a set of criteria prepared and agreed with the European Commission as the programme's donor. It was agreed that, with the available funding, 18 proposals would be fully prepared by 31 January 2018. The total value of the 68 proposals was USD 14 million, and current available funding for national projects under the programme was about USD 5 million. Dr. Sosa Schmidt invited interested donors to consider contributing further funds through CITES or ITTO. New donors would become members of the programme's advisory committee, affording them the opportunity to closely follow the progress made.
98. The delegate of Peru thanked ITTO and CITES for helping his country implement projects that had enabled it to maintain authorized limits and volumes of exported species. He described some of the information that had been gained from a project conducted under the ITTO–CITES Programme on the management of mahogany and cedar. Nevertheless, he said, additional studies were needed, such as the evaluation of the recovery of natural populations of the two species, as well as on wood traceability. Peru would be grateful for further support and financing to enable these projects.
99. The delegate of the European Union said that the European Union was pleased to note that the ITTO–CITES Programme had completed more than 40 activities in its phase 2, and also that phase 3 had now begun. The programme was vital, he said, to support producer countries in implementing the new rosewood listings adopted in 2016 at the 17th CITES Conference of the Parties. The European Union, through the European Commission, would contribute USD 7 million to phase 3, and he encouraged other members to consider providing financial contributions. Although the CITES Secretariat was now the implementing agency for the European Union, it expected ITTO to remain a key partner. Active collaboration between the two organizations was required to achieve the objectives.
100. The delegate of Cameroon informed the Council that his country had received significant support for a project regarding the management of *Pericopsis elata*, which was listed in CITES Appendix II. With the project completed, it was possible to trade the species without detriment to its survival.
101. The delegate of the USA said that her country remained interested in ensuring the successful implementation of CITES tree species listings. The USA had consistently supported and contributed to the ITTO–CITES Programme and its advisory board for the past eleven years. It was unfortunate that the programme's phase 3 had been removed from ITTO's execution after two successful phases. ITTO had facilitated the initial success stories of this programme, created thoughtful outreach communication tools, and crafted a third phase. Despite ITTO's financial impairment, the ITTO–CITES Programme had been administered carefully and efficiently. ITTO had been instrumental in the action to protect tree species traded under CITES. ITTO's long-term technical expertise and direct connections with key forest actors on the ground enabled effective support and oversight of the

programme. ITTO could contribute to the CITES Tree Species Programme's new focus areas, including market transparency and market information. It was well suited to conduct studies on timber trade. Given that the joint programme started in ITTO, ITTO members and donors through ITTO would expect a voice in the process. Proposals should undergo appropriate scientific peer review. The USA intended to support CITES cooperation through contributions to ITTO in the BWP 2018–2019. The USA looked forward to a conversation with the European Commission and other donors on moving forward on phase 3 and to working with the CITES Tree Species Programme, its advisory board, the European Commission, the CITES and ITTO secretariats, and all partner countries.

102. The delegate of Panama said that Panama had submitted proposals to the CITES Tree Species Programme related to mahogany (*Swietenia macrophylla*) and rosewood (*Dalbergia* spp.). He requested that additional funds be made available so that all proposals could be funded.

PROGRESS REPORT ON THE IMPLEMENTATION OF THE ITTO THEMATIC PROGRAMMES (AGENDA ITEM 12)

103. The ITTO Secretariat (Dr. Gerhard Breulmann) presented a progress report on the implementation of the ITTO Thematic Programmes, as contained in Document ITTC(LIII)/10.
104. Under the Thematic Programmes, a total of 79 projects had been approved for funding, comprising 29 projects under TFLET, 31 under REDDES, five under CFME and 14 under TMT. The Thematic Programme on IDE had received no pledges, so there were no projects under that programme.
105. Of the 79 projects approved, 65 had been completed, including 14 projects in the current reporting period. Seven projects were ongoing, and three projects had been terminated in accordance with Decision LII/XXX. Four approved projects had become sunset.
106. Dr. Breulmann recapped the funding that had been received for each thematic programme. The pooled account was now virtually empty. Eight projects had been affected by the financial impairment: three had been terminated, the budgets had been cut by 10 percent for four projects and by 17 percent for one project.
107. Dr. Breulmann highlighted the achievements of several projects and their contributions to the achievement of the objectives of the respective thematic programmes.
108. The delegate of China said that project TMT-SPD 023/15 Rev.1 (M) 'Supporting SMEs and importers of tropical timber for better understanding of CITES and the need to comply with CITES rules in China', had increased awareness on CITES domestically. For example, the number of registered users of a mobile website set up to spread CITES-related information had increased from about 1000 registered users before the project to more than 5000 today. The website was updated daily with CITES-related information, news and timber trade information. The platform had also proved useful for research institutions, companies and the government.
109. The delegate of Papua New Guinea said that the TFLET project in his country on chain of custody had been terminated. This project was very important, he said, in helping Papua New Guinea address illegality, and it would also complement the outcome of a FLEGT project. The country was in the process of developing a timber legality standard. He asked the Council if there were options for reconsidering the termination of this project.
110. The delegate of Cameroon thanked the Council for its support for the project, which had enabled the country to establish a database on the management of *Pericopsis elata* in Cameroon in order to meet the requirements of the CITES listing.
111. The delegate of Japan said his country was contributing to the TFLET and REDDES thematic programmes. For example, TFL-PD 044 had achieved significant results in capacity development and had thereby contributed to the prevention and control of illegal logging and trade. Project RED-PD 029/09 had developed and implemented participatory systems for monitoring forest cover in the Amazon and strengthened the existing platform for forest management and regional coordination. The delegate of Japan said, however, that the Council should review the timing of project proposals.
112. The delegate of Cameroon referred to a project in eastern Cameroon, which had allowed communities to fight against the illegal exploitation of their community forest. The project had enabled the establishment of a traceability system to guarantee the legal origin of timber coming from the

community forest. There had been several problems with the project, however, and the project had been terminated because of a lack of a financial audit, which had been delayed due to a procedural problem.

113. The delegate of the European Union said that the European Union had welcomed the introduction of the thematic programmes alongside traditional project activities as a way to help ITTO achieve greater focus and impact in its activities. The thematic programmes had initially proved effective in mobilizing resources, but no new pledges had been received since the previous Council session. Given that ITTO was in a financial recovery process, the European Union would like to know whether efforts would be taken to mobilize additional funding for the thematic programmes. Although the report had been comprehensive regarding project implementation, the European Union was concerned that essentially it was a compilation of individual activities funded through thematic programmes. The delegate of the European Union reiterated the call for a more results-oriented report dealing with the various thematic programmes as a coherent set of activities under the Strategic Action Plan, the Sustainable Development Goals and the UN Strategic Plan on Forests. Finally, the delegate of the European Union noted that the Industry Development and Efficiency thematic programme continued to remain unfunded in its entirety and wondered whether it should be discontinued.
114. Dr. Breulmann said that, in terms of taking a more coherent approach to reporting on the thematic programmes, this required the selection of more coherent projects. This was one of the issues addressed by the Executive Director in his interventions, when he had indicated a need to seek a more coherent process that united the thematic programmes, the regular cycle and other mechanisms.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (AGENDA ITEM 13)

a) Pledges to the Special Account and the Bali Partnership Fund

115. The Chairperson invited members and observers to announce any new contributions they might wish to pledge to the Special Account and the Bali Partnership Fund.
116. The delegate of Germany said that Germany was preparing to contribute to item 4 of the BWP referred to as the teak project, to the amount of USD 1.000.000. This was intended to act as a nucleus and would preferably be used for transnational teak activities in Myanmar and Thailand, for example.
117. The delegate of Japan expressed regret that Japan was not yet in a position to make new pledges for project funding at this Council session. Since last June, Japan's National Audit Board had been looking into the Organization's funds management and its auditing had accelerated after the previous Council session, when the Organization's financial impairment had received press coverage. The National Audit Board had issued a report on the mismanagement of the national budget, which found that the impairment was a disgrace. The report had criticized the Foreign Ministry and the Forestry Agency for overlooking the loss of USD 6 million, which had clearly been specified in ITTO's financial statement for 2014. The Board had further commented that negligence by the ministry and the agency had caused delays in detecting the problem. The board had reprimanded the two institutions. Notwithstanding this, any decisions by the Government of Japan on future contributions to ITTO had necessarily to wait for the Board's judgement. Given that the Board's report only came out in November, and because, in Japan, the entry of items for the next fiscal year's budget was allowed only until August each year, it was not possible for Japan to prepare financial resources for project funding prior to the present Council session. When the funding issue had first been brought to the attention of the Council at its Fifty-first Session, it had barely been possible to persuade the government to release the budget that had already been prepared in advance of that session. Japan had made new voluntary contributions of USD 2.7 million in February 2016. In April that year, Japan had requested the Secretariat to reallocate remaining funds from the projects sponsored by Japan and which had been completed before the impairment had occurred. That reallocation of funds had amounted to USD 1.4 million, enabling several new projects to start and contributions to the Fellowship Programme. Shortly after making these financial contributions, however, the additional loss of USD 12 million had come to light. Having been a top donor in project funds, Japan was impacted most; therefore, it might take longer for Japan to recover from the aftereffects than for some other donors.
118. The delegate of Japan, speaking personally, said he hoped Japan would be able to resume voluntary contributions in the near future, and he was willing to make the utmost efforts within his personal authority to that end. It would be necessary to convince his political masters that the ITTO leadership was taking seriously the adverse impacts caused by the loss of funds to donors, including Japan. If it could be proved that the interests of taxpayers would never be harmed again, the path might be open

before long. Indeed, Japan was continuing to support ITTO activities, including by jointly convening a symposium with ITTO next January. This and other efforts were modest, but promising for the future.

119. The delegate of Japan said he appreciated the acknowledgement of Japan's contributions to project funding made by many delegations. He reiterated that the pursuit of liabilities of the former staff members was crucial in the context of Japan's future financial contributions. Before the release of the National Audit Board report, he said, people at the highest level of government had required a further briefing on ITTO's losses. The instruction had been for Japan, in cooperation with other ITTO members, to continue requesting the former staff members to make voluntary repayments while further exploring the possibility of taking legal actions to pursue their liabilities. The question had even been raised about whether it was appropriate that the Council did not make criminal complaints against the former staff members. It had been explained that this decision had been made in light of the findings of the independent investigations carried out under the Oversight Committee. Japan, therefore, strongly wished that the Council would reconfirm and update Decision 5(LII) in the form of a draft decision under Agenda Item 21.
120. The delegate of China informed the Council that China had contributed USD 100.000 of voluntary contributions to ITTO's Special Account.
121. The delegate of the USA said that her country saw the new BWP as an opportunity to reinvigorate the purpose of the Organization. The priorities for the USA this year included participation by stakeholder groups, support for international collaboration, especially the Collaborative Partnership on Forests, support for emerging leaders through the Fellowship Programme, and support for specific projects in producer countries. The USA was also providing support for activities prepared by the new Executive Director as an indication of support for his leadership. The USA would make the following contributions to ITTO through the BWP:
 - USD 50.000 for Activity 1 'Incentives for green growth value-chain investments in tropical forests';
 - USD 75.000 for Activity 3 'Strengthening participation of the private sector in the Work of ITTO: Industry-led legality compliance/due care training', noting that the World Resources Institute had also indicated it would provide, in kind, matching funding as well as technical expertise to scale up this project to other ITTO member countries;
 - USD 200.000 for Activity 6 'Enhance cooperation between ITTO and CITES';
 - USD 25.000 to support the operationalization of the gender guidelines;
 - USD 25.000 to support continued engagement in the Collaborative Partnership on Forests;
 - USD 40.000 to encourage the strong participation of the private sector and civil society through the advisory groups;
 - USD 50.000 for the Fellowship Programme;
 - USD 50.000 for pre-project PPD 189/17 Rev.1 (F) 'Development of a Full Project Proposal to Generate Tools to Ensure the Establishment of Timber Forest Species through Natural Regeneration in the Province of Tahuamanu, Peru';
 - USD 50.000 for project PD 815/16 Rev.2 (I) 'Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam'; and
 - USD 80.000 for project PD 796/15 Rev.2 (M) 'Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon'.
122. The delegate of the USA said that, with this support, the USA hoped to see ITTO resume its substantive work and to leverage additional contributions from other donors and from executing partners.
123. The delegate of the Republic of Korea informed the Council that it would contribute USD 40.000.
124. The Chairperson thanked the USA, Germany, China and the Republic of Korea for their contributions. He noted that Finland, the Netherlands and Japan had requested the Secretariat to also use their funds to support certain activities, including the Fellowship Programme. Those donors who continued to contribute were showing that they had not lost hope and that they believed in the Organization's objectives, the new leadership, and the Organization as a whole.

b) Report of the Panel on Sub-Account B of the Bali Partnership Fund

125. The Chairperson introduced the report of the Panel on Sub-Account B of the Bali Partnership Fund (Document ITTC(LIII)/11). There being no comments from the floor, the Council adopted the report.

126. The Producer Spokesperson said that the Producer Caucus had discussed the issue of the non-funding of projects and wanted to inform the Council of its concern that projects were being submitted and were accumulating without funding. Producer countries were wondering whether the Expert Panel for Appraisal of Project Proposals was needed, given that projects were frozen because of a lack of funds. Producer countries, therefore, requested consumer countries to make a declaration to reassure the Council of continuity on project funding. The producer countries also proposed a freeze on the sunset clause for unfunded projects until the situation was normalized. Moreover, producer countries requested a redrafting of the proposed decision on fundraising to include an element on capacity building to enable countries to gain access to other funds.
127. The delegate of Costa Rica strongly supported the statement by the Producer Spokesperson. He said that access to project funding was an important reason why producer countries supported ITTO. Therefore, project financing should be a priority for the Organization.
128. The delegate of Peru also expressed full agreement with the statement made by the Producer Spokesperson. The Organization's financial crisis had been worrisome, but three years had now elapsed and new contributions should have been forthcoming by now. He expressed the view that the Expert Panel on Appraisal of Project Proposals was an effective mechanism, but it needed to be in alignment with a demonstration by donors that it would be possible to finance projects that had already been approved or were now in the pipeline. His delegation, therefore, made a special appeal to donors to give a clear indication of what to expect in the near future in terms of project financing. The delegate of Peru also agreed that the sunset clause for approved but unfunded projects should be delayed so that such projects did not become obsolete.
129. The Chairperson said that producer countries had raised the issue of the funding gap between projects submitted and the funding available for them. He recalled that this was one of the issues he had raised in his opening statement. He agreed with the delegate of Costa Rica that a lack of project funding would inevitably weaken the capacity of producer countries to maintain support for the Organization, which would be a blow for the Organization as a whole. He said that the financial impairment was undoubtedly a significant contributor to the lack of financing but it had also been an issue before that. He invited consumers to provide a reassuring message.
130. The Executive Director said that the fact that there were so many project proposals on the table and a lack of response from the donor community indicated that there was a structural problem. This was why the Secretariat had suggested looking at the issue in a structured way through a working group that would examine fundraising and seek ways of matching the needs of producers with the funding guidelines and processes of the donor community.
131. The delegate of Peru agreed that there was a need to set up such a working group, comprising representatives of consumers and producers. In the meantime, however, financing was needed to implement ITTO's many guidelines, criteria and standards in the field.
132. The Chairperson indicated that it would not be possible to resolve the issue at this session, but the concerns raised by producer countries would be reflected in the report of the session. Moreover, the report of the working group would help in finding a solution.

ITTO COLLABORATION WITH OTHER ORGANIZATIONS/INITIATIVES (AGENDA ITEM 14)

133. Dr. Eva Müller (Food and Agriculture Organization of the United Nations - FAO) said FAO and ITTO had been longstanding partners, both bilaterally and in the context of the Collaborative Partnership on Forests. For example, FAO and ITTO had been working together for a long time on statistical capacity-building workshops, criteria and indicators, and the Collaborative Forest Resources Questionnaire. One new area of potential collaborative work was on sustainable forest product value chains, which was a means to realize the potential of wood products to contribute to achieving the Sustainable Development Goals and their role in the context of climate change. Dr. Müller referred to a recent conference held at FAO headquarters organized jointly by FAO, ITTO and other partners, "Sustainable Wood for a Sustainable World", and she mentioned some of the key messages to emerge from it. She hoped that, from this conference, an initiative would emerge in which FAO, ITTO and others would work together in establishing wood value chains as an important component of sustainable development, the mitigation of climate change, and sustainable livelihoods. Dr. Müller said that the work plan that the Collaborative Partnership on Forests would submit to the 13th Session of the United Nations Forum on Forests included a number of joint initiatives. One of these was an initiative on landscape restoration, supported by the Global Environment Facility under the leadership of IUCN.

Another was the International Conference on Halting Deforestation and Increasing Forest Cover, which she had mentioned in her opening statement. She hoped the conference would bring together participants in forestry and from the agriculture, livestock, land and water, and fisheries sectors, including the private sector. ITTO would lead the development of two of the conference's thematic sessions - on forest products, value chains and bio-economy and on valuing forest ecosystem services.

134. Mr. Michael Kleine (International Union of Forest Research Organizations - IUFRO) said that IUFRO, which had been founded in 1892, was the only network with global scope for cooperation on science. It united 15 000 scientists in over 650 member organizations in 126 countries. IUFRO's mission was to advance research excellence and knowledge sharing and to foster the development of science-based solutions to forest-related challenges. Mr. Kleine outlined IUFRO's structure, and he described recent collaboration between ITTO, FAO, Teaknet and IUFRO, which had started with an ex-post evaluation of an ITTO project in Myanmar and expanded into a global study on teak. This was just an example of the many opportunities for collaboration between the scientific community and ITTO's programmes.
135. The Secretariat (Dr. Hwan Ok Ma) presented a report on collaboration between ITTO and the Convention on Biological Diversity (CBD). Dr. Ma introduced a video message from Mr. David Cooper, who spoke on behalf of Ms. Cristiana Paşca Palmer, CBD Executive Secretary. Mr. Cooper said that ITTO and the CBD had been working on a joint initiative since 2010, under which 16 projects in 26 countries had been developed. He was proud, he said, to present an example of an outcome of the collaboration, a joint publication called "The Bright Green Hotspot: Outcomes of the Emerald Triangle Protected Forests Complex Project, 2000-2016". Mr. Cooper expressed thanks to the ITTO Secretariat for its continued collaboration and strong partnership with the CBD. The CBD was committed, he said, to continuing and strengthening the joint initiative and to accelerating efforts towards the CBD's 2020 targets.
136. Dr. Ma provided a background on the joint initiative and described some of the ongoing projects that were included in the initiative. He played a video produced by a project implemented in Guatemala. He then launched the "Bright Green Hotspot" report.
137. The delegate of Thailand said that the Emerald Triangle protected forest was one of the most biodiverse landscapes in Southeast Asia. It provided habitat for several critically endangered species and was home to many people, whose cultures were deeply attached to the environment and whose livelihoods were highly dependent on natural resources. The delegate of Thailand thanked ITTO, which had funded the project from its first phase in 2000 to its third phase, for encouraging greater cooperation between Cambodia, Lao PDR and Thailand in the management of the Emerald Triangle. He also thanked the donors, which had included, over the life of the project, the USA, Switzerland and Japan.
138. The delegate of Guatemala said that one of the projects under the joint initiative was ending in his country. This project, on the integrated management of natural resources and biodiversity in the Takana Volcano region, had achieved very good results and had fully met its objectives. The project had been conducted in collaboration with the Government of Mexico and its institutions, and he encouraged the continuation of the programme given its positive results. He thanked the USA and Japan for their contributions to the project. Finally, he said that the Government of Guatemala had submitted to ITTO a proposal for a second phase of the project.
139. The delegate of Malaysia referred to project PD 635/12 Rev.2 (F) on the management of Pulong Tau National Park buffer zone undertaken as part of the ITTO-CBD joint initiative. He described some of the key outcomes of the project, which had been completed successfully with a total budget of USD 1.4 million.
140. The delegate of Benin described project PD754/14 Rev.3 (F), also undertaken as part of the ITTO-CBD joint initiative, to restore and sustainably manage sacred forests on Ramsar sites 1017 and 1018 in Benin. The project, which had benefited from funding from Japan, had commenced recently.
141. The delegate of Indonesia informed the Council that two projects had been conducted in Indonesia under the ITTO-CBD joint initiative. Indonesia looked forward to continuing ITTO-CBD collaboration in the country.
142. The delegate of Japan noted that the UN Forest Strategy aimed to increase the world's forest area by 3 percent by 2030. To this end, the Collaborative Partnership on Forests would be convening a meeting in February in Rome, Italy, to address halting deforestation and increasing forest area. The

International Symposium on the Promotion of Deforestation-Free Global Supply Chains for Contributing to Halt Deforestation would be held in Tokyo, Japan, in January, in cooperation with ITTO and FAO, and its outcomes would be reported at the Rome meeting.

IMPAIRMENT OF ITTO FUNDS – DECISION 5(LII) AND DECISION 6(LII) (AGENDA ITEM 15)

143. The Chairperson invited the Secretariat to present on this item.
144. The ITTO Secretariat (Dr. Steven Johnson) presented Document ITTC(LIII)/12. The Oversight Committee had made several recommendations, which had been presented at the Fifty-second Session of the Council and which had formed the basis of several key Council decisions dealing with the impairment of funds. Decision 6(LII) had been adopted to set guidelines for addressing the financial shortfall, and it authorized the Secretariat to take several steps, including using internal reserves, requesting members to contribute additional resources, and administering a budget cut to projects to allow them to restart using the resources available.
145. Dr. Johnson summarized the situation before the impairment: a total of USD 18 million had been invested, and there had been USD 18 million dollars of commitments in projects and activities. After the impairment of funds in April 2016 it had been determined that the Ardent Fund had gone into liquidation and the return of any of the invested funds—USD 12 million—was unlikely. The previous management had discovered in 2013 that the LM Fund had gone bankrupt, and the Council had been informed of this at the end of 2016. In December 2016, therefore, immediately after the Council session, the Secretariat had worked on implementing Decision 6(LII). It was known that total reserves amounted to USD 10.9 million. Of this, the Special Account amounted to USD 5.25 million, comprising USD 2.8 million of un-earmarked funds in the Bali Partnership Fund, USD 800.000 from the thematic programmes, USD 800.000 for programme support, and USD 800.000 of pooled funds for ex-post evaluations. In addition, the Administrative Account had an interest income reserve of USD 1.66 million, and the Council had authorized the use of USD 4 million from the Working Capital Reserve, which mainly comprised payments of administrative budget contributions by members who were in arrears. Thus, the total amount available was USD 10.9 million. The Organization owed slightly more than USD 18 million to projects and activities that had been approved by the Council; the gap, therefore, was just over USD 7 million. The next step, in December 2017, was to write off projects that had been completed but for which the step to contact donors and return unspent funds to them had not been taken. In about 2013, the previous management had decided to stop processing completed projects, so there was a total of almost USD 3.8 million dollars in projects that had been completed for which there were no more contractual obligations to provide funding to implementing agencies: either the executing agencies had not spent all the money, or the funds were for monitoring and evaluation that usually would have gone into the ex-post pooled fund. Thus, the USD 3.8 million reduced ITTO's commitment to USD 14.2 million, leaving a gap of about USD 3.3 million to be filled.
146. Having gone through this process, said Dr. Johnson, the terms of the decision allowed the closing down of projects that hadn't commenced more than two years after funding. A couple of projects were in this category, with a total value of about one-quarter of a million dollars; moreover, the Secretariat closed all activities in the Biennial Work Programme for which there were no contractual commitments, for a total of USD 1.1 million. Thus, the gap between the resources available and commitments had been reduced to about USD 1.5 million.
147. The next step was to look at those projects and activities that the Council had decided should be non-impacted by the impairment, which added up to about USD 3.3 million, including projects covered by an exchange of notes between the Government of Japan and ITTO (about USD 2.5 million), projects covered by explicit contracts between the European Union or the European Commission and ITTO (about USD 0.5 million) and reimbursements to projects that had legitimately incurred expenses before the decision had been taken (about USD 300 000). After this process it was concluded that a "haircut" needed to be applied to the value of USD 1.5 million to fewer than 40 projects with a total budget of about USD 9.07 million. The maximum haircut, therefore, would be 17 percent. However, the decision also called on members to make resources available to deal with the problem, and ITTO had donor funds in its accounts that had been left for often very long periods with no instructions on how to use or allocate those funds. The Secretariat had sent a series of letters, starting in early December 2016, to relevant donors asking them to consider making those funds available or otherwise providing instructions on the use of the funds. In total, these funds amounted to about USD 600 000; if all the funds had been available, this would have reduced the haircut to 10 percent. Thus, it was clear that the eventual haircut would be in the range of 10–17 percent.

148. In December 2016, the Secretariat had sent letters to all affected projects and implementing agencies, informing them that they would receive a haircut of between 10 and 17 percent. The Secretariat had taken the decision that the full 17 percent would be levied on all those projects awaiting their final payments because there would be no chance for a further haircut after the final payment. Projects with multiple payments remaining were informed that a 10 percent haircut would be applied to the next payment, with the possibility of an additional haircut later if additional resources were not forthcoming. By January, funds had been received from Australia, Japan, New Zealand, Sweden and the USA, amounting to about USD 300 000, further increasing available funds to USD 7.87 million and reducing the gap that needed to be covered by the haircut. Also in January, a project was terminated for failing to meet reporting requirements for more than two years—that project had been put on notice before the previous Council session and had never submitted any audit reports or progress reports. Thus, that money was no longer an obligation for ITTO, reducing commitments by a further USD 270 000. Thus, without taking any of the haircuts into account, it was only necessary to make up USD 930.000.
149. In March 2017 there was further good news, with the Common Fund for Commodities refunding the Organization an amount of USD 110 000 that had not been received for monitoring and evaluation and programme support for a project in Africa that had been terminated. The decision was made to apply this amount to the problem caused by the impairment, reducing the gap to just over USD 800.000. In April 2017 it was decided that it would not be necessary to apply any additional haircuts: sufficient resources were available to meet all remaining financial commitments, given the haircuts that had already been advised - either 17 percent or 10 percent of the next payment. The total amount of haircut accounted for the remaining gap of USD 820.000. All projects were able to proceed according to revised agreements and workplans, and it would be possible for ITTO to meet all its remaining contractual commitments. Apart from those projects that had been terminated, all affected projects were on track and most were expected to achieve all their expected outputs. Often, this was with substantial additional inputs by local governments, national governments, the implementing agencies, or other implementing agencies and partners. For example, the executing agency of at least one project had said that it would complete the project on its own and meet all reporting commitments to ITTO without the final payment.
150. Dr. Johnson said he was pleased to report that the audit that the Council would consider at the session had been completed in June 2017 on schedule using the new financial rules and IPSAS. The ITTO auditors had reviewed the handling of the impairment in accordance with Decision 6(LII) and had signed off on it and all the measures had been taken.
151. Dr. Johnson said that the total investment of USD 18 million could be considered completely lost. Although the Organization had internal reserves that had helped deal with the problem, it had been money shared by the Organization's members and the reserves were now badly depleted. Thus, funds for programme support and for paying regional officers were now zero. Such funds were previously used for translation costs and ex-post evaluations, for example. The unearmarked funds in the Bali Partnership Fund were also gone, as were the leftover funds in the thematic programmes, as well as the interest reserve in the administrative account. The working capital reserve was now depleted by USD 4.5 million, with about USD 4 million remaining, or less than half.
152. There had also been indirect impacts, said Dr. Johnson. The Organization had been close to signing an agreement with the European Commission to continue the work of the ITTO–CITES Programme, which would have been a contract for USD 7.8 million. Those funds had now gone to the CITES Secretariat rather than ITTO. The work would continue, and ITTO would continue to be involved, but the money would not come to ITTO. Similarly, ITTO had been close to signing an agreement with the Government of Germany to host the secretariat of the Global Timber Tracking Network, but those funds had now gone to the European Forest Institute.
153. Dr. Johnson said he thought it important for the Council to be aware of all the impacts of the problem, which went beyond the loss of the USD 18 million investment. Another indirect cost was the cost of the time spent by the Secretariat and the Council in dealing with the problem instead of addressing the Organization's mandate. There had also been a loss of credibility, and it would take time to rebuild this within the international community. Nevertheless, it was good news that the actual loss to the projects and project donors was a relatively small haircut applied to projects and write-offs of the funds leftover from completed projects. It was very fortunate that ITTO had had sufficient internal reserves at its disposal.
154. Dr. Johnson summarized the decisions that had been taken by the Council relevant to the financial impairment. Decision 3(LII) had amended the staff regulations and rules to put in place stronger

policies regarding the payment of the provident fund to staff members who had been summarily dismissed for misconduct or the gross negligence of duty. Stronger protection for whistleblowers had been instituted, and the use of private emails for official business had been prohibited. These policies had been put in place and the staff briefed on them. New financial rules had been adopted, and all the provisions within them had been applied inside the Secretariat and in the Organization's accounts. The transition to the IPSAS accounting system had been completed and a clean audit based on the IPSAS standard had been achieved for 2016. A new investment policy had been instituted, and ITTO's internal controls had been strengthened with new policies on procurement, disbursements and internal audits.

155. Dr. Johnson addressed Council Decision 5(LII) to allow the Organization to launch a lawsuit against the investment advisor that had sold the funds to the Organization and to request the former Executive Director and the former staff members directly responsible for the investments and for withholding relevant information from the Council to return ITTO's portion of their provident fund. Letters had been sent to the former Executive Director and former staff members immediately after the previous Council session. One substantive response had been received from the former Executive Director, declining the request. This response had been translated and made available to Council members. The former finance officer had acknowledged receipt of the letter from the Secretariat. The Secretariat had requested the former finance officer to come to Japan to testify in the court case against the investment advisor, but he had refused to do so.
156. Dr. Johnson said that, in regard to the court case against the investment advisor, the Secretariat had, with the significant support of partners in the host government, reported the investment advisor, and the company he claimed to work for, to Japan's Financial Services Agency. That agency had determined that neither the individual nor the company were registered to act as brokers for those types of fund in Japan, and it had issued a notice so that other consumers would beware. The agency had also assisted the ITTO Secretariat to report the matter to the Japanese police. Dr. Johnson said he was unaware of any subsequent follow-up by the police. He said the lawsuit had been going on since early in 2017 and there had been eight court sessions to date with another scheduled for 25 December. The court sessions had been very detailed. The two parties had both been in court at the same time at a session on 16 November. The investment advisor had retracted his admission to the independent investigators that he had mistakenly informed ITTO that the LM Fund was underwritten by Deutsche Bank. Dr. Johnson said that the judge had been sceptical that the individual would not have received a commission because the interest being paid was quite high. Under cross-examination, the investment advisor had testified that he had received three to four percent commission on the USD 6 million LM investment, implying that he had received USD 180,000 to USD 240,000. Dr. Johnson reported that the Organization's lawyers had estimated that another three to six months would be needed to finish the process unless a negotiated settlement could be reached, which seemed unlikely. If the judge was to impose a settlement, he would take various factors into account.
157. Dr. Johnson said that the lawsuit was focused on the loss of the USD 6 million LM investment because the Organization's lawyers had advised that there was little chance of success in pursuing the investment advisor on the Ardent Fund investment because ITTO's former management had known that the LM Fund had gone bankrupt at the time they had invested in the Ardent Fund with the same investment advisor. The lawyers therefore felt there would be no grounds for laying blame on the investment advisor for the loss of the Ardent Fund investment.
158. Dr. Johnson said that the court would consider the relative level of responsibility of the two sides. It seemed likely, he said, that ITTO would be held at least partly responsible for the lost funds due to the actions of the former management. The lawyers had recommended that ITTO wait to issue a third-party notice—as discussed at the previous Council session—to the former Executive Director and staff until it was clear to what extent they were deemed responsible for the loss of funds. The third-party notice would be to inform those parties that ITTO was intending to pursue them in the court in an attempt to recover some of the money. Dr. Johnson said that the lawyers had further studied Japan's statute of limitations for cases of this nature and had informed the Secretariat that the Organization had up to ten years from April 2016 to take any legal measures deemed necessary against the former staff.
159. Dr. Johnson ended his intervention by advising the Council on the status of the liquidations. The most recent information received from either of the liquidators had been in mid-2016. ITTO had been informed that any funds recovered from the LM liquidation would be used to partially cover the legal and liquidator's fees. All the funds involved in LM were fighting among themselves in an attempt to recover any amount of money. The amount recoverable for investors would be zero. The Ardent

liquidators had requested more money from ITTO to continue the liquidation, which the Organization had refused. The liquidators had been appointed by the former fund managers and had subsequently suspended liquidation proceedings because they could not convince any of the investors to provide additional funds for the liquidation process. The court case in New York State against the factoring companies allegedly involved in the Ardent Fund had not proceeded because no representatives of those two companies had been located. ITTO, with assistance from the United States State Department, had reported Ardent to the United States Department of Justice but had not yet received a response. The liquidator of the Ardent Fund had demanded that ITTO cover its legal costs incurred in stopping ITTO from appointing its own liquidator, which ITTO had tried to do based on legal advice, given that ITTO had held 80 percent of the funds in the failed Ardent Fund. The Council had taken a decision that no such payment should be made, and this decision had been relayed to the Ardent liquidators. There had been no further communication from the Ardent liquidators.

160. In summary, said Dr. Johnson, all the impacted projects were back on track and were expected to achieve their objectives. The implementing agencies had been grateful to restart the projects. This was a good result. Unfortunately, the Organization's reserves had been depleted, and the only way to rebuild them was to bring more money into the Organization. The court case against the investment advisor was ongoing, and ITTO's former management might be found partly responsible for the loss. It might be possible to pursue the investment advisor for part of the USD 8 million lost in the LM Fund. All Council decisions had been implemented, and internal controls had been strengthened.
161. The delegate of the USA thanked Dr. Johnson for his report. The USA commended the Secretariat in dutifully implementing all the decisions that had been discussed. The USA welcomed the report in the spirit of transparency and accountability, which comprehensively detailed the process of carrying out the sometimes-difficult decisions and processes. The USA was particularly pleased with, and commended the Secretariat and all project managers for, their work in productively restarting all impacted projects without major impacts on their goals and outcomes. This achievement demonstrated the sacrifice and hard work of the Council and the Secretariat to bring the Organization to its current state. The delegate of the USA informed the Council that it was the policy of the United States Department of Justice not to comment on pending cases or litigation and therefore the USA was unable to provide updates on the status of the court case at this time. The delegate asked whether, in Paragraph 3 of Decision 3(LII) regarding the staff rules, the Secretariat could confirm that the UN rules on staff compensation had been concluded. If they had been, the USA would ask the Secretariat to prepare recommendations for amending the ITTO rules for consideration at the Fifty-fourth Session of the Council in 2018. Finally, the delegate of the USA asked the Council and the Secretariat to consider the formation and compensation of the investment panel referred to in Decision 4(LII).
162. Dr. Johnson responded that the UN staff rules were in a constant state of flux, with many ongoing revisions. Nevertheless, one of the issues that had been pending was on the retirement age, and that issue had now been resolved. The UN rules on staff compensation were also changing frequently. It should be possible to review the staff rules in the Committee on Finance and Administration at the Fifty-fourth Session of the Council. According to the relevant decision, the investment panel should already have been convened, but this had seemed unnecessary given the lack of funds to invest. The intention was, at this session, to seek volunteers for the panel in the Council in the event that funds were received that required consideration of investment options.
163. The delegate of Japan noted that the Secretariat had made its best effort to minimize the adverse effects on impacted projects. Japan had no objection regarding the treatment of those projects. Regarding reference to the unregistered business operation of the investment advisor under Japanese law, that information had been passed to the Japanese police, which had not yet provided further information. Regarding the implementation of Decision 5(LII), Japan felt it was most regrettable that the former Executive Director had offered virtually nothing in his letter of 16 June 2017 in reply to the Council's request to make voluntary repayments. Japan recalled the former Executive Director's previous open letter addressed to the Council dated 29 June 2016, in which he expressed that "I made terrible mistakes and I take full responsibility for what has happened" and that "if there is any way I can contribute to your healing, I am here desperate to help." The delegate of Japan said that, in addressing the shortfall caused by the negligence of the former management, ITTO's internal reserves had been appropriated and projects had been subject to budgetary haircuts. Thus, the loss of USD 18 million was covered at the expense of the member countries. Japan strongly believed, therefore, that the Council should continue to demonstrate that the entire membership wished the former senior staff to offer to make repayments and thereby show their good faith. If the Council failed to do this, it would appear to the outside world that ITTO was not serious in pursuing the liability of those individuals, potentially bringing further damage to ITTO's credibility and reputation. For this reason, the Japanese

delegation had submitted a draft decision aimed at updating and reconfirming Decision 5(LII) to reiterate the political will of the Council. This proposal was based on an instruction to the delegation at the ministerial level. Whether this draft decision was adopted would crucially affect how and when Japan would be able to resume its voluntary contributions for funding ITTO projects.

164. The delegate of the Republic of Korea expressed thanks for the effort to reduce project budgets made by project countries and the Secretariat and for the additional funding from countries. The Republic of Korea looked forward to the transparent and efficient enforcement procedures put in place by ITTO in response to the impairment of funds. The Republic of Korea, a traditional donor country, was willing to keep supporting ITTO and its member countries by making contributions to projects.
165. The delegate of the European Union and its member states welcomed the summary report provided by Dr. Johnson and expressed its satisfaction that the decisions adopted by the Council at its Fifty-second Session were being implemented and that ITTO was on the road to recovery. Regaining credibility was important to allow ITTO to again attract donor funding and rebuild its reserves. The delegate of the European Union also expressed satisfaction that all impacted projects and activities had been resumed with either no impact or with a budget cut and that ITTO had fully met its financial obligations through the proper allocation of resources and a reduction in its commitments. The European Union noted the former Executive Director's response to Decision 5(LII) and his acceptance of moral responsibility but expressed its disappointment that he did not agree to the Council's request to refund ITTO's contribution to his provident fund.
166. The delegate of Switzerland expressed thanks for the effort to implement measures regarding the financial impairment and the follow-up on legal action against both parties. Switzerland supported the draft decision brought forward by Japan on recommendations for further measures regarding the financial impairment.
167. The delegate of Guatemala congratulated Dr. Johnson for his comprehensive report and expressed trust in the new administration. He also thanked the Executive Director for his report (see Agenda Item 8) and pledged support for him and his administration.
168. The delegate of Peru congratulated the Secretariat for its excellent and comprehensive work in trying to recover the funds and finalize projects. The task now was to recover the Organization's credibility, which was something the Council could work jointly towards.

REPORT OF THE AD HOC WORKING GROUP TO CONSIDER ROTATION IN THE FRAMEWORK OF THE SELECTION OF THE EXECUTIVE DIRECTOR – DECISION 9(LII) (AGENDA ITEM 16)

169. The Co-Chair of the Ad-hoc Working Group to Consider Rotation in the Framework of the Selection of the Executive Director, Mr. Jorge Malleux, presented the report of the working group, as presented in Document ITTC(LIII)/13.
170. Mr. Malleux informed that a working group composed of twelve members, six from the producer group and six from the consumer group working in their personal capacity, had met in Yokohama, Japan from 23-25 May 2017. He thanked the UNCTAD legal advisor, Mr. Carlos Moreno and Dr. Gerhard Breulmann from the Secretariat for their assistance during the meeting. He also noted that the discussions during the meeting had been led mainly by the other Co-Chair, Mr. Zhang Zhongtian from China.
171. He underscored that the mandate of the working group was to exam rotation options, bearing in mind that rotation was a possible methodology allowing to make a decision on the appointment of the Executive Director. An important element during the debates was the fact that the appointment of the Executive Director had to put a very high weight on the quality and professional experience and preparation of the candidates. The group had also looked at documentation on the appointment process of other institutions, in particular other commodity organizations. While the documentation consulted did not list rotation as a way to regulate the selection process, members noted that the concept had obviously been applied occasionally. He also made reference to the extensive discussions during the 51st and 52nd sessions of the ITTC and the contact group established during the 52nd ITTC, which had eventually resulted in Decision 9/LII and the setup of this working group.
172. Mr. Malleux then presented the various options as presented in Document ITTC(LIII)/13 and informed that according to the UNCTAD legal advisor, none of the options presented, if implemented, would require any amendment of the ITTA 2006.

173. The Chairperson thanked Mr. Malleux and all members of the working group for their contribution and gave the floor to the Consumer Spokesperson.
174. The Chairman invited the spokespersons of the consumer and producer caucuses to speak on this issue.
175. The Consumer Spokesperson said that the Consumer Caucus had agreed that the key priority at this Council session was to focus on the core work of the Organization, including agreeing on the BWP and giving clear direction to the Secretariat on priorities for future work. Consumers did not see rotation as a matter of urgency, while acknowledging that it was an important issue for producers. Rotation had been a divisive issue, and some members had indicated that there might be benefit in allowing more time to elapse before a decision on the matter was considered, perhaps as part of the review of the International Tropical Timber Agreement. Lastly, the Consumer Spokesperson drew attention to Decision 9(LII), which noted that the paramount consideration in the appointment of the Executive Director was to secure the highest standard of efficiency, competency and integrity.
176. The Producer Spokesperson said that the Producer Caucus had indicated that a decision on the principle of rotation should be taken at the current session. Moreover, the Producer Caucus wanted to ensure that the principle of rotation would start with the mandate of the current Executive Director, which could be extended by a maximum of two years, for a total of six years. Third, the Producer Caucus wanted to ensure that the principle of rotation would be applied between caucuses as well as between regions within the Producer Caucus (see Document ITTC(LIII)/13 - Option 1A).
177. The Chairperson proposed the establishment of a contact group on the issue of rotation.
178. The Consumer Spokesperson said that the consumers welcomed the Chairperson's suggestion to establish a contact group, and she said the consumers were happy to participate in that. The Consumer Caucus requested, however, more flexibility in the representation of the caucuses in terms of numbers. The consumers were keen to obtain more clarity on the producers' proposals, and they welcomed the suggestion by the delegate of Togo for specific conversations on timing.
179. The producer spokesperson said that the producers were in favour of establishing a contact group. He reiterated the producers' view that a decision should be made on the rotation options submitted by both caucuses, reminding the Council that the Producer Caucus had already submitted its option and it was now up to the consumers to put their options on the table for the consideration of the contact group.
180. The Chairperson accepted that the contact group could be open-ended and sufficiently flexible to admit others but asked that it be kept as small as possible to enable efficient discussion. He suggested that the two chairpersons of the ad hoc working group on this issue could chair the contact group.
181. When discussion on this item resumed the following day, the Chairperson gave the floor to the Producer Spokesperson.
182. The Producer Spokesperson informed that the position of the Producer Caucus on the issue of rotation has not changed and that a decision should be taken at this session of the Council in Lima. This position had also been made clear during the meeting of the contact group established by the Chairperson. The contact group had not made headway as the position of each group remained unchanged.
183. The Consumer Spokesperson recalled Decision 9(LII) and the fact that the decision did not require the Council to take a decision on the issue at this session. She appreciated that the Producer Group was prepared to do so, but that some of the consumers were not ready to do so. She said that the dialogue in the contact group had been very helpful and had provided the information needed to better understand the producer countries' position. This information could now be brought back to their capitals for consideration. She highlighted that for the consumers this was a very important matter and that it needed to go back to the capitals for consultation with legal and technical experts before a decision could be taken. To allow moving forward, the Consumer Group has drafted a decision for consideration of the Producer Group with a commitment of the consumers to take a decision on the issue of rotation at the 54th ITTC in 2018.

184. The Chairperson thanked the spokespersons and commented that despite of the initial gap between the two groups, they were coming gradually to a converging point. He requested the Consumer Spokesperson to introduce the proposed draft decision. He also proposed another meeting of the contact group.
185. The delegate of the United States proposed that the Secretariat should prepare copies of the draft decision for distribution to the producer members. She requested the Chairperson to consider his personal participation in the contact group to facilitate a constructive discussion.
186. The Producer Spokesperson requested a break for consultation among the members of the Producer Group.
187. Following consultations within each caucus and another meeting of the contact group, facilitated by the Chairperson, it was agreed to amend the draft decision proposed by the Consumer Caucus. It was further agreed that the Council would take a decision on an option for rotation in the framework of the selection of the ITTO Executive Director at its Fifty-fourth Session on the basis of the Report of the Ad Hoc Working Group (see Decision 10(LIII)).

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES (AGENDA ITEM 17)

188. The full reports of the Committees are contained in Annex IV.

Committee on Reforestation and Forest Management

189. Ms. Marjukka Mähönen (Finland), the CRF Chairperson, presented the report of the Fifty-first Session of the CRF, as contained in Document CRF(LI)/5. She said the CRF had met four times during the week to deliver 16 agenda items. It had reviewed the work of one completed project, which had contributed to the development of voluntary standards for evaluating forest management governance in Papua New Guinea. The CRF had noted that, for these standards to be effective, more capacity building was required in the country. The CRF had also reviewed the implementation of 28 ongoing projects. Ms. Mähönen said she was pleased to inform the Council that the implementation of most project activities had been revitalized after suspension due to the financial impairment. The CRF had also been productive in its policy work, deliberating on six topics: dissemination of the voluntary guidelines on SFM; strengthening cooperation in ITTO African member countries on criteria and indicators; fire management in tropical timber-producing forests; the conservation, restoration and sustainable management of mangrove ecosystems; the implementation of ITTO's restoration guidelines; and developments in the UN Framework Convention on Climate Change regarding tropical forests. The CRF had reviewed the BWP 2018–2019 and had identified nine priority activities.
190. Ms. Mähönen reported that Mr. Dumbis Kaip (Papua New Guinea) had been elected CRF Chairperson for 2018 and that Mr. Jobst Schroeder (Germany) had been elected Vice-Chairperson. She congratulated both men for their election, and she thanked all those who participated or assisted in the convening of the committee.

Committee on Economics, Statistics and Markets

191. Mr. Jorge Malleux (Peru), CEM Chairperson, presented the CEM's report, as contained in document CEM-CFI(LI)/4. The Committee had noted the work carried out in two completed projects—a project in Peru aimed at promoting sustainable forest development in the Peruvian Amazon and a pre-project in Benin aimed at preparing a project proposal on forest certification.
192. In its deliberations on policy matters, the CEM had discussed market access in relation to the progress made on legality requirements, international environmental regimes, and regional marketing agreements among producers.
193. The CEM had received an update of forest certification processes and progress reports on the independent monitoring mechanism and the participation of the private sector in ITTO's work. Mr. Malleux reported that the CEM had decided to continue discussions on these three policy issues at its next session, as well as reviewing the ITTO Biennial Review and Assessment of the World Timber Situation. The CEM had also recommended to the Council projects listed as pending finance for immediate financing.

194. Mr. Malleux congratulated Mr. Bjorn Merkel (Sweden) for his election as CEM Chairperson for 2018 and Mr. Bruno Mfou'ou Mfou'ou (Cameroon) for his election as CEM Vice-Chairperson.

Committee on Forest Industry

195. Mr. Achille Orphée Lokossou (Benin), CFI Chairperson, presented the CFI's report, as contained in document CEM-CFI(LI)/4. The CFI had met several times jointly with CEM during the session. It had noted the outcomes of a completed project in Malaysia on reduced impact logging, as well as progress reports on three ongoing projects; there was also one project pending an implementation agreement and five projects awaiting financing. The CFI had reviewed the implications of the sunset clause for project proposals and requested the Council to review its provisions and the ramifications of its implementation. The CFI had addressed the issue of credit, which was especially important for small and medium-sized enterprises, and had received presentations on this issue from the Government of Peru and the Government of Indonesia.
196. The Committee had recommended a new project to the Council submitted by the Government of Viet Nam.
197. Mr. Lokossou thanked Mr. Jorge Malleux for co-chairing the sessions. He congratulated Ms. Anne Tyler (New Zealand) for her appointment as CFI Chairperson for 2018.

Committee on Finance and Administration

198. Mr. Mad Zaidi Mohd Karli, CFA Chairperson, presented the CFA's report, as contained in document CFA(XXXII)/8. He thanked all delegates and the Secretariat for the help in ensuring a successful session of the CFA. He referred to the CFA recommendations, which were to: approve the BWP budget for 2018 and 2019; approve the financial report prepared in accordance with ITTO's financial rules and procedures for the 2016 financial year; approve the appointment of Ernst & Young ShinNihon LLC to audit the accounts of the Organization for the financial year 2017 and beyond, subject to satisfactory performance; formalize the paper, "Responsibilities of officers of the International Tropical Timber Council", as an official document entailing the responsibilities of Officers of the International Tropical Timber Council, translate it into three working languages, distribute it to all incoming Officers of the Council, and make it available publicly on the ITTO website; approve the transfer of USD 650 000 from the Working Capital Reserve to increase the amount of Special Reserve to USD 2.5 million; positively consider the request submitted by the Central African Republic to write off its arrears of assessed contributions to ITTO for the period 2005–2011, in accordance with Article 30 of the International Tropical Timber Agreement, 2006 and IPSAS requirements; appeal to members with arrears that the implementation of the BWP 2018–2019 could be impeded if their assessed contributions were not paid in time; endorse the list of sole providers and approve the bad debt write-offs; form the Investment Oversight Panel by nominating a representative of the Government of Japan and a representative of the Government of Cameroon as panel members and commence the work of the panel at such time as the Council deems appropriate for ITTO to resume investing the Organization's funds; and examine and take actions to secure the needed resources to achieve the objectives of the Organization.
199. Mr. Zaidi congratulated Mr. Luke Thompson (USA) on his election as CFA Chair for 2018 and Mr. Marcel Holland Oseida de Leon (Guatemala) for his election as Vice-chair.
200. The Chairperson thanked the chairpersons of the committees for their presentations. He noted that, in response to a request from the Producer Caucus, the Secretariat had reviewed the sunset clause for project proposals and determined that it would be possible, under the rules, to extend the period before sunset for approved projects. This was a practice that had been implemented in the past. Countries that wished to extend the period before project sunset should apply to the Executive Director.

ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON OF THE COUNCIL FOR 2018 (AGENDA ITEM 18)

201. The Producer Spokesperson proposed the election, by acclamation, of Mr. Zhang Zhongtian (China) as incoming Chairperson of the Council.
202. The Consumer Spokesperson proposed the election, by acclamation, of Mr. John Leigh (Peru) as the incoming Vice Chairperson of the Council.

203. Mr. Zhang Zhongtian, Vice-Chairperson of the Council, said he was honoured to be entrusted as the Chairperson for the upcoming year, and he would do his utmost to serve the Council. He expressed his heart-felt gratitude to the outgoing Chairperson, Mr. Tabi Agyarko, for his excellent and tireless leadership, under which the Council had found a good solution and made a decision on the issue of rotation in the framework of selecting the new Executive Director and explored ways to restore project financing to a higher level. Having experienced storms, ITTO was now at dock here in Lima, and preparations had been made for another historic journey in the coming year.
204. In closing his address, Mr. Zhang presented the outgoing Chairperson with a token of appreciation from the Council.

DATES AND VENUES FOR THE FIFTY-FOURTH AND FIFTY-FIFTH SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (AGENDA ITEM 19)

205. The Chairperson reported that the Council had decided, at its Fifty-second Session in Yokohama, Japan, that the Fifty-fourth session would be held in Yokohama. He invited the delegate of Japan to take the floor.
206. The delegate of Japan confirmed that the Fifty-fourth Session of the Council would be held in Yokohama, on dates to be determined as soon as the Secretariat had made the necessary arrangements in coordination with the host city.
207. The Chairperson invited countries to express interest in hosting the Fifty-fifth Session of the Council.
208. The delegate of Togo said that his country, which had been a member of ITTO since 1990, had 24 percent forest cover. It faced challenges, and was grateful to ITTO for its support, especially during the hard times in 1990–92. Togo would be honoured to host the Fifty-fifth Session of the Council in Lome on 2–7 December 2019, to be confirmed at the Fifty-fourth Session in Yokohama. The delegate of Togo thanked the Producer Caucus and the West African members for supporting Togo's candidature at this session. Togo would require the help of its neighbours, Benin and Ghana, in organizing the Council session, and he thanked them in advance. He finished his intervention by thanking the Government and people of Peru for their hospitality at this session.
209. The Chairperson thanked Togo, and expressed his pride that both Japan and Togo had indicated their readiness to host the Council sessions. He offered the assistance of Ghana to Togo in the spirit of West African cooperation.

OTHER BUSINESS (AGENDA ITEM 20)

210. The Consumer Spokesperson reported that the Consumer Caucus had requested the Secretariat to consider, for future Council sessions, moving the CSAG session further forward in the programme to give a greater opportunity for members to engage in such sessions and to give them a higher profile.
211. The Chairperson thanked the Consumer Spokesperson for the suggestion and said he had asked the Secretariat to take this into consideration for the next session.
212. Ms. Danièle Marie Ramiramanana, representing the CSAG, said that CSAG continued to be disappointed in the selection process for the Executive Director, which was detrimental to the reputation and operation of the Organization. She urged the Council to develop a proper procedure and mechanism for the election, as carried out in the private sector and other organizations. CSAG was supportive of the Executive Director's call to consider new approaches for fundraising and partnerships. CSAG and its members were willing and happy to cooperate with the Secretariat in such partnerships.
213. Ms. Ramiramanana said that CSAG continued to be convinced that informal, domestic and regional markets would play an ever-increasing role in the economy of many ITTO producer and consumer countries. This issue, along with tenure, community management and enterprise, certification and gender, was gaining prominence for ITTO member countries as the climate-change dialogue impacted and response mechanisms evolved. CSAG encouraged ITTO to ensure the alignment of the BWP, thematic programmes and the regular project cycle in the ITTO Strategic Action Plan, because these were the key pillars for the Plan's implementation. CSAG encouraged the Council to find a solution to the funding of all submitted proposals, noting the huge efforts, time and money invested in their development, including, for some, the participation of indigenous people and local communities.

214. Ms. Ramiramanana said that CSAG could contribute to discussions on revising the project proposal process to prevent issues such as sun-setting. CSAG encouraged the Council to adopt the guidelines on gender equality and the empowerment of women as a matter of urgency so that the Secretariat could begin the process of implementation. CSAG encouraged ITTO to give more attention to the nature and extent of participatory processes and the context of empowerment of stakeholders in formulating, approving, implementing and evaluating its projects. Participation was not just an issue of attendance but of engagement, and it would lead to better and lasting results.
215. CSAG offered its assistance in project evaluation, especially at the proposal stage. It urged ITTO to work with CSAG to develop an ITTO–CSAG strategic framework for collaboration to ensure the successful implementation of the ITTO Strategic Action Plan and its programmes and projects.
216. CSAG was happy to see the progress made on incorporating gender issues into projects and the operations of ITTO and looked forward to a serious move to ensure the full implementation of gender in ITTO projects. Finally, CSAG strongly recommended that the Council include a formal presentation by CSAG in its sessions, similarly to the annual market event organized by TAG. CSAG looked forward to working with the Executive Director and to taking an active role in the Council and Secretariat to ensure ITTO's success.

DECISIONS AND REPORT OF THE SESSION (AGENDA ITEM 21)

217. The decisions adopted by the Council are contained in Annex III. The full text of all decisions including Annexes is available on the ITTO website.
218. The Chairperson introduced draft Decision 1(LIII) "Projects, Pre-projects and Activities". Receiving no comments, he indicated that the Council thereby adopted the decision.
219. The Chairperson introduced draft Decision 2(LIII) "ITTO Biennial Work Programme for the Years 2018-2019". After amendment to correct, in the BWP, a mismatch between the titles in the summary table and the terms of reference, and the negotiated terms of reference for Activity 2, as pointed out by the delegate of the USA, the Chairperson received no further comments and indicated that the Council thereby adopted the decision.
220. The Chairperson introduced draft Decision 3(LIII) "Administrative Budget for the 2018 and 2019 Financial Biennium". Receiving no comments, he indicated that the Council thereby adopted the decision.
221. The Chairperson introduced draft Decision 4(LIII) "Extension of the ITTO Strategic Action Plan 2013-2018". Receiving no comments, he indicated that the Council thereby adopted the decision.
222. The Chairperson introduced draft Decision 5(LIII) "Amendment of Rules of Procedure and Financial Rules and Rules relating to projects of the ITTO". Receiving no comments, he indicated that the Council thereby adopted the decision.
223. The Chairperson introduced draft Decision 6(LIII) "ITTO Policy Guidelines on Gender Equality and Empowering Women (GEEW)". Receiving no comments, he indicated that the Council thereby adopted the decision.
224. The Chairperson introduced draft Decision 7(LIII) "Reconfirmation of further measures regarding the financial impairment". Receiving no comments, he indicated that the Council thereby adopted the decision.
225. The Chairperson introduced draft Decision 8(LIII) "Application of Article 30 of ITTA, 2006 (Relief from Obligations) to the Government of the Central African Republic". Receiving no comments, he indicated that the Council thereby adopted the decision.
226. The Chairperson introduced draft Decision 9(LIII) "Improving ITTO's financing infrastructure and fundraising strategies". Receiving no comments, he indicated that the Council thereby adopted the decision.

227. The Chairperson introduced draft Decision 10(LIII) "Rotation in the framework of the selection of the Executive Director of the ITTO". Receiving no comments, he indicated that the Council thereby adopted the decision.
228. There was a round of applause for the work done during the Council session.

CLOSING OF THE SESSION (AGENDA ITEM 22)

229. The Producer Spokesperson thanked the members of the Producer Caucus for the trust they placed in him as their spokesperson. He also expressed gratitude to the Chairperson for his support. He thanked those who had supported the nomination of Cameroon as Producer Spokesperson, and he invited all to give the same support to Mr. Jorge Malleux, the incoming Producer Spokesperson. He congratulated the Chairperson, on behalf of the Cameroon delegation and all producer members.
230. The Chairperson thanked the outgoing Producer Spokesperson and congratulated Mr. Malleux in his new role. He then gave the floor to the Executive Director for a brief statement.
231. The Executive Director said that the decisions made at this session would allow the Organization to pursue new initiatives with great potential to increase the relevance of the Organization as an important player in the international forest and climate regime. It would also enable the Organization to highlight the role of productive forests, forest products and green supply chains as a means for inclusive growth, poverty alleviation, climate-change mitigation and biodiversity conservation. The Secretariat would invest all its efforts to bring new and additional financial resources to the Organization for the benefit of people and forests in member countries. The Executive Director said he understood the frustrations of producer countries regarding their unsatisfied needs, and he indicated that meeting these was the Secretariat's priority. He expressed gratitude to members for their support and trust. He thanked the Government of Peru for their generous hosting of the session and the service providers, volunteers, interpreters, translators, chairs and co-chairs for their hard work during the session. He congratulated Mr. Zhang and Mr. Leigh for their appointments; both were long-term friends of ITTO. Finally, he expressed his deepest appreciation and thanks to the outgoing Chairperson, with whom he had had a fruitful and effective collaboration in preparing for the session.
232. The Chairperson recapped the events of the session, including the address by the President of Peru and Ghana's Deputy Minister of Lands and Natural Resources. He said the Council had agreed to work on greening the tropical timber supply chain and on ensuring gender equality in the tropical forest sector. The Government of Peru had treated delegates to several enjoyable evening functions, and the session had been blessed by delightful weather. Against this backdrop, however, loomed two dark clouds. The first was the issue of rotation, on which the Producer Caucus placed great importance. Significant progress had been made on this issue, and the Council should be proud to have accepted the principle of rotation within the framework of selecting future Executive Directors. He expressed optimism that the matter could be brought to a mutually satisfactory conclusion at the next Council session, and this would be crucial for the health and well-being of the Organization.
233. The other dark cloud, said the Chairperson, was the matter of finance. The Council had agreed on a robust BWP, but it had received only a relatively small amount of funding—in his experience, the least funding received at a session, both for the BWP and for projects and pre-projects. The funding gap between projects submitted and the funding available was an extremely serious matter. Developing projects incurred considerable cost, and it was disheartening that the dozens of projects deemed worthy of funding were falling through this funding gap. Urgent steps were needed to remedy this situation because, without substantial project funding, there was a risk that some members would start to lose faith in the Organization and its capacity to deliver benefits for tropical forests, the timber trade, consumer and producer countries, and local people. The Chairperson said that he therefore placed great hope in the newly established ad hoc working group to look at this matter. A strong ITTO was needed because no other organization could adequately fill the void created by a weak ITTO. He urged all members to do their best to ensure that the Organization was as good as it could be. ITTO had survived its financial crisis, he said, because enough people had believed in the Organization and the good it could do and had done in the world.
234. The Chairperson thanked the Government of Peru and all those who had ensured that the Council session had run smoothly. He wished all participants safe travels home, and he officially closed the Fifty-third Session of the International Tropical Timber Council.

ANNEX I

LIST OF PARTICIPANTS

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INTERNATIONAL TROPICAL TIMBER COUNCIL

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1 December 2017

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

LIST OF PARTICIPANTS

This list is based on communications received to date. The format and data of the entries in this list are as provided to the Secretariat. A final list will be issued in due course and, to facilitate this, delegations are requested to give corrections or additions in writing to the ITTO Secretariat

* * * * *

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* * * * *

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ANNEX II

AGENDA

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INTERNATIONAL TROPICAL TIMBER COUNCIL

Distr.
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6 September 2017

Original: ENGLISH

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

PROVISIONAL AGENDA

1. Opening of the Session
2. Ascertainment of the Quorum
3. Adoption of Agenda and Organization of Work
4. Report on Membership of the Council
5. Report of the Credentials Committee
6. Proposed Distribution of Votes for the 2018 – 2019 Biennium
7. Admission of Observers
8. Statement by the Executive Director
9. Report of the Informal Advisory Group (IAG) – Decisions 3(XXII), 5(XXVI), 2(XLIX) and 2(LI)
10. ITTO Biennial Work Programme – Decisions 9(XXXIV) and Decision 2(LII)
 - (a) ITTO Biennial Work Programme 2015-2016, extended into 2017 – Decision 2(LII)
 - (iv) Progress Report on the Implementation of the ITTO Biennial Work Programme
 - (v) ITTO Fellowship Programme – Decision 4(XXVII)
 - (1) Progress Report on the ITTO Fellowship Programme
 - (2) Report of the Chairperson of the Fellowship Selection Panel
 - (vi) Draft Policy Guidelines for Achieving Gender Equality and Empowering Women
 - (b) Draft ITTO Biennial Work Programme 2018-2019
11. Enhancing Cooperation between ITTO and CITES – Decisions 3(XVI), 7(XXXIV), 2(XXXVII) and 5(XLVI)
 - (a) CITES Listing Proposals by Members – Decision 3(XVI)
 - (b) Report on the Implementation of the ITTO-CITES Programme
12. Progress Report on the Implementation of the ITTO Thematic Programmes
13. Special Account and Bali Partnership Fund
 - (a) Pledges to the Special Account and the Bali Partnership Fund
 - (b) Report of the Panel on Sub-Account B of the Bali Partnership Fund (BPF)
14. ITTO Collaboration with other Organizations/Initiatives
15. Impairment of ITTO Funds – Decision 5(LII) and Decision 6(LII)

16. Report of the Ad Hoc Working Group to Consider Rotation in the Framework of the Selection of the Executive Director – Decision 9(LII)
17. Reports of the Associated Sessions of the Committees
18. Election of Chairperson and Vice-Chairperson of the Council for 2018
19. Dates and Venues of the Fifty-fourth and Fifty-fifth Sessions of the Council and the Associated Sessions of the Committees
20. Other Business
21. Decisions and Report of the Session
22. Closing of the Session

ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1 - Opening of the Session

The Fifty-third Session of the Council will be opened by the Chairperson of the Council.

Item 2 - Ascertainment of the Quorum

The Executive Director will report to the Council on the state of the quorum requirement for the start of the Session.

Item 3 - Adoption of Agenda and Organization of Work

[Document ITTC(LIII)/1 Rev.1]

The Council may decide to consider and adopt its Agenda. On the schedule of meetings, the Council may consider the draft schedule distributed under Decision 5(XXII), the advice of the Informal Advisory Group (IAG) and undertake due consultations in the Chairperson's Coordinating Bureau, issuing the timetable daily and at more frequent intervals as necessary.

Item 4 - Report on Membership of the Council

The Executive Director will report on the status of membership of the Council.

Item 5 - Report of the Credentials Committee

[Document ITTC(LIII)/3]

The Council may consider and adopt the Report of the Credentials Committee and approve the credentials of delegations.

Item 6 - Proposed Distribution of Votes for 2018 – 2019 Biennium

[Document ITTC(LIII)/1 Rev.1 Annex]

The proposed distribution of votes for the 2018 – 2019 biennium, in accordance with Article 10(7) of the ITTA, 2006, is shown in the Annex of the Provisional Agenda [Document ITTC(LIII)/1 Rev.1]. The distribution of votes shall remain in effect for the rest of the biennium, except whenever the membership of the Organization changes or when any member has its voting rights suspended or restored, in which case the Council shall redistribute the votes within the affected category or categories.

In accordance with Article 19(4) of the ITTA, 2006, the approved distribution of votes will be used for the assessment of the contribution of each Member to the Administrative Budget for the 2018 – 2019 biennium.

Item 7 - Admission of Observers

[Documents ITTC(LIII)/Info.3 and ITTC(LIII)/Info.5]

The Council may decide to admit those States and Organizations which request admission to the Session as Observers. Two lists of such applicants will be submitted at the Session for consideration and decision. The first such list shall contain the names of all States and Organizations which have previously been admitted to the Council Sessions and the second those States and Organizations who are applying for admission on the first occasion at this Session.

In accordance with Decision 3(LI), operative paragraphs 2 and 3, the Executive Director has reviewed applications for compliance with respective requirements and the results of the initial review were published on the ITTO website two weeks prior to the Council Session.

The Council will consider the admission of Observers in accordance with Article 16 of the ITTA, 2006 taking into consideration the initial review.

Item 8 - Statement by the Executive Director

The Executive Director will address the Council and report on activities of the Organization and other developments of relevance to the Organization.

Item 9 - Report of the Informal Advisory Group (IAG) – Decisions 3(XXII), 5(XXVI), 2(XLIX) and 2(LI)

[Document ITTC(LIII)/2]

Pursuant to Decisions 3(XXII), 5(XXVI), 2(XLIX) and 2(LI), and in order to organize its work for the Session, the Council may consider the report of the Thirty-first Meeting of the Informal Advisory Group (IAG), to be convened on Sunday, 26 November 2017. The report of the Thirty-first Meeting of the IAG will be presented to the Council by the Chairperson.

Item 10 - ITTO Biennial Work Programme – Decisions 9(XXXIV) and Decision 2(LII)

[Documents ITTC(LIII)/5, ITTC(LIII)/6, ITTC(LIII)/7, ITTC(LIII)/8 and ITTC(LIII)/9]

- (a) ITTO Biennial Work Programme 2015-2016, extended into 2017 – Decision 2(LII)
 - (i) The Council will receive the progress report on the implementation of the ITTO Biennial Work Programme for 2015 – 2016 which was extended to 2017 [Decision 2(LII)] as contained in Document ITTC(LIII)/5.
 - (ii) The Council may consider (1) the progress report prepared by the Secretariat on the implementation of the ITTO Fellowship Programme, as called for in Decision 4(XXVII) [Document ITTC(LIII)/8]; and (2) the report of the Fellowship Selection Panel presented by its Chairperson [Document ITTC(LIII)/9]. The Council will announce the final selection of awards based on the Chairperson's report.
 - (iii) The Council will receive the draft ITTO Policy Guidelines for Achieving Gender Equality and Empowering Women prepared by the consultant as contained in Document ITTC(LIII)/6.
- (b) The Secretariat will present to the Council the Draft ITTO Biennial Work Programme 2018 – 2019 as contained in Document ITTC(LIII)/7.

Item 11 - Enhancing Cooperation between ITTO and CITES – Decisions 3(XVI), 7(XXXIV), 2(XXXVII) and 5(XLVI)

[Document ITTC(LIII)/4]

- (a) Pursuant to Decision 3(XVI) the Council may arrange consultations on Members' proposals to list internationally traded tropical timber species in the CITES Appendices which have been reported to the Secretariat since the last Session.
- (b) The Council will receive a report on the implementation of the ITTO-CITES programme to improve country capacity to implement CITES listings of tropical timber species.

Item 12 - Progress Report on the Implementation of the ITTO Thematic Programmes

[Document ITTC(LIII)/10]

The Council will receive the progress report on the status of implementation of the ITTO Thematic Programmes as contained in Document ITTC(LIII)/10.

Item 13 - Special Account and Bali Partnership Fund

[Document ITTC(LIII)/11]

- (a) Pledges to the Special Account and the Bali Partnership Fund.
The Chairperson may invite Members and Observers to announce any new contributions they may wish to pledge to the Special Account and the Bali Partnership Fund.
- (b) Report of the Panel on Sub-Account B of the Bali Partnership Fund.

The Council will have before it the report of the Panel on Sub-Account B of the Bali Partnership Fund established under Decision 4(XXX) to consider actions/activities, pre-projects and projects that are eligible for funding under Sub-Account B. The Council may consider and adopt the recommendations contained in the report [Document ITTC(LIII)/11].

Item 14 - ITTO Collaborations with other Organizations/Initiatives

The Secretariat will report on developments under collaborations with other Organizations and Initiatives. Short statements will be given by institutional representatives as appropriate including UNFF/CPF, FAO, CBD and World Bank.

Item 15 - Impairment of ITTO Funds – Decision 5(LII) and Decision 6(LII)
[Document ITTC(LIII)/12]

The Council will receive the summary report on the implementation of Decision 5(LII) and Decision 6(LII).

Item 16 - Report of the Ad Hoc Working Group to Consider Rotation in the Framework of the Selection of the Executive Director – Decision 9(LII)
[Document ITTC(LIII)/13]

Pursuant to Decision 9(LII), the Council will receive the report of the Working Group established to consider rotation in the framework of the selection of the Executive Director.

Item 17 - Reports of the Associated Sessions of the Committees

The Council will have before it the Reports of the Associated Sessions of the Committees presented by the respective Chairpersons. The Council may consider and adopt the recommendations contained in each of the Reports.

Item 18 - Election of Chairperson and Vice-Chairperson of the Council for 2018

The Council may decide after due consultations, to elect a Chairperson and Vice-Chairperson for 2018. Under Article 8 of the ITTA, 2006, the Council is required to elect a Chairperson and Vice-Chairperson for each calendar year. Under Article 8, paragraph 2, the Chairperson and the Vice-Chairperson, one from among the representatives of producer countries, and the other from among the representatives of the consumer countries, are required to alternate each year between the two categories of Members, provided, however, that this shall not prohibit the re-election to either or both under exceptional circumstances by Special Vote of the Council.

Item 19 - Dates and Venues of the Fifty-fourth and Fifty-fifth Sessions of the Council and the Associated Sessions of the Committees

In order to maintain the established practice of setting Session dates and venues eighteen months or more in advance to facilitate logistical arrangements, the Council may wish to set the dates and venues of its Fifty-fourth and Fifty-fifth Sessions.

At its Fifty-second Session convened in Yokohama, Japan, the Council decided that its Fifty-fourth Session would be convened in Yokohama, Japan on 5 – 10 November 2018. The Council may wish to confirm the dates and venue of the Fifty-fourth Session and set the dates and venue for its Fifty-fifth Session to be convened in 2019.

Item 20 - Other Business

The Council may consider any matters brought under this item.

Item 21 - Decisions and Report of the Session

The Council shall consider the proposed Decision(s) and adopt it/them accordingly. In accordance with Rule 33 of the Rules of Procedure, a report on the proceedings shall be prepared by the Executive Director and shall be circulated to all Members as soon as possible.

Through Decision 7(XXXIII) the Council adopted the following procedures for its decision making:

- (a) The Council will give guidance to the Executive Director through the Council Chairperson on routine or non-controversial matters not having financial implications. This guidance will be included in the Report of the Session, not reflected as decisions of the Council.
- (b) In order for draft decisions by Members to be considered by the Council, the following procedures will be adopted:
 - In relation to the Provisional Agenda, Members submit proposals for Council decisions to the Executive Director for circulation to all Members not less than two weeks prior to the Council Session. Each proposal contains three elements: the subject, the purpose of the decision, and the proposed action, including any financial implications. The Executive Director will not circulate incomplete proposals.
 - Minus Day 1: The IAG considers the proposals for Council decisions from Members, as well as proposals from the Executive Director.
 - Council Day 1: The Chairperson presents the proposals to Council as part of the IAG report.
 - Day 2: The proposals for draft decisions are discussed in Caucuses and via informal consultations.
 - Day 3: The Council decides the topics it will consider for decision; then the Chairperson, assisted by a small group and the Executive Director, develops preliminary draft decisions for circulation to and consideration by all Members.
 - Day 4: The Chairperson's Open-Ended Drafting Group convenes to discuss and finalise draft decisions.
 - Noon, Penultimate Day: Final decisions are submitted for translation. Decisions still under negotiation are deferred to the next Council Session.

The Council may wish to review the above procedures.

Item 22 - Closing of the Session

Following any final statements by Delegates, the Chairperson will close the Fifty-third Session of the Council.

Annex

PROPOSED DISTRIBUTION OF VOTES FOR 2018-2019 BIENNIEUM

PRODUCER MEMBERS

	<u>2017</u> <u>No. of Votes</u>	<u>2018/2019 Biennium</u> <u>No. of Votes</u>
Africa		
Benin	21	21
Cameroon	22	22
Central African Republic	21	22
Congo	22	22
Côte d'Ivoire	21	22
Democratic Republic of the Congo	22	22
Gabon	22	22
Ghana	21	22
Liberia	21	21
Madagascar	21	21
Mali	21	21
Mozambique	22	22
Togo	21	21
Asia & Pacific		
Cambodia	18	19
Fiji	14	14
India	28	29
Indonesia	94	89
Malaysia	97	90
Myanmar	54	49
Papua New Guinea	39	44
Philippines	16	15
Thailand	30	37
Vietnam	16	17
Latin America/Caribbean		
Brazil	130	125
Colombia	24	24
Costa Rica	12	13
Ecuador	18	19
Guatemala	12	13
Guyana	16	16
Honduras	12	12
México	25	26
Panamá	13	13
Peru	28	29
Suriname	15	15
Trinidad and Tobago	11	11
TOTAL:	1,000	1,000

CONSUMER MEMBERS

	2017 <u>No. of Votes</u>	2018/2019 Biennium <u>No. of Votes</u>
Albania	10	10
Australia	16	16
China	265	278
European Union	382	375
Austria	10	10
Belgium	15	15
Bulgaria	10	10
Croatia	10	10
Cyprus	10	10
Czech Republic	11	11
Denmark	11	11
Estonia	10	10
Finland	10	10
France	33	29
Germany	19	19
Greece	11	11
Hungary	10	10
Ireland	13	13
Italy	22	22
Latvia	10	10
Lithuania	10	10
Luxembourg	10	10
Malta	10	10
Netherlands	30	29
Poland	11	11
Portugal	13	13
Romania	10	10
Slovakia	10	10
Slovenia	10	10
Spain	15	14
Sweden	11	11
United Kingdom	27	26
Japan	164	156
New Zealand	11	11
Norway	10	10
Republic of Korea	58	60
Switzerland	11	11
United States of America	<u>73</u>	<u>73</u>
TOTAL:	1,000	1,000

ANNEX III

TEXT OF THE DECISIONS

ADOPTED BY THE COUNCIL AT ITS FIFTY-THIRD SESSION

[The full text of all decisions including annexes is available on the ITTO website]

DOCUMENT: ITTC(LIII)/14
DOCUMENT: ITTC(LIII)/15
DOCUMENT: ITTC(LIII)/16
DOCUMENT: ITTC(LIII)/17
DOCUMENT: ITTC(LIII)/18
DOCUMENT: ITTC(LIII)/19
DOCUMENT: ITTC(LIII)/20
DOCUMENT: ITTC(LIII)/21
DOCUMENT: ITTC(LIII)/22
DOCUMENT: ITTC(LIII)/23



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DECISION 1(LIII)

PROJECTS, PRE-PROJECTS AND ACTIVITIES

The International Tropical Timber Council,

Having considered at its Fifty-third Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(LI)/4 and CRF(LI)/5; and the report of the Twenty-third Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTC(LIII)/11;

Noting that the time-bound electronic no objection procedures to accept Expert Panel Ratings for Projects and Pre-Projects and requests for their funding were conducted during the project cycle for 2017;

1. Decides to:

- (i) Endorse the approval obtained through the time-bound electronic no objection procedure for the following Projects and Pre-Projects for project cycle of 2017:

PPD 186/16 Rev.2 (F)	Establishment of Enabling Conditions for the Restoration and Sustainable Development of Forests in the Southern Area of the Sierra De Lacandon National Park, Maya Biosphere Reserve, Guatemala (Guatemala) ITTO Budget \$48,261.00
PPD 189/17 Rev.1 (F)	Development of a Full Project Proposal to Generate Tools to Ensure the Establishment of Timber Forest Species through Natural Regeneration in the Province of Tahuamanu, Peru (Peru) ITTO Budget \$87,490.00
PD 791/15 Rev.3 (M)	Community Forest Landscapes and Small Enterprises Contributing to Legal Timber Trade in Ghana (Ghana) ITTO Budget \$309,299.00
PD 812/16 Rev.2 (F)	Promoting Community-level Forest Landscape Planning, Diversification, Restoration and Protection to Reduce Forest Degradation and Improve Biodiversity and Local Livelihoods (Ghana) ITTO Budget \$ 445,715.00
PD 815/16 Rev.2 (I)	Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam (Vietnam) ITTO Budget \$ 116,480.00
PD 819/16 Rev.2 (M)	Market Survey for Forest Products in Peru (Peru) ITTO Budget \$ 406,459.00
PD 832/16 Rev.2 (M)	Implementing Mechanisms to Improve Traceability in the Forest Production Chain in Guatemala (Guatemala)

- ITTO Budget \$ 416,080.00
- PD 836/17 Rev.1 (F) Enhancing Capacity of Local Communities and Forest Administration to Effectively Implement Community Forestry Programme (CFP) in Kratie and Monduliri Provinces of Cambodia (Cambodia)
ITTO Budget \$ 514,651.00
- PD 839/17 Rev.1 (M) Strengthening and Consolidating the National Process for Controlling Illegal Logging and Associated Trade in Cameroon – Phase 2 (Cameroon)
ITTO Budget \$ 459,813.00
- PD 845/17 Rev.1 (M) Enhancing Capacity of Forest Communities in Forest Governance, Monitoring and Community Development Projects in Mankraso Forest District Ghana (Ghana)
ITTO Budget \$ 146,944.00
- PD 853/17 Rev.1 (F) Forest Fire Prevention and Response in Tropical Forests and Forest Plantations in Peru (Peru)
ITTO Budget \$ 441,045.00
- PD 858/17 Rev.1 (M) The Trends of Chinese Wood Product Markets and their Dependence on International Trade of Tropical Timber Towards 2030 (China)
ITTO Budget \$ 328,608.00
- PD 861/17 Rev.1 (F) Carbon Storage in Timber Producing Forests as a Value Criterion in Rural Communities in the Yucatan Peninsula, Mexico (Mexico)
ITTO Budget \$ 649,386.00
- PD 863/17 Rev.1 (M) Development and Strengthening of the Domestic Market for Non-Timber Forest Products and Environmental Services in Guatemala (Guatemala)
ITTO Budget \$ 149,632.00
- (ii) Authorize the financing for immediate implementation of the Projects, Pre-Projects and Activities as listed in the Annex to this Decision; and
- (iii) Authorize the financing for immediate implementation of all the other approved Projects, Pre-Projects and Activities as soon as earmarked funds are available in the Special Account or in the Bali Partnership Fund Account.
2. Urges Members to consider financing those approved Projects, Pre-projects and Activities for which funds are not immediately available,
3. Appeals to Members to make unearmarked contributions to the Thematic Programmes Account and the Special Account,
4. Further appeals to Members to also make voluntary contributions to the Bali Partnership Fund, particularly to the Sub-Account B of this Fund to finance Projects, Pre-projects and Activities to assist Members in achieving the Year 2000 Objective of ITTO, and
5. Requests the Executive Director to continue consultations with potential donors in order to secure financing for those Projects, Pre-projects and Activities for which funds are not immediately available.

ANNEX

Financing during 2017 for Projects, Pre-Projects and Activities

(i) Approved during the 2017 project cycle:	
PPD 189/17 Rev.1 (F) Development of a Full Project Proposal to Generate Tools to Ensure the Establishment of Timber Forest Species through Natural Regeneration in the Province of Tahuamanu, Peru (Peru) – Partial funding (Note 4)	\$50,000.00
PD 815/16 Rev.2 (I) Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam (Vietnam) (Note 4) – Partial funding (<i>consultations with proponents are to be held on reformulation of budget in accordance with provisions under Decision 5(XLIX))</i>)	\$90,000.00
(ii) Approved at earlier Sessions:	
PD 796/15 Rev.2 (M) Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon (Cameroon) – Partial funding (Note 4)	\$80,000.00
(iii) Activities approved through Decision 2(LIII) Biennial Work Programme for the Years 2018-2019:	
PP-A/53-322 Incentives for green-growth value chain investments in tropical forests – Partial funding (Note 4) (ITTO Biennial Work Programme 2018-2019 Activity: 1)	\$50,000.00
PP-A/53-323 Building legal and sustainable forest product supply chains – Partial funding (Note 4) (ITTO Biennial Work Programme 2018-2019 Activity: 2)	\$100,000.00
PP-A/53-324 Strengthening Participation of the Private Sector in the Work of ITTO – Partial funding (Note 4) (ITTO Biennial Work Programme 2018-2019 Activity: 3)	\$75,000.00
PP-A/52-320 Enhance cooperation between ITTO and CITES – Additional funding (Notes 1, 2 and 3) (ITTO Biennial Work Programme 2018-2019 Activity: 6)	\$397,486.00
PP-A/53-325 Operationalizing ITTO Policy guidelines on gender equality and empowering women – Partial funding (Note 4) (ITTO Biennial Work Programme 2018-2019 Activity: 10(a))	\$25,000.00
PP-A/50-305 Cooperation and consultation with the CPF, UNFF and others – Additional funding (Note 4) (ITTO Biennial Work Programme 2018-2019 Activity: 14)	\$25,000.00

PP-A/50-304 \$40,000.00
Trade (TAG) and Civil Society (CSAG) Advisory Group involvement
– Additional funding (Note 4)
(ITTO Biennial Work Programme 2018-2019 Activity: 19)

PP-A/52-319 \$78,605.60
ITTO Fellowship Programme
– Additional funding (Notes 2, 3 and 4)
(ITTO Biennial Work Programme 2015-2016 Activity: 22)

(iv) Other Activity:

PP-A/53-321 Secondment of Programme Officer from the Korea Forest Service (Note 5) \$297,669.56

Note 1: Inter-sessional pledges received after the Fifty-second Session of the Council, including reallocation of previous pledges.

Note 2: Inter-sessional pledge received after the Fifty-second Session of the Council, by allocation from donor's funds.

Note 3: Pledges received during the Fifty-third Session of the Council, including allocation from donor's funds.

Note 4: Pledges received during the Fifty-third Session of the Council.

Note 5: Inter-sessional pledge received through a Memorandum of Understanding.

Note 6: Total pledges confirmed after the Fifty-Second Session of the Council to-date: \$1,308,761.16, less reallocation of prior year's pledge:\$97,486, amount to net increase in voluntary contribution received in the year 2017: \$ 1,211,275.16.

Note 7: In addition to the above, the Government of Germany indicated that they are in the process of completing administrative procedures for the pledge of \$1,000,000 to finance Activity no.4 of the ITTO Biennial Work Programme 2018-2019: Enhancing Teak Management.

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DECISION 2(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.



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DECISION 3(LIII)

ADMINISTRATIVE BUDGET FOR THE 2018 AND 2019 FINANCIAL BIENNIUM

The International Tropical Timber Council,

Recalling the Financial Rules and Rules Relating to Projects of the ITTO, Rule 3.3, which stipulates that Council shall approve and adopt the budget for the Administrative Account through a Council Decision;

Decides to:

1. Approve and adopt the Biennial Administrative Budget for the Financial Years 2018 and 2019 as contained in document CFA(XXXII)/2 Rev.1, in the amount of US\$7,108,547 and US\$7,104,341, respectively.

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DECISION 4(LIII)

EXTENSION OF THE ITTO STRATEGIC ACTION PLAN 2013-2018

The International Tropical Timber Council,

Noting that the implementation period of the ITTO Strategic Action Plan 2013-2018 would expire at the end of 2018 and the new ITTO Biennial Work Plan 2018-2019 implemented under this Action Plan would continue to the end of 2019;

Recognizing the objectives of ITTO as set out in Article 1 of the ITTA, 2006;

Decides to:

1. Extend the implementation period of the ITTO Strategic Action Plan 2013-2018 for one year through 2019;
2. Request the Executive Director to implement in a timely manner the 2018-2019 Biennial Work Program activity to develop an Action Plan for 2020-2025 for consideration and approval by Council at its Fifty-fifth Session in 2019.

* * *



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DECISION 5(LIII)

AMENDMENT OF RULES OF PROCEDURE AND FINANCIAL RULES AND RULES RELATING TO PROJECTS OF THE ITTO

The International Tropical Timber Council,

Recognizing the commitment of Council in taking corrective actions and preventative measures to renew the confidence of members, donors and the public in the financial management of the Organization;

Also recognizing the decisions taken by Council at its Fifty-second Session to address the financial impairment were informed by existing best practice in international accounting, financial management and auditing standards as well as by a comparative analysis of regulations across a wide range of international organizations;

Recalling the summary report for CFA(XXXI) in which the CFA Chairperson suggested the overall transparency of ITTO documentation could be the subject of discussion at the next meeting of the CFA;

Noting that there should be exemptions to the policy of providing public access to meeting documents in exceptional circumstances, such as restrictions on documents or redaction of text to protect the privacy of individuals and third parties, legal privilege, contractual, proprietary or commercial information, and certain internal governance matters;

Further noting the responsibilities of the Committee on Finance and Administration, documented in Decision 7(LII), to recommend to Council any modifications judged necessary to the Organization's Rules of Procedure, Staff Regulations and Rules or the Financial Rules and Rules Related to Projects;

Decides to:

1. Amend the Rules of Procedure [Document ITTC(XLVIII)/22 Annex1] as follows:
 - a. "...at least three weeks" in Rule 11(5) shall read "at least 30 days".
 - b. "...available to interested parties." in Rule 34 shall read "available publicly on the ITTO website. Restricted documents shall be made available to all members on a members only portal website."
2. Amend the Financial Rules and Rules Relating to Projects of the ITTO [Annex to Document ITTC(LII)/19] as follows:
 - a. Add a new Rule on "Documents" under Chapter IX "Miscellaneous" which shall read "All documents relating to budgets, assessments, financial resource levels, financial statements and audits, shall be published on the ITTO website upon approval by the Council or completion of the Council Session where it is examined."
 - b. "...distribute to members" in Rule 4(5) shall read "publish on the ITTO website".
3. Request the Secretariat to have available on ITTO's public website, CFA financial documents from 2014-2016.



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Lima, Peru

DECISION 6(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, training of ITTO staff, and study on gender roles in forest industry;
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\$185,000. In the absence of sufficient voluntary contributions, the Executive Director is requested to use funds from the Working Capital Reserve.

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

Annex 1

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

I. PURPOSE

1. ITTO is committed to gender mainstreaming and enhancing gender equality outcomes across its policy and project work. ITTO's Policy Guidelines on Gender Equality and Empowering Women (GEEW) institutionalize this commitment. The Policy Guidelines serve as a framework for gender integration and mainstreaming in ITTO policies, plans, programmes, projects, activities and internal functioning and are intended to enhance the impact and effectiveness of the Organization's operations in all areas and at all levels.

II. RATIONALE

2. Through the adoption of the 2030 Agenda for Sustainable Development, all ITTO Members recognize the crucial role of gender equality to realizing sustainable development and are committed to advancing Sustainable Development Goal 5: To achieve gender equality and empower all women and girls. In this context, ITTO recognizes that:

- Gender equality and empowering women are essential to achieving sustainable forest management, including the sustainable management of tropical timber producing forests, which is a core ITTO objective.
- Women participate in the forest sector in diverse ways and within different cultural and geographic contexts, including as part of indigenous and local communities, as migrants, as farmers, and as workers, technicians and professionals.
- In many rural communities, particularly in producer countries, men and women typically play different roles in forestry and agroforestry systems. Women are often primary collectors and users of forest resources, such as fuelwood, wild foods and medicinal herbs, have traditional knowledge of forest management practices that are often inherently sustainable, and make specific contributions to tropical forest value chains which are important for household incomes and well-being.
- Due to a variety of interrelated cultural, social, economic and institutional factors, which vary from country to country and sometimes within countries, women are often disadvantaged in the forest sector. Specific disadvantages vary depending on the sphere(s) in which the women operate, which may be rural, urban, indigenous, local, national, technical, professional, public and/or private.
- Despite their crucial role in forest management, many women are limited in their control over forest land; access to financial resources, technology, education and training; share in forest-based benefits; and decision-making opportunities.
- Women are also often disadvantaged in tropical timber-based industries where they may not have equal access to employment opportunities or receive equal pay for equal work.
- In many Member countries, women are underrepresented, particularly at senior levels, in forest authorities, institutions and organizations, as well as in tropical forest-based processing and manufacturing industries and international trade groups. This hampers their ability to influence, and bring their perspectives to bear on, public and private sector decisions.
- In addition to cultural biases, the lack of sex-disaggregated data and statistics on the role of women in forestry, particularly in trade and industry, hampers the development of policy interventions to address gender inequalities.
- The potential of women to engage in, contribute to and benefit from the international forest-based economy as leaders, participants and agents of change, has yet to be fully realized. More work is needed by all stakeholders at all levels, including the ITTO.

III. OBJECTIVES

3. The objectives of the Policy Guidelines are to:
- Enhance the effective integration and mainstreaming of gender considerations in all aspects of ITTO's policy and project work.
 - Build the capacity of ITTO and its Members to promote gender equality and empower women in the tropical forest sector.
 - Strengthen the role of women in ITTO's governance structure, including in the work of the Council and Committees, ad hoc expert panels and working groups, and the Secretariat.

IV. PRINCIPLES

4. The Policy Guidelines reflect and flow from the following guiding principles:
- Gender equality is a core value of ITTO. Achieving ITTO's objectives will be accelerated by efforts to close the gender gap and empower women at all levels.
 - Integrating a gender perspective means promoting equal opportunities, rights, voice, influence, leadership and benefits for women at all levels and in all spheres of ITTO's work.
 - Gender equality is a matter of human rights. In order to achieve gender equality, it is often necessary to overcome historical biases and empower women to exercise their rights and fulfill their potential to contribute as full and equal members of society.
 - Gender equality is an issue that concerns both women and men, recognizing that the roles of men and women in forestry systems may differ across cultures. Involving men is essential to bring about changes in attitudes, behavior and biases that disenfranchise women.
 - Achieving gender equality and empowering women depends on generating information on the current situation of women in specific forest sector settings and cultural contexts and identifying social, economic and technological inequalities between men and women.
 - Implementation of the Policy Guidelines will be consistent with applicable laws of ITTO Member countries and seek to advance the goals of relevant international instruments, including the 2030 Agenda for Sustainable Development and the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW).

V. GUIDELINES

5. The Policy Guidelines address and provide guidance on eight core elements: (1) ITTO policies, action plans and thematic programmes, (2) ITTO project cycle, (3) capacity building, (4) statistics and information, (5) learning, knowledge management and communication, (6) networking and partnerships, (7) internal functioning and (8) accountability.

Element 1 – ITTO policies, action plans and thematic programmes

- ITTO's policy papers and guidelines will integrate a gender perspective and mainstream gender considerations wherever relevant.
- ITTO's strategic action plans will incorporate gender mainstreaming, including women's empowerment, as a strategic priority, as well as a key cross-cutting strategy to achieving other priorities set out in the plans.
- To the extent possible, ITTO thematic programmes will include one or more objectives focused on raising awareness of gender roles, norms and relations and promoting gender equality in the programme context.

Element 2 – ITTO project cycle

- The ITTO project cycle will integrate and mainstream gender issues. Gender equality will be addressed in all phases of the project cycle, including project formulation, implementation, monitoring, review and evaluation.
- The needs and interests of women and men, including their effective participation and outcome benefits, will be equally taken into account and promoted within ITTO-funded projects.
- All ITTO projects will be “gender-sensitive” and will examine gender roles, norms, relations and potential project impacts through a gender analysis and seek to generate gender co-benefits in project design.
- Wherever possible, ITTO projects will be “gender transformative” by including one or more objectives focused on raising awareness of gender roles, norms and relations and positively changing (transforming) those roles, norms or relations to improve gender equality and empower women. Such projects will include women’s organizations and/or networks as project partners and, where appropriate, as Executing Agencies.
- In all cases, the gender analysis will:¹
 - Be appropriate to the project field (e.g. forest management, forest industry, trade), as well as the project scale (local, national, regional, international).
 - Include the collection of quantitative sex-disaggregated data where possible, as well as qualitative information provided by stakeholders, both women and men.
 - Generate information and data to inform project design, interventions and desired outcomes, including budget allocations.
- Men and women will be provided with equitable opportunities to be included in stakeholder consultations and decision-making during project formulation, implementation and evaluation.
- ITTO will promote the collection, analysis and use of gender equality indicators and sex-disaggregated data in project monitoring, reporting and evaluation.
- ITTO will utilize a results-based management approach in monitoring, reporting and evaluating gender-related project outcomes and impacts, with evidence of actual results used to make course corrections as needed.

Element 3 - Capacity building

- ITTO will seek to enhance the capacity of Members to establish, strengthen and implement laws, regulations and policies designed to achieve gender equality and empower women, particularly within the tropical forest sector.
- The Executive Director will promote a shared commitment to gender equality within the Secretariat and ensure that staff members have the understanding, training and capacity needed to carry out these Policy Guidelines.

Element 4 – Statistics and information

- In addition to its programme and project work, ITTO will integrate gender in its data collection and statistical processes, with a view to generating sex-disaggregated data for all applicable organizational functions and categories of information. This will include data collected through national reporting on ITTO’s criteria and indicators for sustainable management of tropical forests.

¹ Additional guidance on gender analysis is contained in the ITTO Manual for Project Formulation.

Element 5 – Learning, knowledge management and communication

- ITTO will enhance learning on gender equality **and empowering women** as part of its knowledge management activities, including sharing experiences and lessons learned, upscaling best practices from different situations and cultural contexts, and working to develop a better understanding of gender and the international tropical timber economy.
- The Secretariat will develop tools, products and platforms suitable for a variety of audiences to raise awareness of the importance of gender equality to achieving ITTO's objectives and to communicate the Organization's efforts and achievements in promoting gender equality **and women's empowerment** in its policy and project work.

Element 6 – Networking and partnerships

- The Council, Committees and Secretariat will work with TAG and CSAG to strengthen gender mainstreaming in the ITTO.
- The Executive Director will develop alliances with organizations and networks that work on gender equality, in particular UN-Women and regional women's organizations **and** networks, and explore opportunities to develop joint gender equality initiatives with CPF partners.

Element 7 - Internal functioning

- ITTO will strengthen efforts to seek gender balance in the Council bureaus, expert panels and working groups.
- The Executive Director will ensure an office atmosphere and culture that is respectful of women employees at all levels, enables them to reach their full potential, and promotes inclusion and transparency.
- The Executive Director will take gender into consideration in engaging consultants, awarding procurement contracts, and appointing members of Thematic Programme Advisory Committees.

Element 8 – Accountability

- ITTO will establish an accountability mechanism and timeline to track progress and measure success on gender integration and mainstreaming, including women's empowerment, within the Organization's policy and project work and management practices.
- The Executive Director and permanent Committees will monitor and regularly report to Council on the implementation of these Policy Guidelines.
- ITTO programme and project managers will ensure Executing Agencies and other partners report regularly on gender integration in ITTO-funded programmes and projects, which may include developing gender sensitive indicators to measure progress.

VI. IMPLEMENTATION ACTIONS

6. The Policy Guidelines will be operationalized through actions taken within existing resources, as well as through priority activities identified by the Council in ITTO's Biennial Work Programmes (BWPs) which require additional voluntary contributions from Members, beginning with the BWP 2018-2019. The Secretariat will propose implementation activities for Council's consideration for inclusion in the BWPs.

Annex 2

**DRAFT TEXT FOR
APPENDIX D TO THE ITTO MANUAL FOR PROJECT FORMULATION**

“Guidelines for project-related gender analyses”

A. Introduction

1. Chapter II, Part 2 (page 24) of the ITTO Manual for Project Formulation (2009 edition) states that a project proposal should include a stakeholder analysis that describes, *inter alia*, “the characteristics and size of the target and beneficiary groups (e.g. by age, gender and ethnic composition)”. It also states that: “The stakeholder analysis should include a gender analysis. This will help to:

- Identify gender-based differences in resource access
- Determine how different members of target communities will participate in and be affected by project interventions
- Incorporate gender equity and empowerment in the project design process
- ‘Gendering’ the logical framework by defining indicators relating to gender equity and empowerment.”

2. Appendix D provides additional guidelines on conducting a gender analysis. Appendix D flows from ITTO’s Policy Guidelines on Gender Equality and Empowering Women (GEEW) and supplements the “Guidelines for ensuring stakeholder participation in the project cycle” contained in Appendix A of the Manual for Project Formulation.

B. Gender analysis

3. Gender analysis is typically a subset of social analysis. It is tool used to identify, understand and explain differences between males and females that exist in communities, countries, sectors and/or segments of societies, and thereby ensures a project is “sensitive” to gender issues. Gender analysis is also used to identify the relevance of gender norms and power relations in a specific context (e.g. country, geographic, cultural, institutional, economic). In the ITTO context, a gender analysis will typically examine and document:

- The group(s) or community(ies) of women relevant to the project (e.g. indigenous, local, professional), the spheres in which they operate (e.g. rural, urban, public, private), and the cultural context.
- Differences in the status of women and men and their differential use of, access to and benefits from forest-based assets, resources, opportunities and services;
- The influence of gender roles and norms on the division of time between paid employment in the forest sector and unpaid work (e.g. collection of wood and non-wood forest products);
- The influence of gender roles and norms on leadership and decision-making in the public and/or private forest sector, constraints and opportunities, and entry points for narrowing gender gaps and empowering women; and
- Potential differential impacts of the project on men and women, including potential negative impacts.

4. The gender analysis framework will vary somewhat depending on the nature, scope and scale of the proposed project (e.g. whether it focuses on tropical forest management, forest industry and/or the tropical timber trade, and at what level). Regardless of the type of project, the gender analysis will help ensure that projects not only “do no harm” but also contribute to promoting equality and closing the gender gap where relevant.

5. A gender analysis should be undertaken early in the project planning phase. In this way, an understanding of gender roles and power relations can be built into the project and inform its design, objectives, interventions and desired outcomes. The results of a gender analysis will also help:

- Ensure that the views of both men and women are taken into account in project formulation;
- Ensure that projects “do no harm” and avoid unintended consequences that increase inequalities between women and men;

- Identify data and knowledge gaps a project may wish to address; and
- Develop gender performance indicators where appropriate for project monitoring, reporting and evaluation.

6. Most gender analysis frameworks involve collecting quantitative and qualitative sex-disaggregated information and statistics on a similar set of issues, sometimes referred to as “domains”. Depending of the type and location of the project, sources of quantitative sex-disaggregated data may include national and international databases, NGOs, donor agencies, and the results of previous gender assessments in the country/locality or project topic(s). Qualitative information may be generated through interviews with potential stakeholders, with both men and women involved, and project partners.

7. A gender analysis may take various forms depending on the project context, size, available resources, and existing sex-disaggregated data. It may be a stand-alone study or integrated into other project data collection and/or analysis processes, such as social and environmental risk and impact assessments.

8. Given its benefits, a gender analysis is generally considered highly cost-effective. According to the Green Climate Fund, gender mainstreaming and analysis does not necessarily signify additional projects costs and may well increase project effectiveness and efficiency². Based on the experience of some development assistance agencies, a gender analysis budget of US\$10,000 is usually adequate for projects under US\$10 million.³

C. Examples of questions to be asked/answered

9. As noted above, the specific issues or domains a gender analysis will seek to address will vary to some extent depending on whether the project deals with the tropical forest resource base, forest industry development, or the international trade in tropical timber, and whether it is local, national, regional or international in scale. The following are examples of the types of questions that could frame a gender Analysis.⁴ These questions would need to be adapted to fit the nature and scope of the project and some may not be applicable to all projects.

What is the project context?

- What demographic data disaggregated by sex and income are available?
- What are the respective roles, interests, needs and/or priorities of women and men?
- What is the legal status of women? What laws, policies and institutional practices influence the roles of men and women?
- What are common beliefs, values and stereotypes related to gender?

Who has what?

- What are the levels of income and wages of women and men in the forest sector?
- What are the levels of education typical for boys and girls?
- What is the forest land tenure and resource use situation? Who controls access to or owns the forest? Do women have rights to forest land and resources?
- Do women and men have access to extension services, training programmes, etc.?

Who does what?

- What is the division of labor between men and women in the forest sector?
- How do women and men participate in the formal and informal forest-based economy?
- How are women represented relative to men in the forest-based workforce?
- What specialized knowledge and skills do men and women have related to forests?
- How do women and men participate in non-market uses of forest resources?

Who decides?

- Who controls/manages/makes decisions about forest-based resources, assets and finances?
- How do women and men participate in forest planning and decision-making and at what level?

² Source: Mainstreaming Gender in Green Climate Fund Projects (2017)

³ Source: Land O' Lakes, Inc. International Development (2015)

⁴ These sample questions are based on those commonly listed in gender analysis guidance documents, including Mainstreaming Gender in Green Climate Fund Projects (2017).

- How much influence do women have in decision-making?
- Do men and women belong to forest-based cooperatives, trade unions or other types of economic, political or social organizations?

Who benefits?

- How will the project benefit women and men?
- Will the services/products of the proposed interventions be accessible to and benefit both men and women?
- Will the proposed interventions increase the incomes of both women and men?

D. Example of gender questions in the logical framework

10. When formulating projects, the project’s logical framework (logframe) can offer an important opportunity for gender mainstreaming. Key questions to ask when designing a project logframe relate to impacts, outcomes, outputs and activities. Examples of key questions are listed in Table 1.

Table 1 – Examples of key questions on gender issues in the logframe

IMPACT	<ul style="list-style-type: none"> • Is gender equality one overall objective that the project aims to contribute to? • Are men and women (of different ages and socio-economic groups) going to benefit equally from the project?
OUTCOMES	<ul style="list-style-type: none"> • Does the outcome include any clear reference to women and men and existing inequalities between them? • Does the intervention have the potential to improve women’s access to self-provisioning and other productive resources, services, technologies, training and employment opportunities? • Does the intervention have the potential to improve women’s decision-making regarding resources?
OUTPUTS	<ul style="list-style-type: none"> • Do the outputs respond to the different needs and priorities of men and women, as identified by the gender analysis? • Do the outputs challenge/redress existing gender inequalities and discriminatory norms and practices?
ACTIVITIES	<ul style="list-style-type: none"> • Are women and men given equal opportunities to plan, participate in and monitor the project’s activities? • Do the planned activities take into account the roles and responsibilities of men and women in order to ensure equal opportunities for and benefits from participation?

(Source: FAO Field Guide to Mainstream Gender in Forestry, 2016)

E. Gender-sensitive versus gender-transformative projects

11. By incorporating a gender analysis during the project design phase, all ITTO project proposals are expected to be “gender-sensitive”, i.e. aware of and sensitive to gender issues as they apply in the project context and seek gender “co-benefits” in project design and outcomes. Project proposals that go beyond gender-sensitivity to actively enhance gender equality and empower women are referred to as “gender transformative”.

12. Gender transformative projects are those that critically assess and work to positively change gender roles, norms and relations within ITTO’s fields of work. They include one or more objectives which aim to raise awareness of gender roles and norms among women and men and to transform those norms through actions that close the gaps in gender equality and promote women’s rights, power, voice, economic opportunities, skills and benefit-sharing. Table 2 provides examples of the types of project objectives that can be considered gender-transformative.

Table 2 - Examples of gender-transformative project objectives

Topic	Project objective
Awareness raising and information	<ul style="list-style-type: none"> • Enhance recognition of the role of women in sustainable management of tropical production forests, use of forests for self-provisioning, and forest-based income generation, value chains and markets • Raise awareness of gender gaps and their negative impacts on the tropical timber economy • Generate improved information and data on the contribution of women to the forest sector and timber economy at all levels • Increase women's awareness of their forest-based economic opportunities
Rights	<ul style="list-style-type: none"> • Strengthen forest-related policies and legislation to promote gender equality at national, sub-national and/or local levels • Enhance implementation of applicable laws and policies • Strengthen women's rights to forest land tenure and ownership and access to forest resources • Resolve conflicts between statutory and customary rights
Economic empowerment	<ul style="list-style-type: none"> • Support women's forest enterprises at various levels • Improve women's access to financial services and capital, including micro- financing and credit • Improve women's access to forest product markets • Improve women's access to enabling technology, including information and communication technology, and wood processing techniques • Strengthen women's participation in forest value chains • Promote equal pay for women for equal work
Power and voice	<ul style="list-style-type: none"> • Facilitate women's participation in forest user groups • Enhance women's participation and influence in forest-related decision- making at local, national and international levels • Promote women in management and leadership positions in forest institutions, national forest authorities, private companies and concessions • Strengthen women's forest-related networks at various levels • Monitor how actual practice reflects agreed procedures
Skills	<ul style="list-style-type: none"> • Improve women's access to forest-related education and training opportunities (technical, vocational, professional) • Improve women's access to extension services • Enhance women's employment and livelihood skills, including in value-added forest-based processing industries
Benefits	<ul style="list-style-type: none"> • Support equitable distribution and sharing of benefits derived from forests for men and women • Support equity between women and men in the generation of benefits derived from forests



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27 November – 2 December 2017
Lima, Peru

DECISION 7(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 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 paragraph 1 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 requesting 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.



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DECISION 8(LIII)

APPLICATION OF ARTICLE 30 OF ITTA, 2006 (RELIEF FROM OBLIGATIONS) TO THE GOVERNMENT OF THE CENTRAL AFRICAN REPUBLIC

The International Tropical Timber Council,

Aware that paragraphs (1) and (2) of Article 30 of the International Tropical Timber Agreement, 2006, "Relief from Obligations" state: "1. Where it is necessary on account of exceptional circumstances or emergency or *force majeure* not expressly provided for in this Agreement, the Council may, by special vote in accordance with article 12, relieve a member of an obligation under this Agreement if it is satisfied by an explanation from that member regarding the reasons why the obligation cannot be met," and "2. The Council, in granting relief to a member under paragraph 1 of this article, shall state explicitly the terms and conditions on which, and the period for which, the member is relieved of such obligation, and the reasons for which the relief is granted,"

Acknowledging that the Government of the Central African Republic, through the letter from the Ministry of Water, Forest, Hunting and Fisheries of 12 February 2015 addressed to the Council, indicated that the Central African Republic is in a very serious military and political crisis and is facing financial difficulties to settle its ITTO arrears for the period 2005 to 2011, and that it is committed to undertake its best efforts to contribute its assessments under the ITTA, 2006;

Recalling that the International Tropical Timber Council, at its Fifty-first Session held in Kuala Lumpur, Malaysia, in November 2015, and at its Fifty-second Session held in Yokohama, Japan, in November 2016, deferred any discussions on this matter due to time constraints caused by ITTO's financial impairment;

Taking into account the exceptional circumstance of the Government of the Central African Republic as referenced in their letter to the Council;

Decides to:

1. Confirm that, following a careful analysis of the situation concerning the obligations of the Government of the Central African Republic in the framework of the International Tropical Timber Agreement, 2006, the provisions under Article 30 of International Tropical Timber Agreement, 2006, apply to the Government of the Central African Republic;
2. Write-off the outstanding arrears for the years 2005-2011, of the Government of the Central African Republic in the amount of *US\$ 525,507.00*.
3. Communicate this relief is provided due to extraordinary circumstances and does not constitute a precedent in ITTO or other international organizations.
4. Urge the Government of the Central African Republic to pay its remaining outstanding arrears and requests the Secretariat to identify a suitable payment plan to allow Central African Republic to meet its financial obligations.

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DECISION 9(LIII)

IMPROVING ITTO'S FINANCING INFRASTRUCTURE AND FUNDRAISING STRATEGIES

The International Tropical Timber Council,

Recognizing the strong need to develop a more coherent programme and further improvements of its current complex financing infrastructure;

Also recognizing the importance of effective fund management to attract and utilize funding efficiently;

Also recognizing the importance of enabling ITTO to monitor and respond to existing and emerging funding opportunities in a timely manner;

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. Request the Executive Director to convene an ad-hoc working group consisting of 3 experts nominated by consumer members, 3 experts nominated by producer members and one representative from each of the Civil Society Advisory Group and the Trade Advisory Group to consider options and make proposals for improving ITTO's financing infrastructure and fundraising strategies;
2. Authorize the Executive Director to utilize an amount not exceeding US\$300,000 from the Working Capital Reserve to convene the above working group and to undertake measures to improve ITTO's fund raising and partnership building policies and activities;
3. Authorize the Executive Director to transfer to the unearmarked fund of the Special Account the donor funds specified in Table 3.5 of ANNEX 3 to the document ITTC(LIII)/12 left with ITTO without instructions from those donors on how to utilize such funds;
4. Request the Executive Director to provide a report to the Fifty-fourth Session of the ITTC on the implementation of this Decision, including the outcome of fundraising efforts.

Annex 1: Terms of Reference of Ad Hoc Working Group on Financing Infrastructure

ITTO and its objectives are critical in a world where the sustainable management and conservation of tropical forests is receiving increasing attention and concern. As the organization recovers from a period of turbulence, ITTO must develop and implement an innovative and proactive fundraising strategy. This will require the Executive Director, the Secretariat and ITTO's members to think creatively and learn from the successful strategies of other intergovernmental organizations, NGOs, and others. This effort should be led by an energized Secretariat, actively supported by ITTO members and partners in the NGO and private sector worlds.

To assist the Secretariat in this effort, an ad hoc working group will be convened in Yokohama for 3 days in the first half of 2018, and remotely [before and/or after] as needed. Its mandate will be, under the leadership of the Executive Director, to make recommendations or present options related to improving ITTO's financing infrastructure and fundraising strategies. Specifically, it will review, discuss and (as relevant) present options/recommendations on:

1. Seeking voluntary contributions or other mechanisms for the immediate financing of the long list of projects formulated in line with the core objectives of the ITTA and approved by the ITTC;
2. The effectiveness and coherence of ITTO's current funding windows (including regular project cycle, thematic programs, biennial work program, Bali Partnership Fund) and possible changes to improve their value and appeal;
3. Possible means to shorten or streamline the project development and approval process (including a review of the sunset provision of Decision 3(X) under which unfunded projects lose their approved status after a defined period);
4. Possible adjustments to thresholds or conditions to launch projects;
5. Possible steps for project proponents and donors to interact, in order to help identify themes or projects of mutual interest with a reasonable chance of receiving funding;
6. Development of a concise and compelling fundraising message;
7. Identification of potential sources of financing and tailoring any fundraising message for different potential donors;
8. Possibilities for co-financing activities and projects as well as for income generation from ITTO products;
9. Opportunities to combine funding streams or build collaboration with other initiatives and mechanisms for forest financing, such as the Green Climate Fund, the Global Environment Facility, and the Global Forest Financing Facilitation Network; and
10. Other matters deemed relevant.

The ad hoc working group should also consider and provide guidance on a draft plan to be produced by the Secretariat for utilizing the resources provided by Council to implement this Decision. The ad hoc working group should produce a report of its work and submit this to the Executive Director so that he can include it in his briefing to Council on the implementation of this Decision.

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DECISION 10(LIII)

**ROTATION IN THE FRAMEWORK OF THE
SELECTION OF THE EXECUTIVE DIRECTOR OF THE ITTO**

The International Tropical Timber Council,

Recalling Decision 9(LII) establishing an Ad Hoc Working Group to consider rotation in the framework of the selection of the Executive Director of ITTO;

Recalling paragraph 2 of Decision 9(LII) requesting the Ad Hoc Working Group to present the results of its work to the Council for consideration at its Fifty-third Session;

Welcoming the report of the Ad Hoc Working Group in examining options for rotation in the framework of the selection of the Executive Director;

Emphasizing that the paramount consideration in the appointment of the Executive Director shall be to secure the highest standard of efficiency, competence and integrity;

Noting the intent to achieve an efficient, effective leadership selection, and the principle of rotation in the framework of the selection of the Executive Director of ITTO to facilitate a more effective selection process;

Noting the discussions and the proposal by the Producer caucus to organize the rotation according to option 1a in the Report of the Ad Hoc Working Group;

Noting the importance of this institutional matter for the ITTO and acknowledging the expression by the consumer caucus of the need for further consultation;

Acknowledging the joint partnership among all members of ITTO;

Decides to:

1. Accept the principle of rotation in the selection of the Executive Director as set out in the Report of the Ad Hoc Working Group; and
2. Take a decision on an option for rotation in the framework of the selection of the Executive Director of ITTO at its Fifty-fourth Session on the basis of the Report of the Ad Hoc Working Group.

* * *

ANNEX IV

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES

**Documents: CEM-CFI(LI)/4
CRF(LI)/5
CFA(XXXII)/8**



**INTERNATIONAL TROPICAL
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**COMMITTEE ON ECONOMICS,
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COMMITTEE ON FOREST INDUSTRY

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27 November-2 December 2017
Lima, Peru

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

FIFTY-FIRST SESSION OF THE

COMMITTEE ON ECONOMICS, STATISTICS AND MARKETS

AND THE COMMITTEE ON FOREST INDUSTRY

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REPORT

1. Opening of the Session

The Fifty-first Session of the Committees was opened on 28 November 2017 at the Joint Session of the Committee on Economics, Statistics and Markets (CEM) and the Committee on Forest Industry (CFI), co-chaired by Mr. Jorge Malleux (Peru), Chairperson of CEM and Mr. Lokossou Achille Orphée (Benin), Chairperson of CFI. Mr. Zhang Zhongtian (P.R. China), Vice-Chairperson of the Council chaired the Joint Session of All Committees. The list of participants is presented in document ITTC(LIII)/Info. 2.

2. Adoption of Agenda and Organization of Work

The Agenda for the Joint Session of the CEM and the CFI as contained in document CEM-CFI(LI)/1 Rev.1 was duly adopted. The Joint Session of the CEM and the CFI met on 28, 29, 30 November and 1 December to consider items 1, 2, 3, 5, 7, 8B, 9, 10, 11, 12, 13, 14, 15 and 16 of the Agenda. The Joint Session of All Committees met on 29 November 2017 to consider items 4, 6 and 8A of the Agenda.

3. Admission of Observers

The Committees admitted the observers listed in document ITTC(LIII)/Info.3 Rev.1 as approved by the Council.

4. Report of the Expert Panel for Technical Appraisal of Project Proposals

The Joint Session of All Committees considered the report of the Expert Panel for Technical Appraisal of Project Proposals presented by panel member, Mr. Jobst-Michael Schroeder (Germany), as contained in document ITTC/EP-52.

In its general findings and recommendations, as derived from the appraisal of 46 proposals, the Fifty-second Panel noted that the quality of the proposals was variable, which is reflected by the fact that: twelve proposals (26% of the total) received a category 4, indicating that the Expert Panel does not commend these proposals to the Committee for approval as they require complete reformulation; nineteen proposals (two pre-projects and seventeen projects or 41% of the total) will be sent back to proponents for essential revisions, rated as category 2; and only fifteen proposals (two pre-projects and thirteen projects or 33% of the total) were commended to the Committee for final appraisal with minor modifications required (category 1).

Out of the 46 proposals, only 4 were categorized under Forest Industry, 14 were categorized under Economics, Statistics and Market and 28 were categorized under Reforestation and Forest Management.

The presentation also highlighted the following:

- Government agencies or research institutes were executing agencies (EAs) in 28 proposals. Out of this number, 12 were research organizations. NGOs and Associations were EAs in 18 proposals. From these, there was only 1 proposal submitted from a women's association and 2 from youth related associations.
- Only two proposals covered transboundary topics and gender issues are mostly not being incorporated in project proposals; and
- Proposals from new members often did not meet the criteria of the ITTO Manual for project formulation of 2009.

The presentation also highlighted general findings and recommendations of the Expert Panel at its Fifty-second meeting, which include the need to provide training and enhance the capacity of new members on project formulation, and review the Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects.

The representative of USA acknowledged the hard work of the Expert Panel members, as well as the Secretariat in undertaking the process of appraising the 46 project proposals within a short period of time. The representative encouraged the Secretariat, following the adoption of the Guidelines for Environmental and Social Risks and Impacts Assessment and the Guidelines for Achieving Gender

Equality and Empowering Women, to include the checklist of the Guidelines in the manual of project proposal formulation. The USA representative also expressed that her country is ready to discuss this issue in the next Expert Panel meeting.

5. New Projects and Pre-projects

The Committees noted the projects that were approved under the time-bound electronic no objection procedures to accept Expert Panel ratings and circulated to member countries pursuant to Decision 6(XLIII), following the recommendations of the Expert Panel at its Fifty-second Meeting as follows:

Committee on Economics, Statistics and Markets		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 791/15 Rev.3 (M)	Community Forest Landscapes and Small Enterprises Contributing to Legal Timber Trade in Ghana	Ghana
PD 819/16 Rev.2 (M)	Market Survey for Forest Products in Peru	Peru
PD 832/16 Rev.2 (M)	Implementing Mechanisms to Improve Traceability in the Forest Production Chain in Guatemala	Guatemala
PD 839/17 Rev.1 (M)	Strengthening and Consolidating the National Process for Controlling Illegal Logging and Associated Trade in Cameroon – Phase 2	Cameroon
PD 845/17 Rev.1 (M)	Enhancing the Capacity of Forest Communities in Forest Governance, Monitoring and Community Development Projects in Mankraso Forest District Ghana	Ghana
PD 858/17 Rev.1 (M)	The Trends of Chinese Wood Product Markets and their Dependence on International Trade of Tropical Timber Towards 2030	China
PD 863/17 Rev.1 (M)	Development and Strengthening of the Domestic Market for Non-Timber Forest Products and Environmental Services in Guatemala	Guatemala

Committee on Forest Industry		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 815/16 Rev.2 (I)	Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam	Vietnam

6. ITTO Annual Market Discussion – 2017

The Committees noted the summary of the ITTO Annual Market Discussion – 2017, held in the Joint Session of All Committees on 29 November 2017, as contained in Appendix A. The theme of the Market Discussion was “Sharing Experiences on promoting investment in tropical timber industries and tropical forestry”. Mr. André de Boer (TAG Co-coordinator) chaired the Market Discussion.

The following feature presentations were made during the Market Discussion:

Ms. Ingrid Nielsen
Head of Investment Advisory and
Strategy Consulting
Indufor Group, Finland

*Experiences of Profitable Investments in the
Forestry Industry Value Chain with Expected
Sustainable Development – Tanzania and
Indonesia Case Studies*

Mr. Erik Luis Fischer Llanos
President, Forest Committee
Association of Exporters (ADEX), Peru

*Proposals to Promote Investment in the Timber
Industry in Peru and its Socio-economic
Development Impact*

Dr. Ivan Tomaselli
President
STCP Engenharia de Projetos Ltda
Brazil

*Regional Experiences in Attracting Investments
for the Forestry Sector*

Mr. Bob Tate
Executive Officer
Papua New Guinea Forest Industries Association

*Reconciling Investment Policy Confusion,
Conflict and Conditionalities*

Mr. Christian Held
Deputy Head, Forest Investment Division
UNIQUE Consulting
Germany

*Investing in Timber Production: Lessons Learnt
from Plantations, Natural Forests and Silvo-
Pastoral Systems*

Mr. Rik Soos
Deputy Director and Senior Forestry Expert
FORM International
Netherlands

*Unlocking Investments for Forest Restoration
on Degraded Lands in Africa – the Form
International Experience*

The Committees further noted the statement of the Trade Advisory Group (TAG) presented during the Market Discussion as contained in Appendix B.

7. Report on Completed Projects and Pre-projects

The Committees considered the Report of Completed Projects and Pre-projects as contained in document CEM-CFI (LI)/2 as follows:

Committee on Economics, Statistics and Markets

PD 621/11 Rev.3 (M) Traceability of Timber Produced by Forest Concession and Native Communities in Madre de Dios and Ucayali (Peru)

The Committee received a report from the representative of the Executing Agency (Cámara Nacional Forestal) detailing the outputs of the project which had successfully implemented a log tracking system for forest concessions and native communities in Peru's Madre de Dios and Ucayali regions. The Secretariat informed the Committee that the project had been successfully completed with all outputs achieved and reporting requirements (including final report and financial audit) met. The Committee declared the project complete.

PPD 167/13 Rev.1 (M) Feasibility Study on the Certification of ONAB's National Plantation Estates (Benin)

The Secretariat informed the Committees that the development objective of this project is to gather the information required to formulate a forest certification project proposal to ITTO in order to improve the sustainable forest management of the estimated 17,856 ha of plantations managed by the Office National du Bois (ONAB) in Benin. The expected outputs were: (i) the gathering of a baseline information needed for the certification of the ONAB national plantation estates and (ii) a project formulation for the timber certification in Benin submitted to ITTO for approval.

The pre-project started in July 2014 and the activities related to the pre-project ended in April 2016. All activities and outputs were fully completed. The main output of the pre-project was a project proposal which was submitted to ITTO for the 51st Expert Panel (PD 821/16 (M) "Certification of forest plantations managed by the Office National du Bois (ONAB)"). Unfortunately however, the project proposal as the main result of the pre-project was rated category 4 and not recommended by the Expert Panel, mainly due to the lack of clarification of the certification schemes that the project was supposed to implement in the Benin plantations.

The completion report was submitted in June 2016 and the final audit report was submitted to ITTO at the end of 2016 and reviewed and accepted by the ITTO Secretariat.

The Committees duly declared this pre-project completed.

Committee on Forest Industry

PD 722/13 Rev.1 (I) Capacity Building and Reduced Impact Logging (RIL) in Dry Inland Forest in the Permanent Forest on Peninsular Malaysia

The representative of Malaysia reported on the completion of the project, as all activities have been carried out and outputs achieved satisfactorily.

The aim of this project was to strengthen human resource development via a capacity building program to produce adequate numbers of qualified skilled personnel for both state forestry departments and the private sector in Peninsular Malaysia on Reduced Impact Logging (RIL) implementation.

This project focused on training of personnel and concentrated on activities like training of forest workers and organizing seminars. It involved courses that related directly to RIL and the training was conducted mainly at Terengganu Forestry Training Centre (TFTC) in Kuala Berang, Terengganu. At the end of the project about 470 personnel were trained including 110 as qualified trainers and 360 forest workers both from the forestry department and the private sector. About 750 participants also benefited from awareness raising programs conducted through various seminars on forestry related issues during the course of the project.

In order to ensure sustainability of qualified trainers for future training purposes, a group of highly trained SMEs will be formed and recognized by the department. The trainers produced throughout the project are to be monitored and their performance, knowledge and skills on RIL practices is to be enhanced periodically. This will safeguard the longevity of technical knowledge and skills to be passed down to future forest guardians.

The Secretariat informed the Committees that the completion report, technical reports and final financial audit report had been delivered by the executing agency in accordance with the project agreement. The Committees duly declared the project completed.

8. Ex-post Evaluation

(A) Ex-post Evaluation Reports

To facilitate the sharing of experiences and lessons learned from ex-post evaluation of projects among members, the consideration of ex-post evaluation reports is undertaken in a Joint Session of All Committees. There were no ex-post evaluation reports on projects under CEM and CFI and selected Thematic Group evaluations under CRF were not conducted due to funding constraints resulting from the impairment of ITTO funds.

(B) Selection of Projects for Ex-post Evaluation

The Secretariat informed the Committees that due to the financial impairment, it would not be possible to select projects for ex-post evaluation at this session.

9. Policy Work

Five issues/activities under the CEM and two issues/activities under the CFI were discussed by the Committees.

Committee on Economics, Statistics and Markets

(i) Market Access

The Secretariat reported on recent developments relating to market access for tropical timber in 2016-2017. In 2016, a number of factors continued to have effects on tropical timber market access, such as the development of timber legality requirements, the progress of international environmental regimes, the existence of trade measures on timber products, and progress in certification, etc.

Three legislative instruments, EU Timber Regulation, the Lacey Act Amendments and the Illegal Logging Prohibition Act of Australia are all in force. The past year has seen publication of guidelines, reviews and rules to facilitate understanding, implementation and compliance of these acts. Meanwhile, attention should also be focused on updates of Regional Trade Agreements (RTAs) and CITES Appendices in order to be fully informed on market access issues.

EUTR

EU member states have become increasingly engaged in the operation of the EUTR at the national level. All member states have put a law in place for national penalties. The updated version of the Guidance Document for EUTR was adopted in February 2016, providing information on certain aspects of the EUTR. After the VPA between Indonesia and EU entered into force in 2014, another development is that Indonesia and the EU launched the first operational FLEGT licensing scheme in November 2016, making Indonesia the first country to issue FLEGT licenses for timber products entering into the EU market.

Lacey Act

Since 2008, the Lacey Act has set requirements for legality and declaration of a broader range of products from tree species. To facilitate import declaration, Animal and Plant Health Inspection Service (APHIS) released a new electronic system known as ACE (Automated Commercial Environment) and enforced business rules for Foreign-Trade Zones (FTZ) shipments in November 2016. APHIS also collaborated with National Association of Foreign-Trade Zones (NAFTZ) to facilitate orderly submission of declaration data in ACE. Before this, the Lacey Act Web Governance System (LAWGS) seminar was delivered in August 2016 to facilitate stakeholder engagement. A final rule was also published that established definitions for the terms 'common cultivar' and 'common food crop'.

Australia Illegal Logging Prohibition Act

Since entry into force in 2013, Australia has been working with partners to facilitate the implementation process. Country specific guidelines were developed to assist importers to understand regulatory frameworks of exporting countries and verify the legality of imported timber products. The first country specific guideline was published in one of ITTO producer countries - PNG.

The Timber Law in Japan

As a major tropical timber importer, Japan adopted a law to address illegal timber on the market in May 2016, called the "Act on Promotion of Use and Distribution of Legally Harvested Wood and Wood Products" Under the new law, wood product companies may apply for registration, certifying that they will apply measures to trade only in legally produced timber in their countries of origin, with Japanese government-licensed institutions that can certify such companies. The voluntarily register system is designed to enter into force in late 2017.

CITES

COP 17 of CITES was convened in October 2016 and adopted decisions on regulating legal, sustainable and traceable trade in wildlife. 51 among 62 species-listing proposals submitted by 64 countries were accepted. Among these countries, 25 are ITTO member countries (22 producer countries). Some accepted proposals are concerned with the inclusion or deletion of new flora species in the CITES Appendixes and the others are about transferring species between Appendixes. As more species have been included into CITES Appendix II, tropical species in the Appendix have been increased from 231 to 238.

Regional Trade Agreements (RTAs)

Following the notification of the RTA between Mongolia and Japan in June 2016, all WTO members now have an RTA in force. As of December 2016, there were 271 RTAs that were in force and notified to the WTO, 16 agreements more than that in 2015. Among the new 16 RTAs, 9 have already entered into force. Those agreements that are participated in by one or more ITTO members are Costa Rica-Colombia, EU-Côte d'Ivoire, EU-SADC, Eurasian Economic Union (EAEU)-Viet Nam, Japan-Mongolia, Republic of Korea-Colombia, and Pacific Alliance. More RTAs are under negotiations. As for potential partnership within the Asia-Pacific, the Trans-Pacific Partnership (TPP) faces uncertainties as the USA government has withdrawn its participation from the Agreement in January 2017.

(ii) Forest and Timber Certification

The Secretariat reported on recent forest certification developments in ITTO producing member countries. In 2016, according to the statistics collected, the total area of certified forests in ITTO producing member countries was 52.2 million hectares, accounting for 10% of the world's total area of certified forests of about 498 million hectares, a big jump of more than 80% compared with 2015. The number of Chain of Custody certificates (CoCs) in ITTO producing member countries was 3,261 (5% up), which accounted for 8% of the total number of CoCs in the world.

The two international certification systems, namely FSC and PEFC, continued to be the main international schemes being implemented in ITTO producing member countries. The situation in 2016 for ITTO producing member countries in FSC and PEFC was as follows:

FSC: The FSC certified forest area reached 19 million hectares in ITTO producing countries by the end of 2016, which accounted for about 6% of global FSC certified forest area. Meanwhile, the number of CoC certificates reached 2,766 in ITTO producing countries, accounting for 8.5% of the total in the world. The top three countries with the highest FSC certified forest area in ITTO producing member countries are Brazil, Indonesia and the Republic of Congo. Brazil remained as the number one with 6.2 million hectares of FSC certified forest, while Indonesia switched position to 2nd with an area of 2.8 million, slightly larger than 2.6 million ha in the Republic of Congo. For FSC-CoC certificates, Brazil tops the list with 1,078 certificates, while Vietnam had 526 certificates and India 351 certificates.

PEFC: The PEFC certified forest area in ITTO producing countries reached 8.6 million hectares (5% up) by the end of 2016, accounting for about 2.9% of the total PEFC certified forest areas in the world. Among three countries that had PEFC certified forest area in ITTO producing member countries, Malaysia and Brazil's certified forests reached 4.04 and 2.72 million ha respectively, while Indonesia has more than doubled its certified area to 1.85 million ha. Regarding PEFC-CoC certification, the number of CoC certificates reached 490 in ITTO producing countries, accounting for 4.5% of the total in the world. Among them, Malaysia resumed the number one position with 353 CoC certificates.

Like previous years, PEFC continues to be the largest certification scheme in the world, with two-thirds of all certified forests globally. However, FSC held the biggest share of certified forests in ITTO producing member countries in 2016.

National Schemes: Three national certification systems, CERFLOR of Brazil, MTCC of Malaysia and IFCC of Indonesia had been endorsed by PEFC, and their certification statistics had been covered by PEFC. IFCC, which was endorsed by PEFC in October 2014, was increasing rapidly in the first half of 2016.

The other two national schemes of Indonesia are also notable in operation. The Indonesian Ecolabelling Institute (LEI) has 2.4 million hectares of certified forest. More significantly, the Indonesian Timber Legality Assurance System (the SVLK) had certified 22.2 million hectares of forest, which caused the notable increase of timber certification in ITTO producing member countries in 2016.

After the update given by the Secretariat, the delegation of Peru commented that the export of tropical timber is facing more and more pressure from the market to have forest and timber certification. Certification not only shows legality and sustainability of forest management and timber, but also reflects social and economic aspects under the management concept. While other aspects are being considered, the economic impact of certification should also be taken into account. Certification could not guarantee market access, on the other hand it could bring burdens with additional costs, especially after the financial crises. Tropical timber is a commodity, but we did not see so many requirements (such as addressing climate change, sustainable management, gender issue, etc.) placed on other commodities. Therefore, timber certification is not only a passport of legality to market, but it has also become the recognition of best practices. It is therefore important to increase forest and timber certification in producer countries. The current certified forest area in Peru is around 1 million hectares and Peru is working on increasing the certified areas in response to the market requirements. Finally the delegation of Peru said ITTO is not in the position to promote individual certification schemes, but it can provide technical assistance to producers in highlighting the best practice of forest and timber management which could help lead to certification.

(iii) Progress report on Independent Market Monitoring of FLEGT-licensed timber in 2017

The Secretariat provided background on the activity which was designed to monitor FLEGT-licensed timber entering the EU market and which had started under ITTO's 2013-14 BWP. Following suspension during much of 2016 due to the impairment of funds, the activity recommenced in April 2017. The IMM lead consultant (Sarah Storck) and Market Analyst (Rupert Oliver) provided a detailed presentation (available on www.itto.int) on IMM objectives, progress in implementing the system and plans for 2018. The presentation also included a statistical summary of EU imports of timber from tropical countries, focusing on countries that had signed or were in the process of signing a FLEGT voluntary partnership agreement with the EU, and a detailed summary of the trends of Indonesian (the first country issuing FLEGT-licenses since November 2016) timber in the EU market.

The representative of Indonesia noted that her country was ready to continue collaborating with ITTO on the IMM from which it was already benefitting. The representative of Cameroon noted that his country was finalizing a VPA with the EU and that he hoped that more benefits from FLEGT-licensing would become apparent soon. He described Cameroon's legality assurance system and expressed interest in continuing to receive information on the impact of FLEGT-licensing in Indonesia and elsewhere.

The representative of the USA noted the limited impact of FLEGT-licensing on tropical timber trade to date, and welcomed the recommendations made on how to improve this, including greater private sector involvement. She noted that part of the reason for declining tropical timber demand in Europe and elsewhere was negative campaigns by NGOs and she recommended that engagement and partnership with NGOs also be undertaken to promote the use of legal timber such as FLEGT-licensed timber.

The representative of the EC welcomed the presentation and informed that the next instalment of IMM funding would be sent to ITTO before the end of the year. She noted that the IMM project was already showing positive results and helping to raise awareness about forest governance and timber trade issues. It was also helping to build ITTO's own capacity for market monitoring. She noted that the IMM project would become even more relevant in coming years as more countries move towards implementing robust systems of forest governance and legality.

(iv) Strengthening the Participation of the Private Sector in the Work of ITTO

The Committee noted the inclusion of an activity on this topic in the 2018-2019 BWP and that future discussion on this topic would be covered in the progress reports on the implementation of the BWP.

(v) Items for CEM Policy Work for 2018

The Committee considered and agreed on the following items for policy work in 2018:

- Market access;
- Forest and timber certification;
- Selected data and analysis from the ITTO Biennial Review and Assessment of the World Timber Situation; and
- IMM progress report.

Committee on Forest Industry

(i) Demonstration and Adoption of Credit Schemes for Small-Medium Forest Enterprises

Mr. A. Rizo Patron, the Director of Forest Competitiveness of SERFOR, Peru, briefed the Committees on the current development of policies and programmes related to the provision of a credit scheme for forestry business. The Peruvian Government is working on simplifying procedures for investment and promoting loans/credit schemes that meet the characteristics of forestry business sector. For this, it is necessary to have appropriate enabling conditions and incentives. The incentives may be in the forms of provision of funding for communities and forestry associations, loans with low interest rates and tax relaxation. The efforts in improving the policies and programmes have involved forestry stakeholders in Peru. It is expected that the improvement in forestry financing and investment will help recover the situation of the forestry sector in Peru which encountered slow progress in recent years.

Mrs. Desy Ekawati of Indonesia made a presentation on "Demonstration and adaptation of credit schemes for small medium forest enterprises (SMFEs) in Indonesia". She highlighted the progress of the credit schemes activity funded by ITTO which facilitate the channeling of credits for three SMFEs through a local farmer bank. She further shared lessons to learn: i) many SMFEs do not meet the requirements of bank and other financial institutions, ii) SMFEs need to increase their technical and administrative capacities, and iii) small loans can help SMFEs to manufacture more efficient and profitable products.

(ii) Items for CFI Policy Work for 2018

The CFI decided that there were currently no policy work items for inclusion on the agenda of its next meeting but that if relevant BWP activities received funding at this session, they might be proposed for discussion under Policy Work at its next session.

10. Biennial Work Programme of the Committees for 2018-2019

The Secretariat introduced the activities from the draft 2018-19 BWP which it deemed relevant to the mandates of the Committees, noting that the Chair of Council had requested the Committees to review relevant activities and (if possible) to prioritize them in order to guide eventual decisions on approval and possible funding. The Secretariat noted that several activities included in the BWP of relevance to the Committees were funded under the core activities component of the administrative budget and that since the CFA had already approved the 2018-19 administrative budget, there was no need to consider these in the analysis/ prioritization. These were:

Activity 20: ITTO Annual Market Discussion
Activity 23: ITTO Market Information Service (MIS)
Activity 24: Enhancement of Statistical Work and Databases on Statistics
Activity 25: Biennial Review and Assessment of the World Timber Situation

The Secretariat noted that all of the BWP activities relevant to the work of the Committees were included in Group 1 (Field Oriented Activities with Engagement of/Work in Member Countries), including the IMM activity (Activity 7) which was fully funded under a contract with the EU and which was considered by the Committees under Agenda Item 9 (Policy Work). Other activities that required funding for implementation and which the Committees were invited to consider were:

Activity 1: Incentives for Green-growth Value Chain Investments in Tropical Forests
Activity 2: Building Legal and Sustainable Forest Product Supply Chains
Activity 3: Strengthening Participation of the Private Sector in the Work of ITTO
Activity 4: Enhancing Teak Management
Activity 6: Enhance Cooperation between ITTO and CITES
Activity 9: Statistical Capacity Building Workshops

The Chairperson opened the floor for comments on these activities or any others that Committee members deemed relevant to their work.

The representative of the USA noted that her delegation had some concerns about Activity 2 "Building Legal and Sustainable Forest Product Supply Chains". She noted that the terms of reference were too broad and the beneficiaries of this proposed activity were unclear. She questioned whether this activity would target individual concessionaires and/or importers and whether it would cover costs that should be covered by industry (e.g. audit costs of certification). She indicated that her delegation was wary of any activities that would subsidize individual concessionaires or provide an individual country or economy with unfair market advantage. This would be an inappropriate role for ITTO, which should work to assist tropical forests as a whole rather than individual entities (except on pilot basis). She noted that several other organizations were undertaking similar work including WWF's Global Forest and Trade Network, Rainforest Alliance, RAFT and ITTO's own pilot initiatives to assist selected concessionaires to build capacity to become certified and link them to the market. While noting that the proposed activity was of great interest to some members, it was necessary for the TOR to be revised to make it clear who is benefiting and that these benefits are offered in a holistic way. Without these changes The USA would not be able to agree to the inclusion of this activity in the BWP.

Activity 3 (Strengthening Participation of the Private Sector in the Work of ITTO): The representative of the USA expressed support for this activity, including through in-kind contributions of training packages developed by WRI and IWPA. She noted there were discussions underway with organizations in Peru regarding these training packages and that the ITTO activity was intended to scale this up to allow training to occur in other countries.

The Trade Advisory Group (TAG) spokesperson drew attention to the TAG proposal to convene a workshop to enhance private sector participation in ITTO which was now found as part of Activity 2 of the BWP. This had originally been submitted to the Secretariat with the same title as the current Activity 3 which had caused some confusion. The representative of the USA, which had submitted the current Activity 3, noted that the use of the same title was a coincidence and that in fact Activity 3 was a different activity designed to provide training in due diligence to the private sector in the context of the Lacey Act. The Secretariat confirmed that proposed TAG workshop was now included in the TOR and budget of Activity 2.

Activity 4 (Enhancing Teak Management): The representative of the USA noted that the activity resembled a project more than a BWP activity. Her delegation felt it might better be handled under the project cycle. She also questioned whether the activity would cover only natural teak stands or global teak resources while welcoming collaboration with IUFRO and Teaknet. The Secretariat informed that the activity, which would cover all teak resources globally, arose out of consultations with the government of Germany which had expressed interest in providing funding for work on teak in Asia under the 2018-19 BWP.

Activity 9 (Statistical Capacity Building Workshops): The Secretariat noted its long-running work on statistical capacity building in member countries which this activity was intended to continue. Collaboration with FAO in convening these capacity building workshops allows efficient use of resources, with the requested budget under the 2018-19 BWP providing ITTO with funds to collaborate on up to 2 workshops per year with FAO.

In response to a question from the USA, the Secretariat confirmed that relevant comments/revisions to BWP activities and their terms of reference would be reflected in the draft decision on the BWP prior to that decision's consideration by the Chair's drafting group.

11. Review of Projects and Pre-projects in Progress

The Committees considered the Report of Projects and Pre-projects in Progress as contained in document CEM-CFI (LI)/3 Rev.2 and took note of progress in the implementation of the following projects and pre-projects:

(A) Projects under implementation

Committee on Economics, Statistics and Markets

1. PD 599/11 Rev.1 (M) Development and Testing of National Forest Stock Monitoring System (FSMS) with Improved Governance Capabilities at all Levels of the Forest Administration (Philippines)
2. PD 692/13 Rev.1 (M) Implementation and Operationalization of a National Information System for the Sustainable Management of Forest Resources (Côte d'Ivoire)
3. PD 732/14 Rev.2 (M) Improve Forest Governance in Mozambique
4. PD 751/14 Rev.3 (M) Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area
5. PD 756/14 Rev.1 (M) Development of a Business Management Services Program of Forest MSMEs (Micro, Small and Medium Enterprises) in Guatemala

Committee on Forest Industry

1. PD 600/11 Rev.1 (I) Model Capacity Building for Efficient and Sustainable Utilization of Bamboo Resources in Indonesia
2. PD 737/14 Rev.2 (I) Developing Supply Capacity of Wood-based Biomass Energy through Improved Enabling Conditions and Efficient Utilization of Degraded Forest Lands Involving Local Communities in North Sumatra Province of Indonesia

(B) Projects Pending Agreement

Committee on Forest Industry

1. PD 770/15 Rev.1 (I) Promotion and Sustainable Management of Lesser-Used Timber Species (LUTS) in the Moist Forests of the Departments of Atlantida, Colon and Northern Olancho in Honduras

(C) Projects and Pre-projects pending financing

Committee on Economics, Statistics and Markets

1. PD 124/01 Rev.5 (M) Phase III Stage 3 Promotion of Sustainable Management of African Forests (ITTO)
2. PD 791/15 Rev.3 (M) Community Forest Landscapes and Small Enterprises Contributing to Legal Timber Trade in Ghana
3. PD 796/15 Rev.2 (M) Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon
4. PD 819/16 Rev.2 (M) Market Survey for Forest Products in Peru
5. PD 832/16 Rev.2 (M) Implementing Mechanisms to Improve Traceability in the Forest Production Chain in Guatemala
6. PD 839/17 Rev.1 (M) Strengthening and Consolidating the National Process for Controlling Illegal Logging and Associated Trade in Cameroon – Phase 2
7. PD 845/17 Rev.1 (M) Enhancing the Capacity of Forest Communities in Forest Governance, Monitoring and Community Development Projects in Mankraso Forest District Ghana
8. PD 858/17 Rev.1 (M) The Trends of Chinese Wood Product Markets and their Dependence on International Trade of Tropical Timber Towards 2030
9. PD 863/17 Rev.1 (M) Development and Strengthening of the Domestic Market for Non-Timber Forest Products and Environmental Services in Guatemala

Committee on Forest Industry

1. PD 700/13 Rev.2 (I) Phase I Stage 2 Development of Intra-African Trade and Further Processing of Tropical Timber and Timber Products – Phase I Stage 2 (ITTO)
2. PD 709/13 Rev.2 (I) Enhancing Bali Wooden Handicraft Industry by Improving the Quality of Planted-Wood Raw Materials and Complying to Legality Standard (Indonesia)
3. PD 761/14 Rev.2 (I,M) Promoting Partnership between Farmer Group and Forest Industry (Indonesia)
4. PD 788/15 Rev.2 (I) Achieving Sustainable Forest Management through Enhanced Competitiveness of Small & Medium Wood Industries (SMWIs) in Ciamis District of West Java Province, Indonesia
5. PD 815/16 Rev.2 (I) Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam

The Committees held discussions on the following projects:

Committee on Economics, Statistics and Markets

PD 732/14 Rev.2 (M) Improve Forest Governance in Mozambique

The Secretariat informed that the project agreement had been signed in June 2017 but despite repeated reminders and offers of assistance, the government of Mozambique had been unable to submit the inception report, work plan and other information required under the agreement to allow release of the first instalment of funds. The representative of Japan urged the Secretariat to continue its efforts to ensure implementation of this project commences as soon as possible and requested to receive a progress report as soon as project implementation commences.

PD 751/14 Rev.3 (M) Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area

The Secretariat informed the Committees that this project was approved by the Fifty-first ITTC in 2015 and funded at the Fifty-second ITTC in November 2016. The agreement for this project was signed by ITTO and the Executing Agency in July 2017. The Executing Agency submitted a draft inception report on 27 October 2017. The Secretariat reviewed and provided comments and suggestions for revision and the EA is currently revising it. Therefore, once the inception report is finalized, the first instalment will be made, which marks the inception of the implementation of this project.

The delegation of USA asked if the detailed workplan of the project has been finalized. The Secretariat responded that the current review is mainly focusing on finalization of the detailed workplan and once it is finalized and approved, it could be provided to the USA as a donor as well as other interested members.

PD 796/15 Rev.2 (M) Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon

The representative of Cameroon noted that this project would lapse under the sunset clause of Decision 3(X) on 30 November 2017 and requested that it be re-instated. The Secretariat noted that a letter had been received from Cameroon's Minister of Forestry asking to re-submit this project for donor consideration and that the sunset provision had been lifted.

The representative of Indonesia informed that it had submitted a letter to the Secretariat re-submitting the following 3 projects subject to the sunset clause that it considered still relevant:

PD 709/13 Rev.2 (I) Enhancing Bali Wooden Handicraft Industry by Improving that the Quality of Planted-Wood Raw Materials and Complying to Legality Standard

PD 761/14 Rev.2 (I,M) Promoting Partnership between Farmer Group and Forest Industry

PD 788/15 Rev.2 (I) Achieving Sustainable Forest Management through Enhanced Competitiveness of Small & Medium Wood Industries (SMWIs) in Ciamis District of West Java Province, Indonesia

The Secretariat confirmed receipt of the letter about these projects and others under the CRF, and informed the Committee that under the current interpretation of the sunset clause of Decision 3(X), their status as approved projects would be maintained for another 20 months. The Secretariat also noted that several countries had expressed confusion and/or dissatisfaction with the sunset clause of Decision 3(X), particularly given the amount of effort that went into developing projects and having them approved by ITTO. The Secretariat provided some background on the thinking behind the sunset clause and noted some apparent inconsistencies in the provisions under the sunset clause (e.g. funded projects that have not commenced having a longer sunset period than unfunded projects). The Committees agreed to recommend that Council review the terms and application of the sunset clause, perhaps under the working group proposed for establishment in the draft decision on fundraising and the ITTO project cycle.

Committee on Forest Industry

PD 600/11 Rev.1 (I) Model Capacity Building for Efficient and Sustainable Utilization of Bamboo Resources in Indonesia

Mrs. Desy Ekawati briefed the Committees on the progress of the project. She informed that all project activities have been completed. All required final reports will be submitted to the Secretariat soon.

PD 770/15 Rev.1 (I) Promotion and Sustainable Management of Lesser-Used Timber Species (LUTS) in the Moist Forests of the Departments of Atlantida, Colon and Northern Olancho in Honduras

The Secretariat informed that the agreement for this project was sent to the officials in Honduras immediately after funds were released in March 2017. Despite repeated reminders from the Secretariat, the government of Honduras has not yet returned the signed agreement to ITTO. The Secretariat had been in touch with the Executing Agency (ICF) and had been informed that all international cooperation agreements had to be cleared by a new department under the Ministry of Foreign Affairs as part of an anti-corruption initiative. The representative of Honduras reported that the Ministry of Foreign Affairs was expected to finalize its consideration of the project agreement soon so that it could be signed and project implementation could begin in 2018. The Secretariat noted that delays in signing project agreements and/or commencing implementation of projects could indicate capacity issues that might affect project implementation once it began. The representative of Japan urged the Secretariat to continue its efforts to ensure that implementation of this project commences as soon as possible and noted that delays in the implementation of this and other projects could impact efforts to rebuild donor trust in ITTO's ability to efficiently and effectively utilize donor funds.

12. Election of Chairpersons and Vice-Chairpersons for 2018

Following the usual consultations undertaken by the producer and consumer groups, Mr. Björn Merzell (Sweden) was elected Chairperson of the CEM and Mr. Bruno Mfou'ou Mfou'ou (Cameroon) was elected Vice-chair for 2018. Ms. Anna Tyler (New Zealand) was elected Chairperson of the CFI and Mr. Mohd Kheiruddin Mohd Rani (Malaysia) was elected Vice-chair for 2018.

13. Dates and Venues of the Fifty-second and Fifty-third Sessions of the Committees

The Fifty-second Session of the Committees will be held in conjunction with the Fifty-fourth Session of the International Tropical Timber Council in 2018.

The Fifty-third Session of the Committees will be held in conjunction with the Fifty-fifth Session of the International Tropical Timber Council in 2019.

14. Other Business

None.

15. Recommendations to the International Tropical Timber Council

- (i) The Committees recommended that funding be made immediately available for the following projects approved under the time-bound electronic no-objection procedure for the project cycle 2017:

Committee on Economics, Statistics and Markets

PD 791/15 Rev.3 (M) Community Forest Landscapes and Small Enterprises Contributing to Legal Timber Trade in Ghana [US\$309,299]

PD 819/16 Rev.2 (M) Market Survey for Forest Products in Peru [US\$406,459]

PD 832/16 Rev.2 (M) Implementing Mechanisms to Improve Traceability in the Forest Production Chain in Guatemala [US\$416,080]

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| PD 839/17 Rev.1 (M) | Strengthening and Consolidating the National Process for Controlling Illegal Logging and Associated Trade in Cameroon – Phase 2 [US\$459,813] |
| PD 845/17 Rev.1 (M) | Enhancing the Capacity of Forest Communities in Forest Governance, Monitoring and Community Development Projects in Mankraso Forest District Ghana [US\$146,944] |
| PD 858/17 Rev.1 (M) | The Trends of Chinese Wood Product Markets and their Dependence on International Trade of Tropical Timber Towards 2030 [US\$328,608] |
| PD 863/17 Rev.1 (M) | Development and Strengthening of the Domestic Market for Non-Timber Forest Products and Environmental Services in Guatemala [US\$149,632] |

Committee on Forest Industry

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| PD 815/16 Rev.2 (I) | Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam [US\$116,480] |
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- (ii) The Committees recommended that funding be made immediately available for the following projects approved at earlier Sessions:

Committee on Economics, Statistics and Markets

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| PD 124/01 Rev.5 (M)
Phase III Stage 3 | Promotion of Sustainable Management of African Forests (ITTO) [Phase III Stage 3 – US\$673,325] |
| PD 796/15 Rev.2 (M) | Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon [US\$567,627] |

Committee on Forest Industry

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| PD 700/13 Rev.2 (I)
Phase I Stage 2 | Development of Intra-African Trade and Further Processing of Tropical Timber and Timber Products – Phase I Stage 2 (ITTO) [US\$3,759,256] |
| PD 709/13 Rev.2 (I) | Enhancing Bali Wooden Handicraft Industry by Improving the Quality of Planted-Wood Raw Materials and Complying to Legality Standard (Indonesia) [US\$540,008] |
| PD 761/14 Rev.2 (I,M) | Promoting Partnership between Farmer Group and Forest Industry (Indonesia) [US\$508,693] |
| PD 788/15 Rev.2 (I) | Achieving Sustainable Forest Management through Enhanced Competitiveness of Small & Medium Wood Industries (SMWIs) in Ciamis District of West Java Province, Indonesia [US\$569,710] |

- (iii) The Committees recommended that Council review the terms and application of the sunset clause, perhaps under the working group proposed for establishment in the draft decision on Improving ITTO's financing infrastructure and fundraising strategies.

16. Report of the Session

The Committees adopted this report for submission to the Council, with due acknowledgement to the work of the Secretariat under the able guidance of the Chairpersons of the Committees.

APPENDIX A

REPORT ON THE ITTO ANNUAL MARKET DISCUSSION - 2017 “Sharing Experiences on promoting investment in tropical timber industries and tropical forestry” 29 November 2017, Lima, Peru

The ITTO Annual Market Discussion was held on 29 November 2017 with the theme “Sharing experiences on promoting investment in tropical timber industries and tropical forestry”. The discussion featured six speakers:

Ms. Ingrid Nielsen Head of Investment Advisory and Strategy Consulting Indufor Group, Finland	<i>Experiences of Profitable Investments in the Forestry Industry Value Chain with Expected Sustainable Development – Tanzania and Indonesia Case Studies</i>
Mr. Erik Luis Fischer Llanos President, Forest Committee Association of Exporters, Peru	<i>Proposals to Promote Investment in the Timber Industry in Peru and its Socio-economic Development Impact</i>
Dr. Ivan Tomaselli President STCP Engenharia de Projetos Ltda Brazil	<i>Regional Experiences in Attracting Investments for the Forestry Sector</i>
Mr. Bob Tate Executive Officer Papua New Guinea Forest Industries Association	<i>Reconciling Investment Policy Confusion, Conflict and Conditionalities</i>
Mr. Christian Held Deputy Head, Forest Investment Division UNIQUE Consulting Germany	<i>Investing in Timber Production: Lessons Learnt from Plantations, Natural Forests and Silvo- Pastoral Systems</i>
Mr. Rik Sools Deputy Director and Senior Forestry Expert FORM International Netherlands	<i>Unlocking Investments for Forest Restoration on Degraded Lands in Africa – the Form International Experience</i>

The presentations were followed by a question and answer session with members of the Joint Committees. Mr. Barney Chan (Trade Advisory Group co-Coordinator, Malaysia) presented the TAG Market Statement (Appendix B). The Chairperson for the session was Mr. André de Boer (Trade Advisory Group co-Coordinator, Netherlands). Presentations made during the 2017 ITTO Annual Market Discussion can be accessed on ITTO's website (www.itto.int).

Interventions and Discussion

Ms. Ingrid Nielsen (Indufor) said that in emerging markets, the gap between wood supply and demand is increasing due to high population growth, urbanization rates and stagnant supply. The expansion of large scale industrial plantations is limited in many countries due to land tenure, social stability and sovereign matters. Ms. Nielsen suggested that the future growth of forest industry value chains will be increasingly based on sourcing wood from private, small to medium size tree growers, instead of large-scale industrial estates. Drawing on evidence in Europe and Vietnam, and Indufor's direct involvement in several forest and forest industry investments around the world, Ms. Nielsen noted that timber supply chains integrating smallholders to downstream processing is proven to be an effective means to fight deforestation and expand forest assets while also producing benefits for local communities. Referring to Indufor experience in Tanzania, Ms. Nielsen demonstrated steps that can be taken to build associations of small to medium size forest owners to provide a foundation for forest industry development. A key requirement for the success of this development model is to establish industrial infrastructure capable of consuming a variety of different wood assortments and producing a diversity of wood products. Another requirement is targeted training for small to medium sized local enterprises covering issues such as better equipment and machinery, work safety and quality, and to highlight networking opportunities with material and service providers.

Mr. Erik Fischer (ADEX) commented on the challenges of promoting forest sector investment in Peru and highlighted the need to better communicate to consumers and investors the environmental and social benefits of sustainable timber production in managed natural tropical forests. Mr. Fischer observed that while Peru has the fourth largest tropical forest area in the world, covering 61% of national territory, the forest sector contributes only 1.1% to GDP. Mr. Fischer also showed that Peru's wood product exports declined from \$171 million in 2014 to \$130 million in 2016 and that there has been a longer term decline from \$219 million in 2008. This raises the question of why Peru is not a major exporter of wood products. Mr. Fischer suggested that while Peru had developed a good framework for concession allocation, it has not been implemented effectively. At present only 2 million hectares are fully operational out of the 7.5 million hectares available for concessions. The other concessions were allocated to companies without the required technical and financial resources and subsequently returned to the state. Using case studies of successful concessions in Peru, Mr. Fischer showed that in these areas deforestation is prevented, wildlife is conserved, and the local economy benefits from employment opportunities and infrastructure development. Mr. Fischer concluded by emphasizing that the model of natural forest concessions under sustainable forest management is both a profitable business and an effective conservation tool, but there is limited understanding of this model amongst investors and wood consumers. Mr. Fischer said producers and consumers share responsibility to raise awareness and encourage investment in this model.

Dr. Ivan Tomaselli (STCP) emphasized most investment in sustainable forest management derives from the private sector, notably forest industry corporations and institutional investors. Of the latter, TIMOs, organizations established specifically to aid institutional investors in managing forest sector investments, are becoming more important. There are now around 30 large TIMOs worldwide managing \$60 billion of forest assets. These investors manage forest land to maximize returns and investment decisions are based on their assessment of factors that will impact on future value. Dr. Tomaselli contrasted recent forest sector development in Brazil, Chile and Uruguay, on the one hand, with Bolivia, Peru and Venezuela on the other. In the former, timber production and forest industries are growing steadily based largely on plantations and with investments supported through a variety of development programs and incentive schemes. In the latter, timber production is mainly based on natural forests and has been stable for the last 30 years, while trade in forest products has been declining and their contribution to the national economy is limited. Drawing on experience in Latin America, Dr. Tomaselli suggested that the following factors encourage private forest sector investment: there is a robust and long term national program of support for investment which includes actions to improve the investment climate and considers integrated forest and industrial development; incentives are available to manage forests and, particularly, to establish forest plantations; plantations focus on a limited number of species with high productivity capable of producing market timber; there is concentration in regions with good infrastructure and logistics; and there is public sector support for technology and human resource development.

Mr. Bob Tate (FIA PNG) also highlighted that tropical forest and timber industry investment is dependent on the private sector which in turn looks to economic returns, political stability and legislative and policy stability to underpin its long term investment in the forest sector. Equally important is the extent and security of the forest resource base and, in the case of plantation investment, there is security of land tenure. Mr. Tate suggested that while PNG does have a large and secure forest resource, recent policy interventions have undermined, rather than enhanced, investment in the forest products sector. Mr. Tate said that PNG forest cover is 81% and deforestation rate has been less than 1% per year since 2000. The PNG sustainable harvest from the permanent forest estate is set at 3.8 million cubic meters per year, a level that has never been exceeded. However, the processing sector in PNG is in decline, a recent study finding that the number of large and medium scale mills has fallen from 14 to 7 over the last 15 years and there has been no new investment in mill establishment during that period. PNG forest plantation development has also effectively ceased. From a base of approximately 65,000 hectares per year in the 1990s it has fallen to 40,000 hectares currently. Mr. Tate said that the PNG Forest Act establishes a National Forest Policy which is subject to regular stakeholder review and amendment if necessary. However, over the recent two year period, this policy has been weakened as competing development objectives take precedence. Mr. Tate suggested that investor interest in the PNG forest industry is weakened by the Small Medium Enterprise Policy, which aims to increase PNG ownership of business, and the shift in legislative and regulatory power over forests, where it impacts on REDD+, away from the PNG Forest Authority to a new Climate Change Development Authority. He also said that efforts to develop a national framework for legality verification and certification, which could enhance interest in investment, have so far been hampered by the conflicting objectives of NGOs, industry and governments. Where necessary operators have, according to their market needs, obtained full FSC, Controlled Wood, or PEFC certification but these certification programs are expensive and their cost precludes most small enterprises from being certified.

Mr. Christian Held (UNIQUE) observed that, according to FAO data, plantations supply 46% of global industrial roundwood production despite accounting for only 7% of global forest area. However, there is only declining potential to increase the area of large commercial plantations because of land tenure conflicts and pressure to avoid conversion of the remaining natural forest. At the same time, global demand for industrial roundwood, currently between 1.7 and 1.8 billion cubic meters, is forecast to rise to 3 billion cubic meters by 2030. A large proportion of this production will need to derive from active management of natural forest including, where necessary, rehabilitation of degraded areas. Drawing on experience and data from Paraguay, Mr. Held compared the business case for three forest management systems; natural forest management, plantation and silvi-pastoral systems. While plantations win the economic competition, sustainable management of natural forest scores ecologically. For example, in the Paraguay case study, natural forest has an average carbon stock of 400 tCO₂/ha compared to 200 tCO₂/ha in the plantation. However mean annual increment of timber in the natural forest is only 5 m³/ha/a compared to 30 m³/ha/a in the plantation. Profits from the natural forest are 95 USD/ha/a compared to 950 USD/ha/a in the plantation. The silvo-pastoral system delivers profits comparable to those of the plantation, at 850 USD/ha/a, while also providing early cash flow and significant environmental improvements compared to traditional cattle farming. Mr. Held concluded that satisfying the rising demand for roundwood will be a challenge and the choice of forest management regime will depend on local circumstances. Plantations may be the most attractive economically, but they require substantial investments compared to natural forests and in many areas opportunities to develop plantations are limited. Natural forest management of tropical forest, though challenging, offers a competitive package of economic, social and environmental returns and has a critical role to play in future wood supply.

Mr. Rik Sools (FORM International) highlighted key success factors and challenges for tropical plantation investment drawing on experience in Ghana and Tanzania. Mr Sools observed that in Africa there is a growing timber supply gap as forest plantation development is enormously outpaced by deforestation. Using data from AFR100 (African Union, WRI), Mr. Sools suggested that at least 100 million hectares of forest in Africa will need to be planted or otherwise rehabilitated by 2030 but at the current rate of 200-300,000 ha/year, at most only 4 million ha will be rehabilitated by that date. A key challenge is lack of access to finance in the African forest sector which is still largely unknown to investors and where there is a perception of high risk, partly due to limited project experience and a track record of positive outcomes. The translation of international climate commitments to provision of actual finance for forest projects has been very slow, while the image of plantations is undermined by association with land grabbing and forest conversion. There is also limited skilled staff for plantation forestry in Africa. While there are challenges, Mr. Sools also reported successful outcomes where certain conditions are met. Success factors include: the phased development of projects including piloting and expansion at the right pace; reliance on a sound sustainable model offering social and environmental benefits as well as economic returns; good choice of species to match the site and climate so as to maximise growth rates; a mixed revenue model combining income from timber, cash crops, services, and carbon sequestration; a combination of finance from private investors and the public sector; and a strong management team combining appropriate technical knowledge with entrepreneurial acumen. Mr. Sools also emphasised the role of the public sector to provide an enabling environment, for example through direct support for sustainable private sector projects, human resource development and R&D, to facilitate land access and improve plantation regulations, and to provide subsidies and tax incentives for reforestation.

In the ensuing discussion, the representative from India said that, from an environmental perspective, there can be no doubt that wood is the best material and should be preferred in building and product design. While plantations are necessary to supplement wood supply, they cannot substitute for natural forest which provides greater biodiversity and carbon sequestration benefits. No natural forests should be cut down to provide room for plantations and natural forest should be maintained to provide eco-system services.

In response, Mr. Held agreed that plantations are not necessarily a better option than natural forest for future timber supply and that each country should adopt a forest resource development plan most appropriate to local circumstances, and that natural forests have an important role in timber supply in the future. Mr. Held also suggested that returns from ecosystem services will often be inadequate and there will need to be a timber component to ensure that natural forest management remains economically viable. Mr. Fischer agreed that promoting plantation establishment is necessary, but this should focus on degraded forest areas and not replace natural forest. He stressed that natural forest conservation is not the same as protection and implies active forest management, including for timber production.

The representative for Colombia stressed the highly variable forest context in each country, noting that the causes and agents of deforestation are complex and require different solutions. However, absence of finance for natural forest management, in contrast to the subsidies for alternative activities, is a common

problem in many countries. He also emphasised that natural forest management and plantation forestry should not be seen as competitive but complementary.

The representative for Costa Rica asked whether there was reliable data available comparing the energy intensity and carbon footprint of tropical wood with other materials. The Chair noted that the European Timber Trade Federation (ETTF) and Netherlands Timber Trade Association (NTTA) jointly commissioned comprehensive life cycle assessment studies comparing tropical timber with plastic, steel and aluminium alternatives which confirmed that tropical timber compares well with alternatives. Mr. Held noted that there are a wide range of other similar studies but that more work is required to ensure these studies are more widely available to communicate the results.

Following the presentation of the TAG Market Statement (APPENDIX B) by Mr. Barney Chan (TAG co-Coordinator, Malaysia), the representative from China provided details of the Global Green Supply Chain Mechanism. The mechanism is a key recommendation of a roundtable dialogue between government agencies, heads of enterprises and trade in China and is planned to be established in 2018. The objective is to promote the legality and sustainability of tropical timber through increased co-operation between traders, government agencies, and representatives of producers and consumers. The mechanism will be hosted in China but participation will be open to companies and organisations in all areas of the world. The mechanism will be action-oriented to include studies, investment, technology transfer, and capacity building. It will also involve close collaboration with ITTO and ITTO's Trade Advisory Group (TAG).

The mechanism is an industry initiative from Chinese enterprises and is planned to be established in 2018.

The representative of the Republic of Korea said that the National Institute of Forest Science in Korea will host the 2018 Conference on Timber Engineering in Seoul from 20-23 August 2018 to involve architects, builders, and timber producers and encouraged ITTO to participate. It was noted that timber building is very important to the ITTO mission, not only to add value to tropical timber products but also to enhance their carbon storage potential.

Annual Trade Statement

The 2017 Trade Statement prepared by the ITTO TAG can be found in Appendix B of this document.

The TAG suggested the following theme for 2018 Annual Market Discussion: "Private sector tropical timber promotion initiatives - an opportunity for collaboration".

APPENDIX B

STATEMENT OF THE TRADE ADVISORY GROUP (TAG)

Presented at the 2017 Annual Market Discussion by
Barney Chan (TAG Coordinator)
29 November 2017

Ladies and Gentlemen,

In recent months, there have been exciting developments in the tropical timber industry.

In June, there was a promotion for the New Forests for Africa Initiative. The first African Forestry Investment Conference was held in Accra, Ghana. The event was co-organised by the African Development Bank and the Climate Investment Funds (CIF). The conference reached out to potential national and international investors, project developers, plantation owners, local commercial banks, universities, Ghana Forestry Commission and other relevant stakeholders in order to highlight the beneficial conditions for forestry investments in Ghana and in the region.

In other news, a 12-storey building constructed of cross-laminated timber (CLT) and glulam was approved for construction in Portland, Oregon. The building will be the first all timber tall building in the USA. It will include retail space, offices and apartments. However, 27 tall wood buildings have been completed to date in Europe and Canada, according to the Council on Tall Buildings and Urban Habitat. A 24-storey hybrid timber and concrete tower is under construction in Vienna, Austria. The tallest proposed buildings are a 26-storey hybrid timber and steel tower in Lagos, Nigeria and a 35-storey tower also in timber and steel in Paris, France.

On the demand side in Japan, there are two new major log users of domestic wood. One is plywood manufacturers and another is biomass power generation plants. Biomass power generation plants are mushrooming all over Japan and they are spurring domestic log harvesting. The Forestry Agency estimated domestic wood fuel volume for the power plants was 2,800,000 m³ in 2015, 1,000,000 m³ more than 2014 so the volume keeps growing.

Now, what are we in ITTO doing to meet these new global challenges? These new market developments mean we cannot keep on doing business as usual. ITTO needs to innovate and keep up with the times.

The issue for the private sector is how to galvanise financial resources to create the next wood fibre crops. The science is there to create future tree crops for whatever purposes but the stumbling blocks to future tree crop development is in: (1) getting the financial resources, (2) the application of current knowledge to create those tree crops, and (3) how to address the long gestation period whilst those tree crops are in their development period.

ITTO members have lands and associated land tenure systems; water and associated water rights for plantation development; sunlight; and most importantly the wishes and desires of the majority of private land owners to establish and grow future tree crops on their lands for purposes including the creation of wood fibre. The ITTO Trade Advisory Group (TAG) call upon Council to begin addressing these issues seriously by setting up a Working Group to guide ITTO's future work on tree plantations.

In September, a Round Table dialogue was held in Shanghai between 24 big timber companies based in China and the top management of ITTO. Amongst the topics discussed, illegal timber came up as the Chinese manufacturers are very concerned to avoid the use of illegal material in their products. Their concern was complicated by differing ways of ensuring legality in various parts of the world. It will be interesting to see how the initiative of these manufacturers develops and we in the TAG are ready to help.

In fact, there is a growing desire in China to have a timber supply chain which is green; for stable, legal and sustainable supply of tropical timber into their factories. All participants at the Shanghai meeting agreed that the aim should be to create a green supply chain mechanism to promote stable, legal and sustainable supply of tropical timber bringing together all stakeholders. TAG encourages Council to offer support and guidance to this private sector initiative and work closely with China and other member countries to ensure promotion and use of our sustainable timber.

We have been encouraged by the proposals in the Biennial Work Plan addressing production forests, private sector investment and verifiable supply chains. The TAG looks forward to contributing its experience and expertise to make the BWP a success. Thank you.



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

**COMMITTEE ON
REFORESTATION AND FOREST MANAGEMENT**

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ENGLISH ONLY

FIFTY-FIRST SESSION
27 November - 2 December 2017
Lima, Peru

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL FROM
THE FIFTY-FIRST SESSION OF THE COMMITTEE ON
REFORESTATION AND FOREST MANAGEMENT**

Item 1 - Opening of the Session

The Fifty-first Session of the Committee on Reforestation and Forest Management (CRF) was opened on 28 November 2017 by Ms. Marjukka Mähönen (Finland), Chairperson of the CRF. The CRF Session adopted the provisional agenda as contained in Document CRF(LI)/1.

Item 2 - Adoption of Agenda and Organization of Work

The Provisional Agenda for the CRF, as contained in Document CRF(LI)/1, was duly adopted. To expedite proceedings, the Agenda items 4 and 6 were considered at the Joint Session of the Committees convened on 29 November in order to ensure that all agenda items are covered within the limited time available to the Committee. The Chairperson of the CRF proposed to organize the Session in the following order: Item 3, Item 5, Item 9, Item 7, Item 8, Item 10, Item 11, Item 12, Item 13, Item 14, Item 15 and Item 16. The list of participants is presented in Document ITTC(LIII)/Info.2.

Item 3 - Admission of Observers

The Committee admitted the Observers listed in Document ITTC(LIII)/Info.3 Rev.1, as approved by the Council.

Item 4 - Report of the Expert Panel for Technical Appraisal of Project Proposals

The Joint Session of All Committees considered the report of the Expert Panel for Technical Appraisal of Project Proposals presented by its panel member, Mr. Jobst-Michael Schroeder (Germany), as contained in document ITTC/EP-52.

In its general findings and recommendations, as derived from the appraisal of 46 proposals, the Fifty-second Panel noted that the quality of the proposals was variable, which is reflected by the fact that: twelve proposals (26% of the total) received a category 4, indicating that the Expert Panel does not commend these proposals to the Committee for approval as they require complete reformulation; nineteen proposals (two pre-projects and seventeen projects or 41% of the total) will be sent back to proponents for essential revisions, rated as category 2; and only fifteen proposals (two pre-projects and thirteen projects or 33% of the total) were commended to the Committee for final appraisal with minor modifications required (category 1).

Out of the 46 proposals, only 4 were categorized under Forest Industry, 14 were categorized under Economics, Statistics and Market and 28 were categorized under Reforestation and Forest Management.

The presentation also highlighted the following:

- Government agencies or research institutes were executing agencies (EAs) in 28 proposals. Out of this number, 12 were research organizations. NGOs and Associations were EAs in 18 proposals. From these, there was only 1 proposal submitted from a women's association and 2 from youth related associations.
- Only two proposals covered transboundary topics and gender issues are mostly not being incorporated in project proposals; and
- Proposals from new members often did not meet the criteria of the ITTO Manual for project formulation of 2009.

The presentation also highlighted general findings and recommendations of the Expert Panel at its Fifty-second meeting, which include the need to provide training and enhance the capacity of new members on project formulation, and review the Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects.

The delegate of US acknowledged the hard work of the Expert Panel members, as well as the Secretariat in undertaking the process of appraising the 46 project proposals within a short period of time. The delegate encouraged the Secretariat, following the adoption of the Guidelines for Environmental and Social Risks and Impacts Assessment and the Guidelines for Achieving Gender Equality and Empowering Women, to include the checklist of the Guidelines in the manual of project proposal formulation. The US delegate also expressed that they would be ready to discuss this issue in the next Expert Panel meeting. Due to high volume of project proposals submitted and the few projects funded, there is a mismatch of

expectations. The US delegate indicated that they would be open to discuss the number of Expert Panel meetings going forward and invite other Member opinions on this matter.

Item 5 – New Projects and Pre-Projects

The Committee noted the projects and pre-projects that were approved under the time-bound electronic no objection procedures to accept the Expert Panel's ratings and circulated to member countries pursuant to Decision 6(XLIII), as contained in Document ITTC/EP-52, following the recommendations of the Expert Panel at its Fifty-second Meeting held in Yokohama, Japan from 5-9 June 2017, as follows:

Fifty-second Expert Panel

Category 1:

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 812/16 Rev.2 (F)	Promoting Community-Level Forest Landscape Planning, Diversification, Restoration and Protection to Reduce Forest Degradation and Improve Biodiversity and Local Livelihoods	Ghana
PD 836/17 Rev.1 (F)	Enhancing Capacity of Local Communities and Forest Administration to Effectively Implement Community Forestry Programme (CFP) in Kratie and Mondulkiri Provinces of Cambodia	Cambodia
PD 853/17 Rev.1 (F)	Forest Fire Prevention and Response in Tropical Forests and Forest Plantations in Peru	Peru
PD 861/17 Rev.1 (F)	Carbon Storage in Timber Producing Forests as a Value Criterion in Rural Communities in the Yucatan Peninsula, Mexico	Mexico
PPD 186/16 Rev.2 (F)	Establishment of Enabling Conditions for the Restoration and Sustainable Development of Forests in the Southern Area of the Sierra De Lacandon National Park, Maya Biosphere Reserve, Guatemala	Guatemala
PPD 189/17 Rev.1 (F)	Development of A Full Project Proposal to Generate Tools to Ensure the Establishment of Timber Forest Species through Natural Regeneration in the Province of Tahuamanu, Peru	Peru

The Committee also noted that PD 828/16 Rev.2 (F) which received Category 1 from the 52nd Expert Panel but was not included in the approval list because the revised proposal did not adequately address the recommendations of the 52nd Expert Panel.

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 828/16 Rev.2 (F)	Land Management, Sustainable Forest Management and Commercial Production in Kichwa and Siekopal Communities of the Ecuadorian Amazon Region	Ecuador

Category 4:

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 827/16 Rev.1 (F)	Promoting Sustainable Forest Management in Indigenous Lands of the Ecuadorian Amazon through Improved Access to Forest Product Value Chains	Ecuador
PD 833/17 (F)	Improving the Genetic Base for Teak Plantation Establishment in Ghana	Ghana
PD 834/17 (F)	Capacity Building for Sustainable Management of Natural Tropical Forests in Colombia	Colombia
PD 850/17 (F)	Strengthening of Sustainable Forest Management through Pilot Experiences for Integrated Utilisation of Forest Value-Adding Potential in Ethnic Group Lands in the Colombian Pacific Region	Colombia

PD 854/17 (F)	Promoting the Sustainable Production and Utilization of Mahoganies for Timber and Non-Timber Products by Industrial and Community Stakeholders in the West African Region	Ghana
PD 862/17 (F)	Capacity Building for the Establishment of Forest Plantations in South-East Mexico	Mexico

The Committee took note that the Fifty-third and Fifty-fourth Meetings of the Expert Panel are tentatively scheduled for 19-23 February 2018 and 25-29 June 2018, respectively based on Document ITTC(LIII)/Info.6 – Project Cycle Calendar for Spring 2018 and Document ITTC(LIII)/Info.7 - Project Cycle Calendar for Autumn 2018. The Committee further noted that the Joint Session of the Committees dealing with the report of the Expert Panel would discuss the project cycle for 2018.

Item 6 – ITTO Annual Market Discussion -2017

The Committee noted the summary of the ITTO Annual Market Discussion – 2017, held in the Joint Session of the Committees on 29 November 2017, as contained in Appendix A to Document CEM-CFI(LI)/4. The theme of the Market Discussion was “Sharing Experiences on promoting investment in tropical timber industries and tropical forestry”. Mr. André de Boer (TAG Co-coordinator) chaired the Market Discussion.

The following feature presentations were made during the Market Discussion:

Ms. Ingrid Nielsen Head of Investment Advisory and Strategy Consulting Indufor Group, Finland	<i>Experiences of Profitable Investments in the Forestry Industry Value Chain with Expected Sustainable Development – Tanzania and Indonesia Case Studies</i>
Mr. Erik Luis Fischer Llanos President, Forest Committee Association of Exporters (ADEX), Peru	<i>Proposals to Promote Investment in the Timber Industry in Peru and its Socio-economic Development Impact</i>
Dr. Ivan Tomaselli President STCP Engenharia de Projetos Ltda Brazil	<i>Regional Experiences in Attracting Investments for the Forestry Sector</i>
Mr. Bob Tate Executive Officer Papua New Guinea Forest Industries Association	<i>Reconciling Investment Policy Confusion, Conflict and Conditionalities</i>
Mr. Christian Held Deputy Head, Forest Investment Division UNIQUE Consulting Germany	<i>Investing in Timber Production: Lessons Learnt from Plantations, Natural Forests and Silvo-Pastoral Systems</i>
Mr. Rik Sools Deputy Director and Senior Forestry Expert FORM International Netherlands	<i>Unlocking Investments for Forest Restoration on Degraded Lands in Africa – the Form International Experience</i>

The Committees further noted the statement of the Trade Advisory Group (TAG) presented during the Market Discussion as contained in Appendix B to Document CEM-CFI(LI)/4.

Item 7 - Report on Completed Projects and Pre-projects

The Committee considered the completed project contained in Document CRF(LI)/2 and noted that only one project is to be declared complete by the Council.

7.1 Completed Projects

1) PD 682/13 Rev.1 (F) **Development of Quality-of-Governance Standards for Reducing Emissions from Deforestation and Forest Degradation (REDD) in Papua New Guinea**

The Committee took note that the project had been implemented by the University of Southern Queensland (USQ) in close collaboration with PNG Forest Authority. The project had developed a voluntary governance standard through a multi-stakeholder participatory process which would be a useful tool to evaluate the quality of governance of forest management and associated emissions reduction activities in PNG. The voluntary standard is a set of principles, criteria and indicators (PC&I) and associated verifiers and means of verification that promotes forest sector governance, as a basis for monitoring and reporting on governance quality. The project's digital products and outputs have been posted on the ITTO website for widespread dissemination, and can be further downloaded via the online project search engine or requested directly from the Executing Agency. Therefore, the Committee considered this project as completed.

The Delegation of PNG made a presentation to the Committee on the project's main outputs comprising the development of a draft REDD+ quality-of-governance standard, a REDD+ stakeholder database and the establishment of a national group to promote the standard. He highlighted that as one of the lessons learned from the implementation of the project was that to be effective of the quality-of-governance standard, more capacity building for the national groups involved is required. The Delegate of Japan commended the efforts of the Executing Agency and the PNG Forest Authority for the successful implementation of the project and recommended the effective use of the quality-of-governance standard as a guiding tool.

7.2 Completed Pre-project

The Committee noted that there was no pre-project to be declared complete at this session.

Item 8 - Ex-post Evaluation

(A) **Ex-post Evaluation Reports**

The Committees was informed that the following five thematic groups and associated twelve projects were selected for ex-post evaluation by the CRF at its Forty-ninth Session:

1) **Thematic Group Evaluation: Forest Management / Inventory**

PD 142/02 Rev.2 (F)	Sustainable Production of National Forests under the "Regime of Forest Concessions" (Brazil)
PD 248/03 Rev.4 (F)	Antimary Forest Management Regional Training Centre (Brazil)
PD 438/06 Rev.2 (F)	Sustainable Forest Management for the Forest Production Area of the Northern and Northeastern Regions of the Department of Antioquia, Colombia

2) **Thematic Group Evaluation: Biodiversity Conservation / Conservation Areas**

PD 165/02 Rev.3 (F)	Conservation of Biological Diversity through Sustainable Forest Management Practices (Malaysia)
PD 288/04 Rev.2 (F)	Development of Lanjak Entimau Wildlife Sanctuary as a Totally Protected Area, Phase IV (Final Phase) (Malaysia)
PD 451/07 Rev.1 (F)	Transboundary Biodiversity Conservation Area: The Pulong Tau National Park, Sarawak State, Malaysia - Phase II

3) Thematic Group Evaluation: Forest Rehabilitation / Landscape Restoration / Secondary Forest Management

PD 372/05 Rev.1 (F) Contribution to Forest Rehabilitation in Thailand's Areas Affected by Tsunami Disaster

PD 501/08 Rev.1 (F) Promoting Household Reforestation in Tropical Zone of Southwestern China through Development and Extension of Household-Oriented Techniques

4) Thematic Group Evaluation: Improvement and Conservation of Genetic Resources

PD 54/00 Rev.4 (F) Genetic Resistance of Iroko to *Phytolyra lata* – Phase II (Côte d'Ivoire)

PD 377/05 Rev.3 (F) Development of Cloning for Samba (Obéché), West African Mahogany and Tiokoué Tree Species (Côte d'Ivoire)

PD 419/06 Rev.3 (F) Forest Seeds Management and Conservation (Côte d'Ivoire)

5) Thematic Group Evaluation: Teak

PD 270/04 Rev.2 (F) Ex-situ and In-situ Conservation of Teak (*Tectona grandis* L.F.) to Support Sustainable Forest Management (Myanmar)

- a) Ex-post evaluation of PD 270/04 Rev.2 (F)
- b) Thematic assessment of all completed projects on Teak in cooperation with TEAKNET, IUFRO, FAO, and other relevant organizations/institutions.

The Committee took note that the results of the ex-post evaluation of PD 270/04 Rev.2 (F) under the Thematic Group of Teak were presented to the Committee at its Fiftieth Session in 2016. Four other selected Thematic Group evaluations were not conducted due to funding constraints resulting from the impairment of ITTO funds. The Committee also noted that, although its scale was down due to the financial constraint resulting from the impairment of ITTO funds in 2016, the ex-post evaluation of the thematic group evaluation on Teak had contributed to the publication entitled "Global Teak Study: Analysis, Evaluation and Future Potential of Teak Resources" which was published earlier 2017 by IUFRO in its World Series Volume 36.

(B) Selection of Projects for Ex-post Evaluation

The Committee took note that the current ex-post pooled fund balance of CRF projects is zero due to Decision 6(LII) authorizing ITTO to use the entire amount for the financial impairment. It also noted that new ex-post pooled funds would be made available only when projects with ex-post evaluation budgets are declared closed by the Council in the coming years. The Committee further noted that a limited ex-post evaluation might be possible for 2019 or later if projects with ex-post evaluation budgets are declared closed by the Council in 2018 and 2019. In this regard, the Committee decided to extend the list of ex-post evaluations scheduled for 2015-2016 to 2018-2019 focusing on the four thematic groups, namely 1) forest management / inventory, 2) biodiversity conservation / conservation areas, 3) forest rehabilitation / landscape restoration / secondary forest management, and 4) improvement and conservation of genetic resources.

In prioritizing amongst the four thematic groups in the extended list of ex-post evaluations, the Delegation of Germany suggested that a priority be given to the restoration thematic group as growing regional and global restoration initiatives are currently taking place in the tropics. The selection of this thematic group as a priority was supported by the Delegations of Côte d'Ivoire, Guatemala, the USA and Colombia. In response to the clarification on the available funds for ex-post evaluations raised by the Delegations of the USA and Columbia, the Secretariat said that a very limited ex-post evaluation would be conducted in 2019 after projects with ex-post evaluation budgets are closed in 2018. In light of this, the Committee recommended that the ex-post evaluation of the thematic group on forest rehabilitation / landscape restoration / secondary forest management be conducted as a priority when the necessary funds are made available.

Item 9 - Policy Work

The Committee considered the progress in the implementation of the following policy-related matters:

(i) Promote the publication, dissemination and application of the ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests [Activity 4 (b), Extension of the ITTO Biennial Work Programme 2015-2016 / Decision 2(LII)] [CRF(LI)/4]

The Secretariat reported to the Committee on the progress made in the implementation of this Activity as follows:

- The revised Voluntary Guidelines for the sustainable management of natural tropical forests, adopted by the Council through the Decision 4(XLIX), were published in 2015 and superseded the 1990 guidelines. The new guidelines are designed to serve as guidance for addressing the policy, legal, governance, institutional, ecological, social and economic issues that need to be taken into account in the planning, implementation and evaluation of SFM in natural tropical forests to ensure the sustainable provision of forest goods and environmental services.
- After the holding of the first regional workshop in Kuala Lumpur, Malaysia, in August 2015 and the second regional workshop in the city of Cotonou, Benin, in May 2017, the third regional workshop on ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests is planned to take place in a Latin American country to be selected if funds are made available during the 53rd ITTC session held in Lima (Peru).

During the discussion on the Item 10 of the Committee agenda, the Delegation of Peru made comments on the implementation of this Activity in relation to: the holding of the third regional workshop on ITTO Voluntary SFM Guidelines which should be considered as a priority for Latin America and Caribbean. The Delegation of Peru emphasized on the interest and importance for the holding of this third regional workshop as a good opportunity to discuss on the ways and means to harmonize the set of Criteria and Indicators for SFM of the Tarapoto Process with the new set of ITTO Criteria and Indicators for SFM published in 2016 and its related ITTO Voluntary SFM Guidelines of 2015.

(ii) Strengthening cooperation and collaboration between ITTO and African member countries on C&I and related topics, in relation to the outcomes of the Second Regional Workshop on the ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests [Decision 4(XXIX)] [PD 124/01 (M)] [CRF(LI)/4] [new Activity under Biennial Work Programme 2018-2019]

The Secretariat reported to the Committee on the progress made in the implementation of this Activity as follows:

- A total of 32 participants, including ITTO focal points and substitutes from the forest agencies of African ITTO member countries and technical experts and civil society representatives attended the workshop from a total of thirteen (13) member countries in the Africa region namely: Benin; Cameroon; C.A.R, Congo (absent but country report delivered); Côte d'Ivoire, DR Congo, Gabon, Ghana, Liberia, Madagascar, Mali, Mozambique and Togo.
- The revision of the ATO-ITTO Principles, Criteria and Indicators (PC&I) for the sustainable management of African natural forests was considered as an urgent matter, as the current set of PC&I is already endorsed by many ITTO member countries in Africa as part of their national forest policies. It is also used as a reference policy document contributing to the implementation of the Voluntary Partnership Agreement (VPA), under the Forest Law Enforcement Governance and Trade (FLEGT), being negotiated by some ITTO member countries in Africa with the European Commission. This ITTO Policy publication is a tool contributing to strengthen the cooperation and collaboration on SFM issues between ITTO and African member countries, because it had been promoted through the implementation of the ITTO operational phased regional project PD 124/01 (M).

The Committee provided the Secretariat with the following comments and views regarding the implementation of this BWP Activity:

- The Delegation of Benin extended the gratitude to ITTO Secretariat and Donors (Japan and USA) for the holding of the second workshop on ITTO Voluntary SFM Guidelines in Cotonou, Benin, in May 2017. It was a fruitful meeting for exchanging experience and challenges of African ITTO member countries on the

implementation of sustainable forest management (SFM) practices based on the ATO-ITTO Principles, Criteria and Indicators (PC&I) for the sustainable management of African natural forests.

- The Delegation of Cote d'Ivoire informed the Committee that efforts have been made by African ITTO member countries to internalize in national forest policies and implement the ATO-ITTO Principles, Criteria and Indicators (PC&I) for the sustainable management of African natural forests, which should be subject to urgent revision and update by the ITTO Secretariat, in order to be consistent with the new set of ITTO Criteria and Indicators for SFM published in 2016 and the correlated 2015 ITTO Voluntary SFM Guidelines.
- The Delegation of Peru thanked the ITTO Secretariat for the support leading to the development of the set of Criteria and Indicators for SFM of the Tarapoto Process which should be harmonized with the new set of ITTO Criteria and Indicators for SFM published in 2016 and its related 2015 ITTO Voluntary SFM Guidelines.
- The Delegation of Finland reminded the pioneer role played by ITTO with the development of the first global set of Criteria and Indicators (C&I) for SFM which served as model for the preparation of Helsinki Process set of C&I for SFM.

(iii) Contribute to national and international efforts in the prevention and management of fire in tropical timber-producing forests [Activity 14 (b), Extension of the ITTO Biennial Work Programme 2015-2016]

The Secretariat reported to the Committee the progress made in the implementation of this Activity as follows:

- This activity was approved by the Council at its Fifty-first Session of the Council in 2014 under the ITTO Biennial Work Programme 2015-2016. This provided ITTO to contribute to the United Nations International Strategy for Disaster Reduction (UNISDR) Global Wildland Advisory Group, and the related Global Wildland Fire Network (GWFN) and Global Fire Monitoring Center (GFMC), and provided support for the Africa, Asia, and Latin America Regional Wildland Fire Networks and other inter-institutional cooperation efforts in the prevention and management of fire in tropical timber producing forests.
- ITTO provided support to the 6th International Wildland Fire Conference which took place in October 2015 in the Republic of Korea by assisting the participation of 14 participants from ITTO member countries and organizing a side event.
- The International Liaison Committee (ILC) meeting of the 7th International Wildland Fire Conference (IWFC) was held at the US Forest Service in Washington, DC, USA in February 2017. The ILC meeting confirmed that, in light of the importance of strengthening international collaborative efforts towards global fire monitoring, the 7th International Wildland Fire Conference (IWFC) will take place in May 2019 in Mato Grosso do Sul, Brazil under the theme of "Integrated Fire Management: Challenges and contributions". It will be hosted by the Ministry of Environment through IBAMA (National Center for Prevention and Fighting Fires).

In the context of the implementation of BWP 2018-2019, the Secretariat looked forward to providing its support to the organization of the 7th International Wildland Fire Conference (IWFC) in May 2019 in Brazil by assisting the participation of ITTO forest fire-related project teams and organizing a side event to share ITTO experience in integrated forest management.

(iv) Promote the conservation, restoration and sustainable management of mangrove ecosystems [Activity 10, Extension of ITTO Biennial Work Programme 2015-2016 / Decision 2(LII)]

The Secretariat reported to the Committee on the progress made in the implementation of this Activity as follows:

- The activity was approved as a part of the ITTO Biennial Work Programme (BWP) 2015-2016 as approved by the Council in November 2014 in order to strengthen practical actions and partnerships to facilitate conservation, restoration and sustainable management of mangrove forests and their ecosystems. The specific objectives of this activity were to review actions taken by ITTO and other organizations and stakeholders; and to organize an international conference to share lessons learned, discuss challenges and opportunities and identify strategies and practical actions that ITTO and its member countries can take.
- The first objective was fully implemented in collaboration with the International Society for Mangrove Ecosystems (ISME) in 2015. At the Forty-ninth Session of this Committee held in 2015, a report was presented by Professor Shigeyuki Baba, Executive Director of ISME on the outcomes of the study.

- The second objective of the activity, the International Conference on Sustainable Mangrove Ecosystems was organized on 18-21 April 2017 in Bali, Indonesia, with the generous contribution of the Governments of Japan and the USA. The conference was jointly organized by ITTO, the Ministry of Environment and Forestry of Indonesia and the International Society of Mangrove Ecosystems (ISME) with the support of many partners including the Center for International Forestry Research (CIFOR), the US Forest Service, FAO, AFoCo, as well as proactive mangrove-related civil society groups and the private sector in Indonesia. It was attended by nearly 300 policymakers, researchers, practitioners and community representatives from 25 countries worldwide.
- The conference discussed several important themes for promoting the sustainable management of mangrove forests and ecosystems including addressing climate-change adaptation and mitigation, sustainable livelihoods for mangrove-dependent communities, restoration of degraded mangrove forests and ecosystems and strengthening good governance, law enforcement and monitoring systems.
- The conference demonstrated that, with adequate investment, sustainable mangrove management can play a significant role in conserving and enhancing carbon sinks, enabling adaptation to climate change, and achieving the UN's Sustainable Development Goals 5, 13, 14 and 15. It also showed the leading role of women in the restoration and rehabilitation of degraded mangroves worldwide and the importance of involving local communities in sustainable mangrove management.
- The conference issued the "Bali Call to Action for Sustainable Mangrove Ecosystems". These are:
 - prioritizing sustainable mangrove management in national policies and laws and strengthening forest law enforcement;
 - promoting sound land-use planning, clarifying land tenure and user rights, and empowering local communities, especially women;
 - increasing the effectiveness of mangrove restoration with best restoration strategies and practices based on science;
 - facilitating access to financing mechanisms to scale up mangrove-based climate-change mitigation and adaptation; and
 - generating and disseminating knowledge on mangrove management and change and reporting on the status of mangrove management worldwide
- The announcement of "Bali Call to Action for Sustainable Mangrove Ecosystems" in English, French and Spanish and the conference report summarizing the key messages of each session can be downloaded from the mangrove conference webpage on the ITTO website at <http://www.itto.int/mangrove2017/>. ITTO's Tropical Forest Update (26 No. 3) has produced a special edition featuring selected materials from the International Conference on Sustainable Mangrove Ecosystems.

The Secretariat expressed its appreciation to the Governments of Japan and the USA for their generous support and to the co-organizers - the Ministry of Environment and Forestry of Indonesia and the International Society for Mangrove Ecosystems (ISME) as well as their partners for their close cooperation for the effective organization of the conference).

The Delegation of Indonesia thanked the Governments of Japan and the USA as well as the ITTO Secretariat and the partners for the successful organization of the conference in Bali, Indonesia. Recalling that Indonesia has around 3.5 million hectares of mangrove forests, he looked forward to more opportunities for collaboration with ITTO and others in the restoration and sustainable management of mangrove ecosystems in the country. He also hoped that the announcement of the "Bali Call to Action for Sustainable Mangrove Ecosystems" will be a global reference in raising the importance of mangrove ecosystems contributing to the implementation of SDGs and the Paris Agreement.

The Delegation of the USA thanked the Government of Indonesia and the Secretariat for the successful organization of the conference in promoting sustainable management of mangrove ecosystems. She commended the conference's thematic coverage including the roles of women in mangrove restoration and management, science-based restoration, and governance as well as the usefulness of a one-page outreach material highlighting key messages of the conference. In light of the importance of moving forward, she also indicated her intention to review the proposed activity 5 of the BWP 2018-2019 on restoration, conservation and sustainable use of mangrove ecosystems.

(v) Promote the implementation of guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land [Activity 14(a) and (b), ITTO Biennial Work Programme 2013-2014 / Decision 2(XLVIII)]

The Secretariat reported to the Committee on the progress made in the implementation of this Activity as follows:

- The revision of the ITTO guidelines on forest land restoration is a follow-up to the recommendations of the ITTO technical report prepared by WRI through the implementation of the Activity PP-A/49-288 under BWP 2013-2014, in order to take into account some important aspects of forest restoration contributing to make progress towards relevant forest-related climate goals, as well as towards relevant United Nations sustainable development goals (SDGs) and global forest goals (GFGs) of the United Nations Forum on Forests (UNFF). This is an Activity for the BWP 2018-2019.
- Those major developments in international community which are correlated to forest policies include the following: the United Nations sustainable development goal 15 (SDG-15) that promotes halting the global deforestation and the Paris Agreement on Climate which places efforts to tackle deforestation and promote sustainable forestry as a core achievement within the framework of global carbon mitigation measures.

There was no comment from the Committee on the implementation of this Activity.

(vi) Developments in the UNFCCC regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy [Decisions 2(XXXIX) and 1(XLI)]

The Committee took note that this policy activity had been an agenda item of the Council to update the recent developments in the UNFCCC regarding tropical forests in particular REDD+ in developing countries. Referring to the UNFCCC COP23 which took place in Bonn, Germany, in November 2017, The Secretariat reported the Committee on the recent developments in the UNFCCC regarding forests in particular REDD+ as follows:

- In UNFCCC COP23, there was only one agenda item under the 47th session of the Subsidiary Body for Implementation (SBI 47 item 9 – Coordination of support for the implementation of activities in relation to mitigation actions in the forest sector by developing countries of UNFCCC COP23. Parties discussed and reviewed the outcomes of REDD+ voluntary meetings and considered existing institutions or the need for alternative institutional arrangements to coordinate support for REDD+. As the discussion of this item could not reach a conclusion, the SBI at its next session in COP24 in 2018 will continue its discussion on this matter.
- Outside of the formal COP23 negotiation processes, there was a forest thematic day on Sunday, 12 November. The programme of the forest thematic day included forest & climate science, progress in implementation; enabling conditions needed to move forward, and deforestation-free supply chains. In partnership with the REDD+ Research and Development Center of Japan, ITTO organized an official side event of COP23 titled “Mangroves in the Tropics: Realizing the potential for Climate Change Mitigation and Adaptation” on 13 November 2017 and the outcome of the International Conference on Sustainable Mangrove Ecosystems held in April 2017 in Bali, Indonesia was introduced.
- The Green Climate Fund at its 18th Board meeting held on 30 September-2 October 2017 adopted a pilot programme for REDD-plus results-based payments covering the following elements:
 - The REDD-plus pilot programme will be operational with a maximum amount of USD 500 million until 2022;
 - The period of eligible results is from 31 Dec 2013 (time of adoption of the Warsaw Framework for REDD+) to 31 Dec 2018;
 - Price set at a fixed value of USD 5 per ton of CO₂ equivalent of reduced emissions or enhanced removals;
 - The maximum amount of payments per country would be set at 30% of the total payable volume (30 MtCO₂eq) during the entire length of the pilot programme; and
 - Recipient countries will need to fulfill the elements of the Warsaw Framework for REDD+.

In the discussions, the Delegations of Guatemala, Columbia and Peru underlined the importance of financing opportunities for SFM through REDD+ under UNFCCC and recommended strengthening ITTO's efforts to facilitate access to international financing mechanisms. In facilitating access to REDD-plus financing mechanisms contributing to reducing deforestation, the Delegation of Peru suggested a joint approach between ITTO and other organizations in such endeavours. In order to increase synergies between forest and climate change, he reminded of the importance of developing and implementing integrated national forest action plans

The Delegation of Costa Rica highlighted the importance of the GCF's REDD+ pilot programme as an opportunity to reduce emissions in the forest sector contributing to the implementation of the Paris

Agreement. He added that the REDD+ pilot programme includes an incentive system providing an additional 2.5% of the resulting value for biodiversity conservation in REDD+ activities as non-carbon benefits.

Item 10 – Biennial Work Programme of the Committees for 2018-2019

In accordance with the recommendation by the Council, the Committee reviewed the draft ITTO Biennial Work Programme for 2018-2019, as contained in document ITTC(LIII)/7, particularly the section pertaining to the strategic policy activities of the Committee.

In reviewing priority the BWP 2018-2019 in the area of reforestation and forest management, several delegations expressed their views. The Delegation of Guatemala pointed out the priority of conservation and management of mangroves, landscapes restoration, and forest fire prevention and management as well as protection of forests against pests and diseases. The Delegation of Colombia suggested ITTO support to the organization of an international conference on halting deforestation. The Delegation of Costa Rica highlighted the vital importance of added value to sustainable tropical timber and suggested the inclusion of such activities in the priority list. The Delegation of Peru supported the proposal made by the Delegation of Colombia while expressing the importance of scaling up restoration activities and conducting regional C&I workshops. He suggested that priority be given to involving both the producer and consumer groups to increase the chance of financing BWP activities. Recalling the harmonization of C&I undertaken with African Timber Organization (ATO) and Amazon Cooperation Treaty Organization (ACTO) with ITTO support, He also stressed the desirability of harmonizing different C&I processes.

The Delegation of USA supported the importance of forest fire prevention and management and collaboration on C&I for SFM. She sought clarification on the co-financing possibility for mangrove activity; engagement of ATO in adapting the 2016 ITTO C&I for SFM to African context; engagement of IUCN, WRI and their potential partnerships in updating ITTO guidelines for forest landscape restoration; and reducing the estimated costs in preparing a tropical forest management 2019 report. In response to the USA, the Secretariat clarified that ATO was no longer operational and therefore the Commission for Central African Forests (COMIFAC) will be involved for Congo Basin countries while the ITTO member countries in West Africa will be consulted during the process of revising and updating the ATO-ITTO PC&I for SFM. The Secretariat also clarified that the previous Activity under BWP 2013-2014 had already used that approach with a partial partnership with the World Resources Institute (WRI) which was materialized by a technical publication containing useful recommendations to be taken into account during the implementation of the Activity 10 (b) under BWP 2018-2019. The Secretariat also indicated that the budget for Activity 26 could be adjusted based on further discussion.

The Committee also noted the vital importance of implementing the ITTO Policy Guidelines on Gender Equality and Empowering Women (GEEW) which were presented at the Council.

The Committee considered the following list a priority for the BWP 2018-2019 in the area of reforestation and forest management:

- Activity 1: Incentives for green-growth value chain investments in tropical forests
- Activity 2: Building legal and sustainable forest product supply chains
- Activity 5: Restoration, conservation and sustainable use of mangrove ecosystems
- Activity 8 (a): Criteria and indicators workshops
- Activity 8 (b): Adapting the 2016 ITTO Criteria and Indicators (C&I) for SFM to African context
- Activity 10 (a): Operationalizing the ITTO Policy Guidelines on Gender Equality and Empowering Women (GEEW)
- Activity 10 (b): Update the ITTO Guidelines for Forest Landscape Restoration
- Activity 12: Prevention and management of fire in tropical timber producing forests
- Activity 13: International conference on halting deforestation and increasing forest area
- Activity 15: Collaboration on criteria and indicators for SFM
- Activity 26: Status of tropical forest management 2019 report

Item 11 – Review of Projects and Pre-projects in Progress

The Committee was informed that the Secretariat's report and the Committee's discussion were limited to the following projects and pre-projects in order to expedite proceedings, in accordance with the Section VI of Annex A to Decision 4(XXV):

- Those having implementation problems;

- Those requiring additional funds;
- Those requesting extension of more than six months beyond the original duration; or
- Those requesting essential major modifications of the work plan and budget.

The Committee was further informed that the implementation of most project activities has been revitalized since earlier 2017 after slowed down or even suspension in 2016 due to the financial impairment.

11.1 **Projects**

The Committee took note of the status of projects that had been approved by the Council, as contained in Document CRF(LI)/3 Rev.1, as categorized: (A) projects under implementation (twenty-eight projects); (B) projects awaiting implementation agreement (four projects); (C) projects awaiting financing (sixteen projects); and (D) projects coming under the sunset provisions since the last session (seven projects).

Then, the Committee considered the implementation issues, details of which were as follows:

(A) Projects under implementation

1) PD 383/05 Rev.2 (F) Community Forest Development in Gabon

The Committee took note that the implementation of this project had contributed to the sustainable management of the rural forest estate in Gabon and organizing the village estates and combating poverty in the communities established in the rural areas through the development of community forests. The project contributed to experiment the establishment of three pilot community forests and to develop SFM guidelines for community forests based on the results derived from established pilot community forests. Referring to question from the Delegation of Germany, the Secretariat explained to the Committee that the project specific objective was still relevant although its operation period lasted 89 months instead of 36 initially planned by the implementing agency because of the restructuring of the executing agency and very frequent turn-over of project coordinators.

The Committee also noted that, in August 2016, the Secretariat received the Completion Report. However, the Final Financial Audit Report has not been submitted by the Executing Agency. In this light, the Committee urged the Executing Agency to strictly abide to ITTO's rules and procedures and submit the Final Financial Audit Report, at its earliest convenience, but not later than end of March 2018.

2) PD 419/06 Rev.3 (F)-Ext Forest Seeds Management and Conservation; Project for Rehabilitation and Restoration of Degraded Forests in Côte d'Ivoire with the Involvement of Local Communities (Refugees, Internally Displaced People and Local Populations) (Côte d'Ivoire)

The Committee took note of the project extension until 16 April 2018 in order to allow the Executing Agency to complete all project activities, including the construction of storage facilities for food crops which should be also used to shelter processing machines for food crops produced in agroforestry plantations. The Committee asked the Executing Agency to complete these constructions for the benefit of local communities involved in the project implementation during the extension period.

3) PD 450/07 Rev.2 (F,I) Capacity Building for CDM Forestry in the Framework of SFM Emphasizing Community Forests and Poverty Alleviation in Ghana

The Committee took note of the gratitude extended to the ITTO Secretariat and Donors (Japan and Michigan University of Technology, USA). The Committee also took note that the implementation of this project intended to build capacity for Clean Development Mechanism (CDM) forestry-related in Ghana via a community rehabilitation of degraded forests. It specifically intended to improve the capacity for CDM-Forestry in Ghana via community forest targeted at poverty alleviation in conjunction with sustainable forest management (SFM), and by involving the private sector and native communities.

The Committee further noted that, in August 2016, the Secretariat did not receive the Completion Report and the Final Financial Audit Report. The Committee recalled that it had already urged the Executing Agency to submit the both reports at its Forty-eighth, Forty-ninth and Fiftieth Sessions.

The Committee furthermore noted that subsequent to the aforementioned situation, a termination notice was sent in April 2016 informing the Executing Agency that the Secretariat would be obliged to recommend the termination of this project, unless both the Completion Report and Final Financial Audit Report were submitted in due time. The Executing Agency (FORIG) informed the ITTO Secretariat that measures have been taken for the submission of the abovementioned reports at the beginning of 2018. In this light, the Committee urged the Executing Agency to strictly abide to ITTO's rules and procedures and submit these pending reports, at its earliest convenience, but not later than end of February 2018 (for the completion report) and end of March 2018 (for the final financial audit report).

- 4) **PD 456/07 Rev.4 (F) Building the Capacities of Forestry Training Institutions Members of the Network of Central African Forestry and Environmental Training Institutions (RIFFEAC) for Providing SFM Training for Forest Concessions**
“Capacity Building for Sustainable Management of Tropical Rainforests and Biodiversity Conservation in the ITTO Congo Basin Countries” (Regional)

The Committee took note of the project extension until March 2018 in order to allow the Executing Agency to complete all project activities, including an international conference to be held in March 2018, in order to share the findings and lessons of this project, as recommended by the fifth project steering committee meeting. The Committee asked the Executing Agency to make sure that relevant stakeholders are involved for their participations in the abovementioned international conference.

- 5) **PD 470/07 Rev.1 (F) Development and Implementation of Criteria and Indicators for Sustainable Management of Planted Forests and Community Forests (Thailand)**

The Committee noted that the Executing Agency has been urged to expedite the implementation of project activities because the project's implementation had been progressing at an extremely slow pace. The Delegation of Thailand informed the Committee that the project manager passed away in November 2016 and a new project manager has been in place since July 2017. Two national consultants from the Kasetsart University have been engaged since May 2017. One consultant is working on the preparation of a draft Thai C&I, taking into account the ASEAN Criteria and Indicators for Sustainable Management of Tropical Forests (ASEAN C&I) under output 1 (National C&I and standards of performance for SFM developed, tested and adopted). Another consultant is reviewing the legal requirements and national/international experiences on tracking/COC. The implementation of the project is now on track and the implementation of all project activities will be concluded before the end of next year. In order to successfully conclude the project, the Committee reiterated the critical importance of the Executing Agency to fulfil its commitment to the effective and successful implementation of the project.

- 6) **PD 495/08 Rev.4 (F) Guatemalan Forest Productivity Information System (Guatemala)**

The Committee noted that this project has been technically completed but the Secretariat is still awaiting the final report and audited financial statement. The Delegation of Guatemala expressed its appreciation to the Governments of Japan and the USA for financing the project. He informed the Committee that the preparation of those report is in the final stage and they will be submitted in early next year. The Committee urged the Executing Agency to ensure the submission of the required reports at the earliest opportunity so that the project can be declared complete by the Council at its next session in 2018.

- 7) **PD 507/08 Rev.1 (F) Development of the National Reforestation Policy and Afforestation Strategy Consistent with Liberia 3C-Approach (Liberia)**

The Committee took note that the project implementation was further extended until December 2017 without additional ITTO funds from the ITTO Secretariat. It was agreed that the implementation of this project was to be subject to a special arrangement between the Executing Agency (FDA-Liberia) and a consultancy team from HAFL-University of Bern, Switzerland, for the analysis of data collected during the implementation of this project, in order to prepare a final technical report. A national workshop is planned for the validation of the final technical report. The Committee asked the Executing Agency and the Consultancy Team to make efforts for the completion of this project during the extension period.

8) **PD 528/08 Rev.1 (F) Towards Sustainable Indigenous Mahogany Timber Production in Ghana: Phase II, Refining the Silvicultural "Tool Kit" and Practical Training for Industrial-Foresters and Community Farmers (Ghana)**

The Committee took note of the gratitude extended to the ITTO Secretariat and Donors (Japan and USA). The Committee also took note that the implementation of this project had contributed to improve the sustainability of indigenous mahogany in Ghana by developing superior mahoganies that could be ecologically adapted and insect tolerant, and expanded the collaboration with industrial and community tree farmers. It specifically intended to refine the mahogany silvicultural "Tool Kit" in order to improve the ability to produce economically viable indigenous mahogany in mixed plantations and to transfer this technology to Ghana's key industrial partners and community trees growers via a practical "*How to Cultivate Indigenous Mahoganies in Plantations*" manual.

The Committee also noted that, in August 2016, the Secretariat received the Completion Report. However, the Final Financial Audit Report has not been submitted by the Executing Agency. The Committee recalled that it had already asked the Executing Agency to submit the Final Financial Audit Report at its Fiftieth Session. In this light, the Committee urged the Executing Agency to strictly abide to ITTO's rules and procedures and submit the Final Financial Audit Report, at its earliest convenience, but not later than end of March 2018.

9) **PD 530/08 Rev.3 (F) Phase II of ITTO Project [PD 30/97 Rev.6 (F)] Management of Forests Established through Rehabilitation of Degraded Forests by Local Communities in Ghana**

The Committee took note of the gratitude extended to the ITTO Secretariat and Donors (Japan and Michigan University of Technology). The Committee also took note that the implementation of this project had contributed to the rural livelihood by improving benefits from forests established by local communities through the rehabilitation of degraded Forests Reserves and by improving landscapes. Specifically, it intended to develop adequate models and identify appropriate strategies and use them for the collaborative management of forests established by local communities through the rehabilitation of degraded forest lands, using the agroforestry modified taungya system (MTS). The aim was to enhance biodiversity conservation, while ensuring the provision of goods and services, in order to contribute to improving the livelihood of local communities.

The Committee also noted that, in September 2017, the Secretariat received the Completion Report; however, the Executing Agency (FORIG) did not submit the Final Financial Audit Report. Upon receipt of an acceptable Final Financial Audit Report by the Secretariat, this project should be considered as completed. Therefore, the Committee asked the Executing Agency to strictly abide to ITTO's rules and procedures and submit the Final Financial Audit Report, at its earliest convenience, but not later than end of March 2018.

10) **PD 563/09 Rev.5 (F) Community Based Forest Management of Sungai Medihit Watershed (Malaysia)**

The Committee noted that this project has been supported by APFNet under the collaborative MoU between ITTO and APFNet on Rehabilitation and Sustainable Forest Management. The Committee also noted that, although many project activities have been implemented on the ground in line with the approved project document and annual work plan, the development of two community-based forest management plans, which is a key output of the project, has been slow. The Delegation of Malaysia expressed its appreciation to APFNet in China for financing the project and ITTO secretariat for proving a supervising service in collaboration with APFNet. He informed the Committee that the project has been focused on the livelihood improvement of the Kelabit and Penan indigenous communities and the preparation of two community forest resource management plans has progressed. Although the reporting of the first year's implementation of the project had been delayed, the progress report for the first year and the financial audit report have already been submitted and the project is on track. The Committee urged the Executing Agency to endure successful implementation of the project in accordance with the approved yearly plan of operation for the second year in accordance with the rules and procedures of APFNet.

11) **PD 653/12 Rev.1 (F) Sustainable, Mixed and Pure Forest Plantation Development in the Transitional Zone of Ghana's Biakoye District Assembly, Employing Poverty Reduction Strategies (Ghana)**

The Committee took note that the implementation of this project had contributed to the sustained socio-economic development and environmental protection in the Biakoye area in Ghana's Volta Region, through the restoration of forest degraded lands with precious indigenous timber species and exotic timber species, with the involvement of local communities. It specifically contributed to initiate a participatory poverty alleviation approach (innovative value adding cassava processing and sale) through a sustainable forest enrichment and plantation development using tropical timber species mixed with exotic species.

The Committee also noted that, in March 2016, the Secretariat received the Completion Report. However, the Final Financial Audit Report has not been submitted by the Executing Agency. The Committee recalled that it had already asked the Executing Agency to submit the Final Financial Audit Report at its Fiftieth Session. In this light, the Committee urged the Executing Agency to strictly abide to ITTO's rules and procedures and submit the Final Financial Audit Report, at its earliest convenience, but not later than the end of March 2018.

12) PD 668/12 Rev.1 (F) Integrated Management of Natural Resources and Biodiversity in the Tacaná Volcano and Its Range of Influence in Mexico and Guatemala

The Committee noted that the project has been promoting the conservation and sustainable use of local natural resources of the Tacana volcano which straddles the border between Guatemala and Mexico. The Committee also noted that the implementation of all technical activities has been concluded and the Executing Agency is in the process of finalizing a project completion report and financial audit report. The project leader made a presentation on the main achievements of the project to the Committee. He highlighted the selection of 7 priority areas for restoration and conservation with the establishment of 12 forest nurseries, livelihood initiatives including ecotourism, agroforestry and silvo-pastoral systems and improved technical and legal frameworks for integrated management in the Tacaná Volcano in the frame of transboundary cooperation between the two countries. The Delegation of Mexico commended the project leader for his very clear presentation highlighting the importance of improving livelihoods to conservation. He also commented that this kind of a transboundary cooperation project must receive a priority from ITTO and expressed gratitude to the Governments of Japan and the USA for financing the project and to the Secretariat for close cooperation. The Delegation of Panama congratulated the two countries for their transboundary cooperation and the two donors for their financing. He commended the project leader for his nice presentation including interesting videos showing the effective involvement of local communities. The Delegation of the USA thanked Guatemala and Mexico for implementing the project with engagement of several agencies in the two countries in a transboundary context. The Delegation of Guatemala questioned whether a second phase proposal could be delivered to the Secretariat. Congratulating the Executing Agency for its excellent work, the Secretariat indicated that a second phase proposal could be submitted as the immediate deadline for receipt of proposals is 15 December. The Committee requested the Executing Agency to submit a completion report and financial audit report at the earliest opportunity, no later than the end of March 2018.

(B) Projects awaiting implementation agreement

The Committee noted that four projects are currently awaiting implementation agreement, as contained in Document CRF(LI)/3 Rev.1.

1) PD 723/13 Rev.2 (F) Capacity Building for Strengthening Transboundary Biodiversity Conservation of the Taninthayi Range in Myanmar – Phase I Stage 1

The Committee noted that the project Phase I has been split into two stages to allow implementation to commence utilizing funds generously made available by the USA and Republic of Korea. The Committee also noted that the agreement for the implementation of this project's Stage 1 was finalized by Myanmar just before the ITTC-53. It is expected that the Executing Agency, Forest Research Institute of Myanmar, will start the project early next year.

2) PD 764/14 Rev.3 (F) Enabling Customary Landowners to Participate Effectively in Community Forest Management Schemes Within 6 Pilot Areas of PNG

The Committee noted that the project was funded in 2015 by the government of Japan and the project agreement was sent to PNG Forest Authority in May 2017 after amendment to the project document. The Delegation of PNG informed the Committee that the signing of the agreement has been delayed due to the official formalities required to get beforehand the no-objection of concerned offices in PNG. The PNG FA has

contacted the Climate Change and Development Authority office (CCDA) as the project is related to climate change. The Project Agreement (PA) is therefore awaiting an endorsement letter from CCDA, to be forwarded together to the State Solicitor's office for clearance before PNG FA counter signing. The Committee urged the Executing Agency to expedite the signing of the project agreement for the early commencement of the project.

3) PD 765/14 Rev.4 (F) Development of A Forest Landscape Restoration Program for Guatemala Based on ITTO Guidelines – Phase I

The Committee noted that this project had been split into two phases to allow implementation to commence utilizing funds generously made available by the Government of the USA and the Convention on Biological Diversity. Phase I will be running for 24 months with an amount of USD 250,000 while Phase II is seeking an amount of USD 351,000 for 24 months. There have been delays in commencing implementation, most recently due to the need to revise the project document and agreement to accommodate a request from the government of Guatemala (INAB) for a different Executing Agency. The Executing Agency proposed is now the Foundation for the Conservation of Natural Resources and the Environment in Guatemala (FCG). These revisions have now been approved and the project agreement has been sent to the government of Guatemala. The Delegation of Guatemala informed the Committee that the signing of the project agreement was finalized and it will be submitted soon to ITTO for counter signing.

4) PD 777/15 Rev.3 (F) Accelerating the Restoration of Cibodas Biosphere Reserve (CBR) Functions through Proper Management of Landscapes Involving Local Stakeholders (Indonesia)

The Committee noted that the project was funded in 2016 by the Government of Japan and the project agreement was sent to the Ministry of Environment and Forestry of Indonesia for the signing process by the relevant parties in May 2017. Highlighting the importance of Cibodas Biosphere Reserve in terms of biodiversity conservation and water resource to Jakarta, the Delegation of Indonesia informed the Committee that the project agreement was signed by the Executing Agency but this signed document was misplaced. He also confirmed that the signing of the project agreement will be finalized soon so that the project can commence its activity in early 2018.

(C) Projects awaiting financing

The Committee noted that the following sixteen projects approved at earlier and current sessions were still awaiting funding, out of which six projects will be sunset if funding is not made available before the next session. The Chairperson encouraged the Committee members and other donors to provide funding for the implementation of these projects.

- 1) *PD 690/13 Rev.4 (F) Bamboo for Life: An Alternative for the Rehabilitation of Degraded Forests and Sustainable Rural Development in the Peruvian Amazon Region (Peru)
- 2) PD 712/13 Rev.2 (F) Enhancing the Implementation of Landscape Management of Giam Siak Kecil-Bukit Batu Biosphere Reserve (GSK-BR) in Riau Province of Sumatra Island, Sumatra (Indonesia)
- 3) PD 713/13 Rev. 2 (F) Operationalising the Policy on Sustainable Management of Sandalwood Resource Through Improved Livelihood and Increased Participation of Local Communities (Indonesia)
- 4) PD 723/13 Rev.2 (F) Capacity Building for Strengthening Transboundary Biodiversity Conservation of the Taninthayi Range in Myanmar – Phase I Stage 2
- 5) PD 735/14 Rev.2 (F) Enhancing Partnership Efforts to Restore Peat Swamp Forests in Sumatra (Indonesia)
- 6) PD 736/14 Rev.1 (F) Enhancing Conservation and Sustainable Production of Indonesian Rosewood (*Dalbergia* spp) (Indonesia)
- 7) PD 739/14 Rev.1 (F) Initiating the Conservation of Eboni Species (*Diospyros celebica* Bakh) Involving Local Stakeholders in Sulawesi (Indonesia)

- 8) PD 776/15 Rev.2 (F) Enhancement of the Wildland Fire Prevention and Control System for the Sustainable Management of ONAB's Plantations (Benin)
- 9) PD 780/15 Rev.3 (F) Sustainable Indigenous Mixed Species Reforestation, Plus Climate-Resilient Women Livelihoods in Six Rural Communities in Ghana's Akwapim and Upper Krobo Districts
- 10) PD 802/15 Rev.2 (F) Building the Capacity of Local Village Communities for the Restoration, Management and Governance of the Founou and Wani Forest Reserves in the Macina District, Segou Region, Mali
- 11) PD 812/16 Rev.2 (F) Promoting Community-Level Forest Landscape Planning, Diversification, Restoration and Protection to Reduce Forest Degradation and Improve Biodiversity and Local Livelihoods (Ghana)
- 12) PD 822/16 Rev.1 (F) Production, Conservation and Sustainable Management of Forest Seeds in Benin
- 13) PD 824/16 Rev.1 (F) Promoting Sustainable Development and Utilization of Kemenyan (*Styrax* spp.) Resource Involving Local Stakeholders in Toba Region of North Sumatra Province, Indonesia
- 14) PD 836/17 Rev.1 (F) Enhancing Capacity of Local Communities and Forest Administration to Effectively Implement Community Forestry Programme (CFP) in Kratie and Mondulkiri Provinces of Cambodia
- 15) PD 853/17 Rev.1 (F) Forest Fire Prevention and Response in Tropical Forests and Forest Plantations in Peru
- 16) PD 861/17 Rev.1 (F) Carbon Storage in Timber Producing Forests as a Value Criterion in Rural Communities in the Yucatan Peninsula, Mexico

*Those projects with asterisk (approved but not funded within 20 months) will be sunset at the next Session.

The validity period for PD 712/13 Rev.2 (F), PD 713/13 Rev. 2 (F), PD 735/14 Rev.2 (F), PD 736/14 Rev.1 (F), and PD 739/14 Rev.1 (F) will be extended for an additional 20-month based on the official request from the contact point of the submitting country in accordance with the provision of re-submission of approved projects.

(D) Projects coming under the sunset provisions since the last Session

The Committee noted that ten projects had become sunset since its last session.

- (1) PD 554/09 Rev.4 (F) Pilot Sustainable Management Systems for Secondary Forests in the Collective Territory of the Bajo Calima Community Council, Municipality of Buenaventura, Colombia
- (2) PD 748/14 Rev.3 (F) Building Capacities and Meaningful Stakeholder Participation in Forest Governance to Contribute toward Sustainable Forest Management and Improved Livelihoods of Forest Dependent Communities in Honduras and Guatemala
- (3) PD 762/14 Rev.2 (F) Developing and Implementing Improved Management Practices that Maintain and Enhance Forests and Biodiversity Protection, to Support SFM within the Context of Multiple Use in Guyana's Forest Dependent Communities
- (4) PD 772/15 Rev.1 (F) Improved Application of Growth and Yield Models to Forest Management Planning in the Amazon Basin (Brazil)

- (5) PD 773/15 Rev.1 (F) Restoration and Maintenance of Environmental Services in Moist Tropical Pasture Lands - Criteria and Techniques for the Introduction and Use of Native Trees (Mexico)
- (6) PD 774/15 Rev.2 (F) Implementation of the Forest Management Plan of the Chepigana Forest Reserve, Choco-Darién Eco-Region, as a Conservation and Sustainable Development Alternative for a Protected Area (Panama)
- (7) PD 775/15 Rev.2 (F) Management and Restoration of the Forest Landscape in San Marcos, Guatemala and Chiapas, Mexico
- (8) PD 778/15 Rev.1 (F) Sustainable Forest Management, Conservation of Biological Diversity and Promotion of Landscapes for Socio-Ecologic Production in Indigenous Territories of the Uwalcox Micro-Watershed in Guatemala's Western Altiplano (Guatemala)
- (9) PD 785/15 Rev.1 (F) Phytosanitary Management of Commercial Forest Plantations in the Moist Tropics (Mexico)
- (10) PD 794/15 Rev.1 (F) Conservation and Sustainable Use of Mangrove Forest Resources in the Province of El Oro, Southern Ecuador

11.2 Pre-project

The Committee took note of the status of approved pre-projects, as contained in Document CRF(LI)/3 Rev.1 and considered the implementation issues, details of which were as follows:

(A) Pre-projects under implementation

The Committee noted that there was no pre-project awaiting implementation agreement.

(B) Pre-projects awaiting implementation agreement

The Committee noted that there was no pre-project awaiting implementation agreement.

(C) Pre-projects awaiting financing

The Committee noted that four pre-projects approved at earlier and current sessions were still awaiting funding, out of which two pre-projects will be sunset if funding is not secured before the next session. The Chairperson encouraged the Committee members and other donors to provide funding for the implementation of these pre-projects.

- 1) *PPD 184/15 Rev.2 (F) Development of Payment for Environmental Services Scheme for Local Community Groups and Private Developer Forest Plantations in Degraded Lands, Ghana
- 2) *PPD 185/16 Rev.1 (F) Saving Timber Yielding Rare Endemic and Threatened Species of Western Ghats, India by Promoting Agro-forestry and Reforestation of Degraded Lands (India)
- 3) PPD 186/16 Rev.2 (F) Establishment of Enabling Conditions for the Restoration and Sustainable Development of Forests in the Southern Area of the Sierra De Lacandon National Park, Maya Biosphere Reserve, Guatemala
- 4) PPD 189/17 Rev.1 (F) Development of A Full Project Proposal to Generate Tools to Ensure the Establishment of Timber Forest Species through Natural Regeneration in the Province of Tahuamanu, Peru

*Those projects with asterisk (approved but not funded within 20 months) will be sunset at the next Session.

(D) Pre-projects coming under the sunset provisions since the last Session

- (1) PPD 178/14 Rev.2 (F) Support to the Creation of Green Belts around the Waza, Benoué, Faro and Bouba Ndjidda National Parks (Cameroon)
- (2) PPD 182/15 Rev.1 (F) Supporting Protected - Area Communities in Afram Plains to Engage in Integrated Management of Economic Timber Species in Community Lands (Ghana)

Item 12 - Election of Chairperson and Vice-Chairperson for 2018

Mr. Dambis Kaip (PNG) was elected as Chairperson for 2018. Dr. Jobst-Michael Schroeder (Germany) was elected as Vice-Chairperson for 2018.

Item 13 - Dates and Venues of the Fifty-second and Fifty-third Sessions of the Committee

The Fifty-second Session of the Committee would be held in conjunction with the Fifty-fourth Session of the International Tropical Timber Council to be convened in Yokohama, Japan.

The Fifty-third Session of the Committee would be held in conjunction with the Fifty-fifth Session of the International Tropical Timber Council to be convened in Lomé, Togo.

Item 14 - Other Business

The Delegation of Peru highlighted the importance of implementing PD 853/17 Rev.1 (F) "Forest Fire Prevention and Response in Tropical Forests and Forest Plantations in Peru" as a priority due to a high incidence of wildfires in natural forests in the country. He encouraged the financing of this project by the Council at this session in Lima.

The Delegation of Benin also highlighted the importance of implementing PD 776/15 Rev.2 (F) "Enhancement of the Wildland Fire Prevention and Control System for the Sustainable Management of ONAB's Plantations" due to high forest fire incidences in 2015 resulting the loss of about 5,000 hectares considering that Benin is a low forest cover country and PD 822/16 Rev.1 (F) "Production, Conservation and Sustainable Management of Forest Seeds in Benin" to provide quality seeds for more productive and successful reforestation activities in the country. He encouraged the financing of these two projects by the Council at this session in Lima.

The Delegation of Côte d'Ivoire noted that in the list of projects awaiting financing, some countries have two or more proposals. The Committee took note of his concern which is the outcome of the Expert Panel dealing with appraisal of proposals submitted by eligible member countries.

The Delegation of Indonesia informed the Committee that the Ministry of Environment and Forestry has sent a letter to ITTO in October 2017 to extend the validity period for PD 735/14 Rev.2 (F), PD 736/14 Rev.1 (F), PD 739/14 Rev.1 (F) and PD 712/13 Rev.2 (F). The Committee took note of the extension of these projects' validity period for an additional 20-month in accordance with the provision of re-submission of approved projects [Council 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 – Decision 2 (X)].

Item 15 - Recommendations to the International Tropical Timber Council

- (A) The Committee recommended that funding be made immediately available for the following projects and pre-project approved under the Project Cycle 2017:

Projects

- PD 812/16 Rev.2 (F) Promoting Community-Level Forest Landscape Planning, Diversification, Restoration and Protection to Reduce Forest Degradation and Improve Biodiversity and Local Livelihoods (Ghana) [ITTO Budget: US\$ 445,715]
- PD 836/17 Rev.1 (F) Enhancing Capacity of Local Communities and Forest Administration to Effectively Implement Community Forestry Programme (CFP) in Kratie and Mondulkiri Provinces of Cambodia [ITTO Budget: US\$ 514,651]
- PD 853/17 Rev.1 (F) Forest Fire Prevention and Response in Tropical Forests and Forest Plantations in Peru [ITTO Budget: US\$ 441,045]
- PD 861/17 Rev.1 (F) Carbon Storage in Timber Producing Forests as a Value Criterion in Rural Communities in the Yucatan Peninsula, Mexico [ITTO Budget: US\$ 649,386]

Pre-projects

- PPD 186/16 Rev.2 (F) Establishment of Enabling Conditions for the Restoration and Sustainable Development of Forests in the Southern Area of the Sierra De Lacandon National Park, Maya Biosphere Reserve, Guatemala [ITTO Budget: US\$ 48,261]
- PPD 189/17 Rev.1 (F) Development of A Full Project Proposal to Generate Tools to Ensure the Establishment of Timber Forest Species through Natural Regeneration in the Province of Tahuamanu, Peru [ITTO Budget: US\$ 87,490]

(B) The Committee recommended that funding be made immediately available for the implementation of the following activities listed in the BWP 2018-2019:

- Activity 1: Incentives for green-growth value chain investments in tropical forests
- Activity 2: Building legal and sustainable forest product supply chains
- Activity 5: Restoration, conservation and sustainable use of mangrove ecosystems
- Activity 8 (a): Criteria and indicators workshops
- Activity 8 (b): Adapting the 2016 ITTO Criteria and Indicators (C&I) for SFM to African context
- Activity 10 (a): Operationalizing the ITTO Policy Guidelines on Gender Equality and Empowering Women (GEEW)
- Activity 10 (b): Update the ITTO Guidelines for Forest Landscape Restoration
- Activity 12: Prevention and management of fire in tropical timber producing forests
- Activity 13: International conference on halting deforestation and increasing forest area
- Activity 15: Collaboration on criteria and indicators for SFM
- Activity 26: Status of tropical forest management 2019 report

Item 16 - Report of the Session

The Committee accepted this Report for submission to the Council. The members of the Committee expressed their appreciation for the able manner in which the Chairperson conducted the session of the Committee with assistance of the Secretariat.

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**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

**COMMITTEE ON
FINANCE AND ADMINISTRATION**

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Lima, Peru

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

**THIRTY-SECOND SESSION OF THE
COMMITTEE ON FINANCE AND ADMINISTRATION**

Item 1: Opening of the Session

1. The Chairperson of the Committee on Finance and Administration (CFA), Mr. Mad Zaidi Mohd Karli of Malaysia, welcomed all delegates to the Thirty-second Session of the Committee. He briefly introduced himself as well as the Vice-Chairperson of the CFA, Mr. Luke Thompson of the USA. The Chairperson conveyed his special appreciation to Mr. Rob Busink (Netherlands) for his excellent chairing of the previous Session of the CFA in November 2016.

Item 2: Adoption of Agenda and Organization of Work

2. The Chairperson referred to the Provisional Agenda, as contained in document CFA(XXXII)/1. He informed the Committee that four new items were proposed to be discussed under agenda item 15 "Other Business" that were either raised by the Secretariat or from the floor at the previous session of the Committee, namely:

- (a) Overall transparency of ITTO documentation
- (b) Paper on the responsibilities of Council Officers
- (c) Increasing the special reserve from USD 1,850,000 to USD 2,500,000
- (d) Review of the work and recommendations of the Investment Oversight Panel.

3. In response to the Chairperson's request to provide more details on the above four items, the Secretariat informed the Committee of the following:

- (a) Overall transparency of ITTO documentation: Certain CFA documents are "restricted", which means they are available for members only. This issue was raised by the delegation of the USA at the Thirty-First Session of the CFA but was not discussed there due to time constraints.
- (b) Paper on the responsibilities of Council Officers: A reference paper titled "Responsibilities of Officers of the International Tropical Timber Council" was made available to Committee members. This document, which describes the responsibilities of individuals who have been elected to serve as officers of the International Tropical Timber Council, had been compiled by the Secretariat with inputs from Mr. David Brooks, a consultant who had reviewed ITTO's various rules for the previous session of the Council. The document was prepared to inform and help prepare individuals who are considering a position or have been elected as an officer of the Council because the detailed responsibilities of Council officers may not be fully understood by such individuals. It had been compiled from existing documents, such as the ITTA, Council decisions, and ITTO rules and regulations. This document could be attached as an annex to the Committee Report and be recommended to the Council for approval at this session to serve as an official reference document in the future.
- (c) Increasing the special reserve from USD 1,850,000 to USD 2,500,000: The Council, at its 52nd Session, approved the CFA recommendation to transfer USD 350,000 from the Working Capital Reserve to the Special Reserve to increase its limit from USD 1.5 million to USD 1.85 million, despite the initial request being a transfer of USD 1 million to increase its limit to USD 2.5 million. The new Financial Rules stipulate that the amount of the Special Reserve heading in the Administrative Budget should be decided on by the Council in every financial biennium, so this issue was to be revisited at the Thirty-Second Session of the CFA. The Secretariat had reviewed its assessment of the level of funds necessary should the Organization be liquidated and informed the Committee that the amount remained at USD 2.5 million. The Working Capital Reserve now has USD 4.8 million, and the recommendation would be to use some of those funds to increase the Special Reserve to USD 2.5 million.
- (d) Review the work and recommendations of the Investment Oversight Panel: The Council, at its 52nd Session, had deferred the nomination of Members of the Investment Oversight Panel to the CFA at its Thirty-Second Session. The Committee may discuss whether there is a need to convene an Investment Oversight Panel each year despite having no investments and no plans to invest funds. The Committee may recommend to Council that the Investment Oversight Panel be convened only when the Organization has regained enough funds to invest and is ready to select its options for investment. Nevertheless, the caucuses may be requested to make nominations (one consumer and one producer) for the Investment

Oversight Panel.

4. The Chairperson opened the floor for comments on the proposed agenda. The delegate of the USA requested that the item on the overall transparency of ITTO documentation be discussed earlier in the course of the week, and the Committee decided to deliberate on this item immediately after Agenda Item 5.

5. As no further issues were raised, the Committee adopted the Provisional Agenda, as contained in document CFA(XXXII)/1.

Item 3: Admission of Observers

6. The Chairperson advised the Committee that the Council had admitted all applicants shown in document ITTC(LII)/Info.3, which lists states, inter-governmental and non-governmental organizations applying for Observer status. The Chairperson suggested that the CFA should be open for Members only when restricted Committee Documents are being discussed. As there were no comments from the floor, the Committee approved the Chairperson's suggestion.

Item 4: Report of the Expert Panel for Technical Appraisal of Project Proposals

7. The Chairperson advised the Committee that the Report of the Fifty-Second Meeting of the Expert Panel for Technical Appraisal of Project Proposals (Document ITTC/EP-52) was deliberated on and concluded at the Joint Session of the Committees convened on 29 November 2017. The Joint Session had not requested any follow-up by the CFA.

Item 5: Draft Biennial Administrative Budget for the Years 2018 and 2019

8. The Secretariat presented the Draft Administrative Budget for the 2018 and 2019 Financial Biennium, as contained in Document CFA(XXXII)/2 dated 25 August 2017. This document, which contained explanatory notes for each budget heading, had been circulated to Committee Members earlier.

9. The 2018-2019 biennium budget was constructed using the United Nations official exchange rate for August 2017 of 1 USD = JPY 109.05. The budget for 2018 had been estimated at USD 7,108,547 and the budget for 2019 has been estimated at USD 7,104,341. The total budget for 2018 represents a decrease of USD 275 (0.01%) compared to the approved budget for 2017 and the total budget for 2019 represents a decrease of USD 4,481 (0.06%) compared to the approved budget for 2017. Therefore, there is no nominal increase in the 2018-2019 budget compared to the approved budget for 2017. As in previous years, however, no contingency is included in the proposed Administrative Budget for the financial year 2018 and 2019 and therefore unexpected shortfalls in the budget, such as exchange rate fluctuations, inflation and unforeseen personnel changes, would need to be financed from the Working Capital Reserve.

10. The "Basic Administrative Costs" for the 2018-2019 biennium, as shown in Table 1 (pages 3-4), indicates a decrease of USD 19,600 (0.32%) for 2018 compared to the budget of 2017, and a decrease of USD 23,806 (0.38%) for 2019 compared to the budget for 2017. Therefore, there is no significant change in the basic administrative costs compared to 2017.

11. There was a slight decrease in the budget for the 2018-2019 biennium due to changes in higher-level positions. In particular, one vacant P-5 position has been converted to a P-3 position, and estimates for previously vacant senior management positions have been revised to reflect the actual costs of the newly recruited personnel. This slight decrease has mainly been offset by the following new elements introduced into the Basic Administrative Costs component of the Budget for 2018-2019:

- The revision of ITTO's Financial Rules in November 2016 has increased the scope of its audit to include additional requirements for auditing accounts prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and to perform periodic internal audits as well as specific examinations as deemed necessary by the Council. Accordingly, the budget has been increased by USD 60,000 to accommodate these requirements (G8. Audit).
- In an effort to increase transparency and accountability, the Secretariat has been using IT solutions to enhance its internal control and outreach activities. An increase of USD 17,000 (F1. Computer Software and Servicing) and USD 24,000 (F2. Network, Hardware and Supplies) is proposed to continue these efforts.

- Additional provisions are made for 2018 in A13. Repatriation Travel; B1. Assignment Grant; and B2. Lump Sum Benefit for the recruitment of two staff in the Professional and Higher Category (i.e. Assistant Director and Projects Manager of the Division of Forest Management).

12. The “Core Operational Costs” shown in Table 2 (page 5) indicates a slight increase of USD 19,325 (2.15%) for 2018 and 2019 compared to the budget of 2017. Therefore, there is no significant change in the core operational costs compared to 2017.

13. The assessed contributions of Members for the 2018 and 2019 biennium are attached to Document CFA(XXXII)/2 as Annex III.

14. Since there were no comments, the Committee approved the budget for the financial biennium 2018-2019, as set out in the draft Document CFA(XXXII)/2 and reformatted as Document CFA(XXXII)/2 Rev.1 to indicate that it has been approved.

Item 6: Review of Contributions to the Administrative Budget

15. The Secretariat introduced document CFA (XXXII)/3 Rev.1 dated 24 November 2017. This document detailed the status of Members’ contributions to the Administrative Budgets for the financial years from 1986 to 24 November 2017, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed the Committee that, in 2017, USD 2,316,385.32 had been received from Producer Members out of the total net assessment of USD 3,388,617.32; and USD 3,713,439.00 had been received from Consumer Members out of the net assessed amount of USD 3,789,899.00. The Secretariat further informed the Committee that the Government of Malaysia had recently paid its assessed contribution in the amount of USD 286,254 in advance for year 2018, which is reflected in this document.

16. The Committee noted that the arrearages in contributions to previous years’ budgets from Producer Members amount to USD 5,754,569.33, and arrearages from Consumer Members amount to USD 241,262.00. Furthermore, the arrearages in contributions from former members of the Organization amount to USD 1,823,157.28, bringing the total outstanding arrearages to USD 7,818,988.61.

17. The Committee took note of the report.

Item 7: Current Status of the Administrative Account

18. The Secretariat introduced document CFA (XXXII)/4, dated 20 November 2017, on the current status of the Administrative Account for the financial year 2017, together with the estimated expenditures for the current year. The Secretariat informed the Committee that the estimated total expenditures for the financial year 2017 would amount to USD 5,252,424 (i.e. USD 1,856,398 less than the total amount approved in the budget for 2017 of USD 7,108,822).

19. The Secretariat further informed the Committee that the total contributions received from both Producer and Consumer members amount to USD 6,029,824.32 and, together with contributions expected to be paid by members before the end of 2017 in the amount of USD 37,104.00, it was anticipated that a surplus in the amount of USD 814,501.13 would accrue in 2017. This amount would be credited to the Working Capital Reserve.

20. The Secretariat further noted that the surplus for 2017 is mainly because certain high-level management positions (i.e. Executive Director, Assistant Director of Operations and Assistant Director of Forest Management) had not been filled for most of the year. The Executive Director assumed his duties in May, the Assistant Director of Operations was recruited in November, and the position of Assistant Director of Forest Management is yet to be filled.

21. The Secretariat drew the attention of the Committee that the current arrears in contributions for this financial year amount to USD 1,072,232.00 for producer members and USD 76,460.00 for consumer members. Arrears in contributions do not take into account estimated contributions expected to be paid by 31 December 2017 (i.e. USD 37,104.00). Total arrears for the period 1986-2016 amount to USD 4,630,766.30 for producer members, USD 164,802.00 for consumer members, and USD 1,792,113.72 for former members. The interest charges on these arrears in contribution amount to USD 82,614.59. Total

outstanding contributions to the Administrative Account, including interest charges, amount to USD 7,818,988.61. If the contributions expected before 31 December 2017 in the amount of USD 37,104.00 are deducted, the total arrears, including interest charges, amount to USD 7,781,884.61.

22. The Secretariat informed the Committee that Section C of page 1 of the document shows the Special Reserve Fund of USD 1,850,000, which is to be used only on Council approval in the event of the liquidation of the Organization.

23. The Secretariat further informed the Committee that the resources of the Working Capital Reserve was estimated to increase from the year's opening balance of USD 4,157,286 at the beginning of 2017 to USD 4,846,057.11 by the end of 2017.

24. The Secretariat also informed the Committee that section E of page 1 of the document shows the Interest Income balance of USD 200,670.04 to be used by the Executive Director for hiring consultants in accordance with the Financial Rules, Rule 5(10).

25. The document also contains details of expenditure for each budget item and where savings were made.

26. The Secretariat added that Annex 1—a new section this year—contains information required by the new Financial Rules to be brought to the attention of the CFA. This includes a list of procurements greater than USD 100,000, of which there were none in 2017; sole suppliers; and bad debts that were written off.

27. The delegate of the EU asked the Secretariat why the bad debt of USD 59,413.75 for non-refundable airplane tickets had become visible only now. The Secretariat explained that the former management had asserted that the travel agent would refund this amount despite the canceled tickets being non-refundable, and the independent auditors had also been informed as such. The issue only came to light when the current management conducted a valuation of its assets in 2016 in line with the strengthened requirements of the new IPSAS accounting standards. Furthermore, the Secretariat informed the Committee that the current policy does not allow the purchase of non-refundable air tickets and thus the same issue will not occur in the future.

28. The delegate of the USA sought clarification on the interest earned in the amount of USD 189,877.00, as shown on page 1 of section E, and whether the Organization currently holds any investment that might have yielded this amount of interest. The Secretariat confirmed that the Organization does not possess any investment and said that the figure was for interest accrued over several years in a regular US dollar savings account. The Secretariat added that the interest income earned during 2017 is estimated at USD 10,796.04.

29. The delegate of the EU noted the significant amount of arrears of over USD 7 million and asked what approach the Secretariat has taken to resolve this issue. The Secretariat responded that, in accordance with the ITTA and the Financial Rules, reminders are sent three times a year to Members in arrears, and that ITTO staff on mission in those countries holds direct consultations with officials and urges them to pay. The Secretariat added that provisions in Decision 7(XXXIII) authorize the Executive Director to write off, on an annual basis, one-fifth of a Member's arrears for the period 1986-1996 for any Member which has no arrears in its contributions to the Administrative Budget in respect to its obligations related to the year 2002 and beyond. This, he said, was created as an incentive for Members to pay their assessed contributions in a timely manner. There is also a provision in the ITTA for members to ask the Council for portions of arrears to be written off.

30. The delegate of the EU suggested that the CFA report could include a recommendation for an appeal to Members with arrears that the implementation of the Biennial Work Programme for the years 2018-2019 could be impeded if their Assessed Contributions are not paid in time.

31. The Committee took note of the report.

Item 8: Resources of the Special Account and the Bali Partnership Fund

32. The Secretariat presented document CFA (XXXII)/5 Rev.1 dated 24 November 2017, on "Resources of the Special Account and the Bali Partnership Fund", which captures the current balance of funds under

the Special Account and the Bali Partnership Fund. This document was revised to reflect funds in the amount of USD 100,000 received recently from the Government of China as unallocated funds.

33. The Secretariat indicated that, in accordance with the Terms of Reference of the CFA, as contained in Decision 7(LII), the CFA shall “review the assets and liabilities of the Organization and make recommendations to the Council on prudent asset and cash flow management and levels of reserves needed to carry out its work.” Document CFA(XXXII)/4 serves as a reference to review the assets and liabilities of the Administrative Account, and this document was prepared as a reference to review the assets and liabilities of the Special Account and the Bali Partnership Fund.

34. The figures presented in this statement are rounded for ease of reference, except for the donor’s funds, which are presented in accurate figures. The Secretariat noted that most of the funds under the Special Account and the Bali Partnership Fund that are not committed to specific projects or activities were depleted in order to address the financial impairment, and the current balance amounts to a total of USD 1.2 million, of which over USD 1 million are funds belonging to specific donors. The document was submitted for the consideration of the Committee.

35. The delegate of the USA inquired why there had been a dramatic increase in the balance of funds committed to/safeguarded for projects/activities, from USD 2.6 million in 2016 to USD 10.2 million in 2017. The Secretariat explained that when the same document had been prepared in 2016, the Council had not yet reached a decision on how to deal with the shortfall in project funds due to the impairment. Therefore, the amount shown as “safeguarded” represented mainly the new cash received after the Fifty-First Session of the Council, when the Council was first informed about the impairment issue. With the adoption of Decision 6 (LII) in November 2016, however, measures have been implemented to secure project funds by using various internal reserves, thus significantly increasing the balance committed/safeguarded for projects and activities.

36. The delegate of Japan inquired whether the funds requested to be returned to donors in the amount of USD 18,057 belonged to Denmark. The Secretariat confirmed that formal communication had been received recently from the Government of Denmark requesting that the entire amount of funds belonging to that country be returned. Therefore, the funds had been separated from other donor funds.

37. The Committee took note of the report.

Item 9: Auditor’s Reports for the Financial Year 2016

38. The Secretariat introduced document CFA (XXXII)/6 on the “Financial Reports Prepared in Accordance with ITTO Financial Rules and Procedures (Annex 4)”. This document contained two reports required to be submitted by the ITTO Auditing Standard: The Executive Summary of ITTO’s Financial Statements for the year ended 31 December 2016 prepared by the ITTO Management; and ITTO’s Financial Statements for the year ended 31 December 2016, audited by the Independent Auditors.

39. The audit was carried out by BDO Toyo, Tokyo, which was appointed by the Council in November 2016 to audit the Accounts of the Organization for the financial year 2016 as an exceptional extension of audit. BDO Toyo carried out its financial audit for the period ending 2016 in March–June 2017.

40. The audited financial statements provided information on the financial position and performance of ITTO for the fiscal year ended 31 December 2016 (FY2016). Due to the impairment of investments amounting to USD 18 million, ITTO had a deficiency in funds available to meet its financial obligations at the beginning of FY2016. Due to Council decisions adopted in November 2016 to address the financial shortfall, however, ITTO was able to reorganize its finances to achieve a sufficient level of funds to fully meet its financial obligations and resume its regular operations by the end of FY2016. Additional measures to strengthen internal controls and accountability were implemented at the same time through the revised Financial Rules and Procedures and the adoption of IPSAS.

41. As a result, the following changes in reporting, among others, had been made compared to previous years:

- Reclassification of liability and net asset items were made in accordance with their obligations. A total of USD 3.2 million was moved from liability to net asset, and an amount of USD 16.9 million

was moved from net asset to liability. Project funds received in advance from donors are now shown as a liability to reflect ITTO's obligation to donors.

- USD 4.8 million of assessed contributions receivable (arrears) were written off based on the ageing method. It should be noted that this is only an accounting treatment to re-evaluate the value of the receivables as an asset and does not free members from their legal obligations to pay arrears.
- Employee benefits, such as annual leave, home leave and repatriation benefits, which ITTO has an obligation to provide to its staff, are now recognized as a liability. The amount of the allowance for FY2016 was USD 0.8 million. Under IPSAS, all long-term liabilities must be recognized and transparently disclosed.
- A budget comparison table has been added to the financial statements comparing the administrative budget with actual amounts, which are explained in detail in its corresponding notes.

42. Attention was also drawn to document CFA (XXXII)/CRP-1, "Management letter prepared by the independent auditors for ITTO management". This management letter was submitted to the CFA meeting in accordance with the ITTO Auditing Standard and contains information on matters affecting the completeness or accuracy of the accounts and other matters that should be brought to the notice of the CFA that the auditors identified during their audit. No significant items were identified in ITTO's latest audit. The Secretariat summarized that, overall, the auditors had provided their satisfactory opinion on ITTO's financial statements, noting that the financial statements were prepared in accordance with IPSAS with no material misstatements or issues.

43. In addition to the explanation given by the Secretariat, the Vice-Chairperson of the Committee highlighted that this is the first financial statement prepared based on IPSAS and that it was an achievement to obtain a clean audit. He emphasized that the CFA and the Council are responsible for closely reviewing the document.

44. As there were no further comments, the Committee decided to recommend to the Council that it adopt the "Financial Reports Prepared in Accordance with ITTO Financial Rules and Procedures (Annex 4)" on the Accounts of the Organization for the financial year 2016, as contained in document CFA (XXXII)/6.

Item 10: Appointment of Auditor

45. The Secretariat introduced document CFA(XXXII)/7 "Appointment of Auditor for the Financial Years 2017 – 2019."

46. In accordance with Article 23 of the International Tropical Timber Agreement, 2006, as well as Rule 19 of the Financial Rules and Rules relating to Projects of ITTO, the Council shall appoint an independent auditor of recognized standing for a term of not more than three consecutive years from among firms incorporated in a member country of the Organization that are qualified to conduct audits in Japan.

47. The audit firm BDO Toyo had audited the Accounts of the Organization for three consecutive years (2013, 2014 and 2015) and was further approved by Council at its 52nd Session to audit the Accounts of the Organization for financial year 2016 as an exceptional extension of appointment. Accordingly, the Council, at this Session, needed to appoint a new Auditor to audit the Accounts of the Organization for the following term of three consecutive years (2017-2019).

48. In accordance with the guidelines provided in the ITTO Auditing Standards, the Secretariat contacted ten medium- to large-sized audit firms of recognized standing and invited them to submit estimates of fees for the three consecutive years 2017-2019. The list of audit firms contacted was shown in the annex of this document. Two audit firms responded to the invitation to submit proposals, whose estimated fees are shown on page 2 of the document.

49. Following the ITTO Auditing Standards, the Secretariat applied the selective competitive tender framework in accordance with the ITTO Tender and Procurement Policy that was adopted at the 52nd Session of the Council. Accordingly, the Bid and Award Committee was formed, consisting of the Acting Assistant Director of Operations; the Finance/Administrative Officer; and the Senior Finance/Administrative Assistant. After careful evaluation, the Bid and Award Committee concluded that Gyosei & Co and Ernst & Young ShinNihon LLC would be included in the shortlist to be submitted to the Committee.

50. The Secretariat further informed the Committee that although there are differences in size, experience and strength in international affiliations, both candidates are capable of conducting the auditing service in accordance with ITTO's Auditing Standards.

51. The delegate of Japan inquired whether the quoted fees included any additional services other than the audit requirements as provided in the ITTO Auditing Standards. The Secretariat informed the Committee that the quote only covered the regular external financial statement audit in accordance with International Standards on Audit (ISA), but additional services could be added upon request.

52. The delegate of New Zealand asked how the two quotes compared with fees quoted by the other audit firms approached. The Secretariat explained that, of the ten audit firms contacted and invited to submit quotes, these were the only two quotes received. The Secretariat noted that the quote received from BDO Toyo for the previous year was JPY 8,500,000.

53. The delegate of the EU asked whether the Secretariat had conducted research on audit firms that had conducted IPSAS-based financial audits of other UN organizations and whether references were obtained from such organizations. The Secretariat responded that it had not conducted such research.

54. The delegate of the USA said that the bid chosen should offer the best value for money and that the Committee should consider the savings to be made in selecting the audit firm. The Chairperson commented that the cheapest bid does not necessarily provide the best value.

55. The delegate of the EU requested the Secretariat to provide more information on the two candidate firms, particularly their expertise in IPSAS. The Secretariat provided a document summarizing the features of the two firms, with the audit proposals attached. The Secretariat informed the Committee that Gyosei & Co had experience with the International Financial Reporting Standards, which IPSAS is based on and was part of a global network of independent auditors, and that a Japanese partner of Ernst and Young ShinNihon LLC was on the IPSAS board and would be available as technical advisor. Globally, Ernst and Young ShinNihon LLC also has experience with audits of EU agencies and IPSAS-related consultancies.

56. The delegate of the EU requested information on the tendering procedure, and the Secretariat explained that the procurement process was conducted in accordance with the new ITTO Auditing Standards. The Executive Director had sent a letter to ten selected audit firms inviting them to submit proposals. The letter had clearly stated that other firms were being approached.

57. The CFA took note of document CFA(XXXII)/7 and decided to recommend to Council at this Session the appointment of Ernst & Young ShinNihon LLC as independent auditor to audit the Organization's Accounts for three consecutive years, beginning with the Accounts for the financial year 2017. The re-engagement of the same auditor to audit the Accounts for the following two years would be subject to an annual review of its performance.

Item 11: Biennial Work Programme of the Committee for 2018-2019

58. The delegate of the EU suggested that the working group mentioned in a draft Council decision at this session to examine the Organization's financial architecture could clarify the ongoing responsibilities of the CFA in reviewing the Biennial Work Programme.

59. The Committee took note of the report.

Item 12: Request by the Central African Republic for 'Relief from Obligations'

60. The Secretariat informed the Committee of the request made by the Central African Republic to consider the write-off of its arrears in line with Article 30 of the ITTA, 2006, on "Relief from Obligations". The Secretariat confirmed that the Central African Republic was not represented at this session of the Council.

61. The delegate of New Zealand indicated that her delegation was supportive of the request to write off arrears. The delegate of the Japan indicated that Japan was ready to support the consensus on this matter.

62. The delegate of the EU suggested that a Council decision on this matter should note that the decision was made in light of the exceptional circumstances of the Central African Republic and did not imply that

similar decisions would be made in other cases or the restoration of voting rights; and urge the Central African Republic to pay its assessed contributions as soon as possible.

63. After an adjournment, the Secretariat presented the text of a draft Council decision for the consideration of the Committee.

64. The Secretariat also clarified that the Secretariat had received the letter requesting the writing off of arrears from the Central African Republic in 2015 and that the representative of the Central African Republic had subsequently attended the 51st Session of the Council in November 2015. However, the Central African Republic had not been represented at the 52nd Session of the Council and was absent from the current Session.

65. The delegate of the USA noted that the Council had the ability to restore voting rights to members in arrears without writing off those arrears.

66. The Secretariat informed the Committee that there was also a clause in the ITTA, 2006 stating that members that were in arrears for two consecutive years would lose their eligibility to submit project proposals. This clause was separate from the restoration of voting rights.

67. The delegate of the EU noted that the draft decision should include the remarks made previously that the decision was made in light of the exceptional circumstances of the Central African Republic and did not imply that similar decisions would be made in other cases or the restoration of voting rights. Moreover, the decision should urge the Central African Republic to pay its assessed contributions as soon as possible.

68. The Vice-chairperson requested guidance from the Committee on whether the draft decision should be sent to the Chairperson's Open-ended Drafting Group, or should be further discussed in the Committee.

69. The delegate of the USA responded that the position of the USA was that writing off arrears is not common practice in other organizations and should not become common practice in ITTO. She further responded that it should be included in the report that such writing off would be in light of the truly extraordinary circumstances in the Central African Republic and did not set a precedent.

70. The Committee decided, therefore, to recommend to the Council that it positively consider the request submitted by the Central African Republic to write off its arrears of assessed contributions to ITTO for the period 2005–2011, in accordance with Article 30 of the ITTA, 2006 and IPSAS requirements.

Item 13: Election of Chairperson and Vice-Chairperson for 2018

71. The Vice-Chairperson of the Committee for 2017, Mr. Luke Thompson of USA, was elected Chairperson of the Committee for 2018 and Mr. Marcel Holland Oseida de Leon of Guatemala was elected Vice-Chairperson of the Committee for 2018.

Item 14: Dates and Venue of the Thirty-Third and Thirty-Fourth Sessions

72. The Committee agreed that its Sessions may be held on the same dates and at the same venues as the Fifty-fourth and Fifty-fifth Sessions of the Council.

Item 15: Other Business:

- (a) Overall transparency of ITTO documentation

73. The delegate of the USA explained to the Committee that the background for raising the issue of the overall transparency of ITTO documents is that most international organizations now normally post all their meeting documents on the web in a timely manner and have adopted information disclosure policies, which include public access to governing body documentation. ITTO, on the other hand, does not post all its documents, and there had been instances where documents had been made available to Members only shortly before the start of Council sessions. The delegate pointed out three areas related to transparency that would enhance member engagement: (1) post all Council/Committee documents on the publicly available website; (2) post the documents in a timely manner, at least 30 days before the first day of the Council; and (3) publish all previous Council documents, including CFA documents, on the ITTO website.

The delegate of the USA sought advice on whether this change should be made in a Council decision or through an administrative procedure.

74. The Secretariat advised the Committee that the Rules of Procedure specify that documents should be distributed at least three weeks before the start of Council sessions and that documents should be made publicly available to all parties unless restricted. Given that the rules are already established, it may be sufficient to include text in the report of the CFA to supplement those rules, for example to clarify the method of distribution and to identify how to distribute restricted documents, such as by information portal or protected link.

75. The delegate of the USA sought clarification on the cost implications of distributing restricted documents through a website portal. The Secretariat informed the Committee that the portal already existed but was unused, and therefore there would be no budgetary implications.

76. The delegate of the EU sought clarification on the criteria used to determine whether documents were classified as restricted or unrestricted. The Secretariat informed the Committee that the Council initially decided the status, which was inherited in future sessions, but the Council may decide at any time to change the status.

77. The delegate of the USA proposed that all Council documents, including CFA documents, should be published on a publicly available website at least 30 days in advance of Council sessions to ensure transparency and to demonstrate a commitment to improving institutional decision-making.

78. The delegate of the EU supported the proposal of the USA in principle and requested an overview of which documents are currently restricted.

79. The delegate of Japan indicated support for the approach proposed by the USA.

80. After an adjournment, the Secretariat presented a list of standard Council and Committee documents in which those determined to be restricted were identified. Of the restricted documents, one was a document of the Council, the report of the Credentials Committee (ITTC/3). All other restricted documents were CFA documents – CFA/2 “Administrative Budget”, CFA/3 “Contributions to the Administrative Budget”, CFA/4 “Status of the Administrative Account”, CFA/5 “Resources of the Special Account”, CFA/6 “Audited Financial Statements” and CFA/7 “Appointment of Auditor”. Of those, the Financial Rules specified that CFA/2 and CFA/6 were to be made publicly available after Council adoption.

81. The Chairperson invited comments from the floor on whether the other restricted documents should be made publicly available.

82. The Vice-chairperson indicated that ITTC/3, the report of the Credentials Committee, was restricted for use at Council sessions and historically had not been published, even after Council sessions. He invited the Committee members to indicate any objection to continuing this practice for this document. There was consensus that this document should remain restricted.

83. Concerning the remaining CFA documents, the delegate of the USA drew the attention of Council to the document her delegation had tabled which lists various international organizations that provide access to their financial documents to varying degrees. The point to be noted, she said, was the high level of transparency regarding all financial and accounting documents. The delegate made the further point that, for a full understanding of the financial status and health of the Organization, CFA documents 2, 3, 4, 5 and 6 should be considered together. Her suggestion, therefore, was to release those documents after their approval by the Council.

84. The delegate of Togo stressed that, to ensure that members can fully analyse the documents before Council sessions, they should be made available well in advance.

85. The delegate of Japan informed the Committee that, among the environmental conventions, there was a range of disclosure levels. Mostly, documents were made available through a web portal. Some financial documents are publicly available and some are restricted to members only. In all cases the method of distribution was the same – through web portals. The delegate also informed the Committee that it is commonplace among environmental conventions that the list of countries in arrears is placed directly on the organizations’ websites as a means to reduce arrears.

86. The delegate of the EU indicated that it favoured the approach advocated by the USA to ensure maximum public access to documents.

87. The delegate of the USA suggested that CFA/7 on the appointment of the auditor might be considered procurement sensitive and perhaps should not be made publicly available.

88. After further discussion, it was decided to recommend to Council that CFA documents 3, 4 and 5 should also, on approval of those documents by the Council, be made publicly available and that CFA/7, on the appointment of the auditor, should remain restricted. Moreover, all documents for upcoming Council sessions should be made available to members via a web portal at least 30 days in advance of the start of the Council session and also made available to the public, except where restrictions apply.

89. After discussion on the matter of making archival documents of the Council and the committees publicly available via the ITTO website, the Committee decided to recommend that the previous three years of CFA documents should be made publicly available on the ITTO website, except for those documents that should remain restricted as per the previous recommendation, and all other documents of the Council and committees should be made publicly available upon request.

90. The Committee considered whether these changes to the Rules of Procedure and Financial Rules should be made through a decision by Council or as recommendations in the CFA report. To ensure high visibility for these changes, the Committee decided to recommend that the Council specify these changes via a decision. The Secretariat agreed to amend the existing proposal to include the necessary cross-references to the Rules of Procedure and Financial Rules, for the consideration of the Chairperson's Open-ended Drafting Group.

(b) Responsibilities of Council officers

91. A paper describing the responsibilities of Officers of the International Tropical Timber Council was circulated to members of the Committee. The Secretariat gave a brief explanation of the origin and purpose of this paper.

92. The delegate of New Zealand supported the formalization of the paper as a Council document by including a note to that effect in the CFA report. She also supported the translation of the paper into the working languages of the Council.

93. The Secretariat informed the Committee that provisions can be made from Programme Support to cover the translations costs.

94. In response to a question from the delegate of the USA, the Secretariat proposed making the document publicly available on the ITTO website and distributing it to all incoming officers of the Council.

(c) Increasing the special reserve from USD 1,850,000 to USD 2,500,000

95. The Secretariat confirmed that, currently, the funds in the Special Reserve amounted to USD 1,850,000, and a recent assessment had indicated that the amount should be increased to USD 2.5 million.

96. The delegate of the EU inquired about the method by which the required amount in the Special Reserve was calculated. The Secretariat explained that the assessment involved calculating the actual costs associated with terminating staff contracts and repatriating international staff, which the Organization would be obliged to pay in the event of liquidation of the Organization. He clarified that if sufficient funds were not reserved, this could be in violation of ITTO rules.

97. The Secretariat further clarified that Rule 5, paragraph 7 of the Financial Rules specify that the amount in the Special Reserve should be decided by the Council for each financial biennium. The rules also specify the elements that should be included, and the method that should be used, in determining the amount. The Secretariat had used this method to calculate the amount, and the calculations had been checked by the auditor. Moreover, any change made by the Council to the amount in the Special Reserve would be checked in the next audit. The amount of funds required to increase the Special Reserve to USD 2.5 million was

USD 650 000, and the Working Capital Reserve had a balance of about USD 4.8 million. The adoption of the 2018–2019 Biennial Work Programme might have cost implications for the Working Capital Reserve, but there would still be sufficient funds available to increase the Special Reserve to the specified amount.

98. The CFA took note and decided to recommend to Council at this Session to transfer USD 650,000 from the Working Capital Reserve to increase the amount of the Special Reserve to USD 2.5 million.

(d) Review the work and recommendations of the Investment Oversight Panel

99. The Vice-chairperson suggested that the Committee request each of the caucuses to nominate one member for the Investment Oversight Panel so that those nominations could be included in the Committee's recommendations to the Council.

Item 16: Recommendations to the International Tropical Timber Council

100. The Committee decided to make the following recommendations to the Council:

(1) To approve the Biennial Administrative Budget for the Financial Years 2018 and 2019, as contained in document CFA(XXXII)/2 Rev.1, in the amount of USD 7,108,547 and USD 7,104,341, respectively;

(2) To approve the Financial Reports Prepared in Accordance with ITTO Financial Rules and Procedures (Annex 4) for the Financial Year 2016, as contained in document CFA(XXXII)/6;

(3) To approve the appointment of Ernst & Young Shin Nihon LLC to audit the Accounts of the Organization for the financial year 2017 and beyond, subject to satisfactory performance;

(4) To formalize the paper "Responsibilities of Officers of the International Tropical Timber Council" as an official document entailing the responsibilities of Officers of the International Tropical Timber Council, translate it into three working languages, distribute it to all incoming officers of the Council, and make it available publicly on the ITTO website;

(5) To approve the transfer of USD 650,000 from the Working Capital Reserve to increase the amount of Special Reserve to USD 2.5 million;

(6) To positively consider the request submitted by the Central African Republic to write off its arrears of assessed contributions to ITTO for the period 2005–2011, in accordance with Article 30 of the ITTA, 2006 and IPSAS requirements;

(7) To appeal to Members with arrears that the implementation of the Biennial Work Programme for the years 2018-2019 could be impeded if their Assessed Contributions are not paid in time;

(8) To endorse the list of sole providers and approve the bad debt write-offs as contained in Annex 1 of CFA(XXXII)/4;

(9) To form the Investment Oversight Panel by nominating a representative of the Government of Japan and a representative of the Government of Cameroon as panel members, and to commence the work of the panel at such time as the Council deems appropriate for ITTO to resume investing the Organization's funds;

(10) To examine and take actions to secure the needed resources to achieve the objectives of the Organization.

Item 17: Report of the Session

101. The Committee adopted this report as amended.

ANNEX V

REPORT OF THE INFORMAL ADVISORY GROUP (IAG)

DOCUMENT: ITTC(LIII)/2



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

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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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27 November – 2 December 2017
Lima, Peru

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



INTERNATIONAL TROPICAL TIMBER COUNCIL

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

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 ... (LIII)

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 paragraph 1 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.