



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

Distr.
GENERAL

ITTC(XLVIII)/22
10 November 2012

Original: ENGLISH

FORTY-EIGHTH SESSION
5-10 November 2012
Yokohama, Japan

DECISION 6(XLVIII)

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

The International Tropical Timber Council,

Noting that the Forty-eighth Session of the Council is the first meeting under the ITTA, 2006;

Decides to adopt the:

1. Rules of Procedures, as contained in Annex 1 to this Decision; and
2. Financial Rules and Rules Relating to Projects of the ITTO, as contained in Annex 2 to this Decision.

ANNEX 1

Rules of Procedure

Adopted by the International Tropical Timber Council through Decision 6(XLVIII)

Chapter I

REPRESENTATION AND CREDENTIALS

Rule 1 Representation

Each member of the International Tropical Timber Council (hereinafter referred to as “the Council”) shall be represented in the Council by a delegation consisting of one representative and such other designated alternates and advisers as it may be required.

Rule 2 Credentials

1. The credentials of representatives and the names of alternate representative and advisers shall be submitted to the Executive Director if possible not less than one week before the opening of the session. Any change in the composition of the delegation shall also be submitted to the Executive Director as soon as possible.

2. The credentials of representatives and the names of alternate representatives and advisers shall be issued by the competent authorities of the members of the Council.

Rule 3 Credentials Committee

At its first session in each calendar year, the Council shall appoint a Credentials Committee consisting of eight members of the Council to serve during that calendar year. The Credentials Committee shall examine the credentials of representative at each session and report to the Council without delay. It shall also examine and report on any authorization given by a member to another member under article 11, paragraph 2, of the Agreement.

Rule 4 Observers

1. The Council may invite any member or observer State of the United Nations which is not party to the Agreement or any of the organizations referred to in article 15 and 27 of the Agreement to attend a particular session or sessions of the Council and/or meetings of its committees and subsidiary bodies as observers. Moreover, any member or observer State of the United Nations which is not party to the Agreement of the Organization may request the Council to be authorized to attend any particular session. Invitations to the United Nations and its organs, such as UNCTAD, UNIDO, UNEP, UNDP and the FAO and the other specialized and related agencies of the United Nations may be made on a permanent basis.

2. Observers shall have no votes. They may, however, upon the invitation of the Council or of a committee or subsidiary body thereof, make oral statements in or submit written statements to a meeting.

Rule 5 Nomination of a National Focal Point and Transmission of Communications

Each member shall notify the Executive Director in writing of the name of its National Focal Point to whom all notices and other communications regarding the work of the Council and its committees and subsidiary bodies shall be sent. Such a National Focal Point shall, as a general rule, reside or be located in the city where the Headquarters of the Organization is located, but other arrangements may be made by informing the Executive Director. Any notice or communication forwarded to the National Focal Point so designated shall be deemed to have been delivered to the member concerned. Whenever there is a change of the National Focal Point so designated, the Executive Director shall immediately be notified in writing.

Chapter II

CHAIRPERSON AND VICE-CHAIRPERSON OF THE COUNCIL

Rule 6 **Elections**

The election of the Chairperson and Vice-Chairperson for a calendar year under Article 8 of the Agreement shall take place at a regular session held in the preceding calendar year; the Chairperson and Vice-Chairperson shall hold office until the succeeding officers are elected.

Rule 7 **Acting Chairperson**

If the Chairperson of the Council is absent from a meeting or any part thereof, the Vice-Chairperson shall act in his or her place. In the temporary absence of both the Chairperson and the Vice-Chairperson or the permanent absence of one or both of them, the Council may elect new officers from among the representatives of the producer members and/or from among the representatives of the consumer members, as the case may be, on a temporary or permanent basis. The Vice-Chairperson acting as Chairperson shall have the same powers and duties as the Chairperson.

Rule 8 **Nominations**

When the office of Chairperson is to be filled by a representative of a consumer member, a nomination or nominations shall be made by the consumer members and when the office of Chairperson is to be filled by a representative of a producer member, a nomination or nominations shall be made by the producer members; a similar procedure shall be applied for the election of the Vice-Chairperson.

Chapter III

SESSIONS OF THE COUNCIL

Rule 9 **Sessions**

1. As a general rule, the Council shall hold at least one regular session a year. At each regular session the Council shall determine the date, duration and venue of its next regular session. In considering the frequency and location of its Sessions, the Council shall seek to ensure the availability of sufficient funds.
2. Special sessions shall be subject to the provisions of Article 9, paragraph 2, and any other relevant articles of the Agreement.
3. All meetings of the Council shall be private unless the Council decides otherwise. Statements made in, and documents presented to meetings of the Council, unless "Restricted", shall be available to interested parties.

Rule 10 **Convening of Sessions**

The Executive Director shall send to each National Focal Point designated under rule 5 a written notification of the date and place of each session of the Council together with the provisional agenda within the time-limits provided for in Article 9, paragraph 5, of the Agreement. Notification of a special session shall be accompanied by a statement of the reasons for calling the session, together with the provisional agenda. Such notification shall also state under which subparagraphs of Article 9, paragraph 2, of the Agreement the special session is being convened.

Rule 11
Agenda

1. The provisional agenda of each session of the Council shall be prepared by the Executive Director in consultation with the Chairperson of the Council for adoption by the Council.
2. The provisional agenda for regular sessions may include any items connected with the Agreement which may have been proposed by any member, any committee or subsidiary body of the Council or by the Executive Director.
3. The provisional agenda for a special session shall consist of the item or items specified in the relevant decision to convene it or in the request for the special session under Article 9, paragraph 2, of the Agreement and may contain items which, in the judgment of the Executive Director or the Chairperson of the Council, could profitably be discussed during the special session.
4. The provisional agenda shall include a statement of the votes held by each member at the time it is issued. No changes shall be made in the agenda subsequent to its adoption by the Council, except by decision of the Council.
5. The provisional agenda, together with supporting documents, for each regular session shall be distributed in the working languages by the Secretariat to the members at least three weeks before the opening of the session.
6. The Secretariat shall, as appropriate, report to the Council on the administrative and financial implications of all substantive agenda items submitted to the Council, before they are considered by it.

Chapter IV

CONDUCT OF BUSINESS

Rule 12
Quorum

The Executive Director, at each meeting of the Council, shall advise the Chairperson whether the quorum prescribed by Article 13 of the Agreement is present and which member is authorized to represent the interests of another and cast its votes in accordance with Article 11, paragraph 2, of the Agreement.

Rule 13
Powers and Duties of the Chairperson

In addition to exercising the powers conferred upon him or her elsewhere in these rules, the Chairperson shall announce whether or not a quorum is present, declare the opening and closing of each meeting, direct the discussions, ensure observance of these rules, grant the right to speak, put questions to the vote and announce decisions. He or she shall have control over the proceedings of the Council and over the maintenance of order at its meetings.

Rule 14
Permission to Speak

1. No person may address the Council without having previously obtained the permission of the Chairperson. Subject to rule 15, the Chairperson shall call upon speakers in the order in which they signify their desire to speak. The Chairperson may call a speaker to order if his or her remarks are not relevant to the subject under discussion and may direct that such remarks shall not appear in the records of the meeting.
2. The Chairpersons of committees and subsidiary bodies of the Council may be accorded precedence for the purpose of explaining the conclusion arrived at by their respective committees or subsidiary bodies. The principal officers of the Organization may similarly be accorded precedence to speak for the purpose of clarifying any matter.

Rule 15
Points of Order

During the discussion of any matter, a representative may at any time raise a point of order which shall immediately be decided by the Chairperson in accordance with these rules. A representative may appeal against any ruling by the Chairperson. The appeal shall immediately be put to the vote and the Chairperson's ruling shall stand unless overruled by the Council. A representative raising a point of order may not speak on the substance of the matter under discussion.

Rule 16
Time-limit on Speeches

The Chairperson may, in the course of the discussion, propose to the Council a limit on the time to be allowed to speakers and on the number of times each representative may speak on any question. When debate is limited and a representative has spoken his or her allotted time, the Chairperson shall call him or her to order without delay.

Rule 17
Adjournment of Debate

During the discussion of any matter, a representative may move for adjournment of the debate on the question under discussion. In addition to the proposer of the motion, one representative may speak in favour of and one against the motion, after which the motion shall be immediately put to the vote.

Rule 18
Closure of Debate

A representative may at any time move for the closure of the debate on the question under discussion, whether or not any other representative has signified his or her wish to speak. Permission to speak on the closure of the debate shall be accorded only to two speakers opposing the closure, after which the motion shall be immediately put to the vote.

Rule 19
Suspension or Adjournment of the Meeting

During the discussion of any matter, a representative may move for the suspension or adjournment of the meeting. Such motion shall be debated but shall be immediately put to the vote.

Rule 20
Order of Procedural Motions

Subject to rule 15, and regardless of the order in which they are submitted, the following motions shall have precedence in the following order over all other proposals or motions before the meeting:

- (a) to suspend the meeting;
- (b) to adjourn the meeting;
- (c) to adjourn the debate on the question under discussion;
- (d) to close the debate on the question under discussion.

Rule 21
Proposals and Amendments

Proposals and amendments to proposals shall normally be introduced in writing by the members and handed to the Secretariat, which shall circulate copies to the members. As a general rule, no proposal shall be discussed or put to the vote at any meeting of the Council unless copies of it have been circulated to all members not later than the date preceding the meeting. In the absence of any objections, the Chairperson may, however, permit the discussion and consideration of proposals or amendments, even though these proposals or amendments have not been circulated or have been circulated the same day.

Rule 22
Decision on Competence

Any motion calling for a decision on the competence of the Council to discuss any matter or to adopt any proposal or any amendment submitted to it shall be put to the vote before the matter is discussed or a vote is taken on the proposal or amendment in question.

Rule 23
Withdrawal of Motions

A proposal or a motion may be withdrawn by its proposer at any time before voting on it has commenced, provided that the proposal or motion has not been amended. A proposal or motion which has thus been withdrawn may be reintroduced by another representative.

Rule 24
Reconsideration of a Decision

When a decision has been taken by the Council, it may not be reconsidered unless the Council so decides by the same majority as was necessary for the adoption of the original decision. As a general rule, a decision taken by the Council on a particular day may not be reconsidered on the same day. Permission to speak on the motion of reconsideration shall be granted only to the proposer of the motion to reconsider and to not more than two speakers in favour and two against the motion, after which it shall immediately be put to the vote.

Chapter V

VOTING

Rule 25
Redistribution of Votes

In order to enable the Council to revise and, where appropriate, redistribute the votes in accordance with Article 10, paragraphs 7 to 9, of the Agreement, the Executive Director shall prepare the necessary documents which, on the basis of the rules laid down in that Article, shall specify the number of votes held by each member.

Rule 26
Method of Voting

The Council shall normally vote by show of hands but any representative may request a roll-call, which shall be taken in the English alphabetical order of the names of the members, beginning with the member whose name is drawn by lot by the Chairperson. However, if at any time a member requests a secret ballot, that shall be the method of voting on the issue in question.

Rule 27
Conduct during Voting

After the Chairperson has announced the beginning of the vote no representative shall interrupt the vote except on a point of order in connection with the actual conduct of voting. The Chairperson may permit representatives to explain their votes, either before or after the voting, except when the vote is taken by secret ballot. The Chairperson may limit the time to be allowed for such explanations.

Rule 28
Voting on Proposals

If two or more proposals relate to the same question, the Council shall, unless it decides otherwise, vote on the motions in the order in which they were submitted. The Council may, after voting on a motion, decide whether to vote on the next motion.

Rule 29
Voting on Amendment

A motion is considered an amendment to a proposal if it adds to, deletes from or revises part of that proposal. When an amendment is moved to a proposal, the amendment shall be voted on first. When two or more amendments are moved to a proposal, the Council shall first vote on the amendment furthest removed in substance from the original proposal and then on the amendment next furthest removed therefrom and so on until all the amendments have been put to the vote. Where, however, the adoption of one amendment necessarily implies the rejection of another amendment, the latter amendment shall not be put to the vote. If one or more amendments are adopted, the amended proposal shall then be voted upon. If one or more amendments are adopted, the amended proposal shall then be voted upon. If no amendments are adopted, the proposal shall be put to the vote in its original form.

Chapter VI

COMMITTEES AND SUBSIDIARY BODIES

Rule 30
Establishment or Dissolution of Other Committees and Subsidiary Bodies

In addition to the committees established under Article 26, paragraph 1, of the Agreement, the Council may, in accordance with Article 26, paragraph 2, thereof, establish or dissolve such other committees and subsidiary bodies as it deems appropriate and necessary in carrying out its work. The terms of reference of such other committees and subsidiary bodies shall cease to exist upon the decision of the Council.

Rule 31
Rules of Procedure of Committees and Subsidiary Bodies

Except as otherwise provided in these rules, committees and subsidiary bodies established in accordance with Article 26, paragraphs 1 and 2, of the Agreement, shall be open to all members. Committees and subsidiary bodies shall elect their own officers. They shall submit reports on their work to the Council. Subject to rule 30, the rules of procedure of committees and subsidiary bodies shall be those of the Council mutatis mutandis.

Chapter VII

LANGUAGES AND RECORDS

Rule 32

1. The official languages of the Organization shall be Arabic, Chinese, English, French, Russian, and Spanish. The current working languages of the Organization are English, French and Spanish. All the language services will, be limited to English, French, and Spanish. Specific approval of the Council shall be required for arranging technical facilities for simultaneous interpretation in the Arabic, Chinese and Russian languages.

2. A representative of a member may speak in a language other than an official language, if the member provides for interpretation into at least one of such official languages.

Rule 33
Decisions and Reports on the Proceedings of the Council

1. The decisions taken during a session of the Council shall be sent to all members within seven working days thereafter.

2. After the end of the session a report on the proceedings shall be prepared by the Executive Director and shall be circulated to all members as soon as possible. Provided that a member so requests before the end of the session, the position expressed by the member concerned on any item shall be incorporated in the report and a statement made by any member during the session which is submitted in writing shall be

annexed to the report. Any member may, within 21 calendar days of the report being sent, request that confirmation of any portion of the report which refers to any statements of such member or of any comments or narration not in accordance with what had actually happened in the opinion of that member, but which would not affect the substance of the decisions taken or conclusions reached, be deferred pending consideration by the Council at its next session. In the absence of any such request, the report shall be deemed to be confirmed and shall be circulated to all members immediately in the languages of the Organization. A tape recording of the Council meetings shall be available in the Secretariat for consultation by members.

Rule 34
Documents

Unless "Restricted", all ITTO documents shall be available to interested parties. The Council may, however, at any time decide that certain information contained in any of its documents may be restricted or otherwise treated as sensitive information.

Chapter VIII

DECISION OF QUESTIONS WITHOUT MEETING

Rule 35
Procedure for Decision of Specific Questions by the Council Without Meeting

The Chairperson of the Council shall arrange for a decision by the Council on a specific question to be sought without meeting where the Chairperson deems it appropriate, or at the request of any member or the Executive Director in consultation with the Chairperson and Vice-Chairperson of the Council, and:

- (a) A majority of producer members or a majority of consumer members; or
- (b) A majority of members.

Rule 36
Communication to Members

When rule 35 is applied, the Executive Director shall communicate with each member in writing in a form approved by the Chairperson. Such communication shall be sent to the National Focal Point designated under rule 5. The communication shall:

- (a) clearly state the matter at issue;
- (b) describe specifically the proposal on which the member is to vote;
- (c) set the time within which votes must be received; this shall not be less than 30 calendar days from the date of the communication, except that in circumstances which in the view of the Chairperson of the Council are of exceptional urgency, and which shall be explained in the communication, the period for reply shall not be less than 15 calendar days;
- (d) request the member to state:
 - (i) whether it agrees that a decision should be taken without a meeting; and
 - (ii) irrespective of whether it agrees or not, whether it votes for, against or abstains with respect to the specific proposal described in the communication.

Rule 37
Majority Required for Decisions to be Taken Without Meeting

Without prejudice to Article 12, paragraph 2 of the ITTA, 2006, the majority required for any decision to be taken by the Council without holding a meeting shall require at least two thirds of the votes of producer members and at least 60 per cent of the votes of consumer members, mounted separately, on condition that these votes represent at least half of the producer members and half of the consumer members.

Rule 38
Ascertaining the Decision

If, at the end of the period for reply referred to in rule 36, the required majority referred to in rule 37 is obtained, all votes for and against the specific question to be decided upon shall be counted by the Executive Director and the Council's decision ascertained on the basis of these votes. Abstentions shall be recorded.

Rule 39
Report on a Decision by the Council Without Meeting

A report on any specific question decided without meeting, together with a statement of the number of votes for and against and the number of abstentions, shall be sent to all members by the Executive Director as soon as practicable and no later than 10 calendar days after the end of the period for reply.

Chapter IX

AMENDMENTS

Rule 40
Amendments

These rules of procedure may be amended or suspended by a special vote of the Council.

Chapter X

OVERRIDING AUTHORITY OF THE AGREEMENT

Rule 41

In the event of any conflict between any provision of these rules and any provision of the Agreement, the Agreement shall prevail.

ANNEX 2

**Financial Rules and Rules Relating to Projects of the
International Tropical Timber Organization**

Adopted by the International Tropical Timber Council through Decision 6(XLVIII)

Chapter I

AUTHORITY AND APPLICABILITY

Rule 1

Authority and Applicability

These rules are promulgated in accordance with Article 7, paragraph (a), of the Agreement. They shall govern the administration of all financial activities of the Organization.

Chapter II

DEFINITIONS

For the purposes of these Rules, the following definitions shall apply:

1. "Agreement" means the International Tropical Timber Agreement, 2006.
2. "Organization" means the International Tropical Timber Organization established in accordance with Article 3 of the Agreement.
3. Article 20, paragraph 2, of the Agreement, refers to "sources of finance" for the Special Account, while paragraph 8 of the same Article refers to "donor". Throughout these rules, no substantive distinction is to be implied between the terms "sources of finance" or "financing sources", and "donor". A "voluntary contribution" is any receipt in the Special Account or the Bali Partnership Fund, in cash or in kind, intended by the contributor to be used for any project, pre-project, or other activity approved by the Council.
4. "Unearmarked funds" shall be such sums in the Special Account or the Bali Partnership Fund whose intended use has not been previously stated by the donor of the sum, or certain types of interest earned in the accounts.
5. The "Financial Year" of the Organization shall be identical with the calendar year.
6. The "Project" should address one or more of the priority areas related to the Agreement.
7. The "Pre-Project" is a set of preparatory and/or experimental activities necessary to formulate a Project Proposal [or which are needed to assess a Project Proposal]. A proposed Pre-Project should aim at undertaking in-depth problem analysis and identifying the strategy to mitigate the core problem through, among others, field surveys, market/technical studies, consultation with stakeholders and other participatory processes.
8. The "Activity" is mainly conducted for the policy work which should contribute to achieving the objectives of the Agreement for members broadly in accordance with Article 24 of the Agreement. It usually takes the form of study, workshop/seminar, cooperative actions with other International Organizations and fora etc.
9. The "Thematic Programmes Sub-Account" is one of the sub-accounts which comprise the Special Account in accordance with Article 20 of the Agreement. The purpose of the Thematic Programmes Sub-Account shall be to facilitate unearmarked contributions for financing of approved projects, pre-projects, and activities consistent with Thematic Programmes established by the Council on the basis of the policy and project priorities identified in accordance with Articles 24 and 25.

Chapter III

ADMINISTRATIVE ACCOUNT

Rule 2

Structure of the Administrative Account

1. All receipts and expenditures relating to the administration of the Organization shall be brought into the Administrative Account. They shall be shown separately and in full in an administrative budget and shall be shown in the same manner in the annual accounts.
2. The Administrative budget shall be subdivided into:
 - (a) Basic administrative costs such as salaries and benefits, staff installation and separation costs, official travel,; and
 - (b) Core operational costs such as those related to communication and outreach, expert meetings convened by the Council and preparation and publication of studies and assessments pursuant to articles 24, 27 and 28 of the Agreement.
3. For each financial biennium, the budget for the Administrative Account shall include:
 - (a) All estimated receipts for the following biennium and for the current financial year, together with appropriate footnotes and an explanatory memorandum including the calculation of the contributions payable by members;
 - (b) All other financial resources of the Organization other than those of the Special Account and the Bali Partnership Fund referred to in Articles 20 and 21, respectively, of the Agreement;
 - (c) Estimated expenditure for the following biennium and authorized and estimated expenditure for the current financial year, subdivided into the various budgetary headings and subheadings explained in footnotes or an explanatory memorandum;
 - (d) An establishment table showing the authorized posts and the posts actually filled in the current financial year as well as the posts requested for the biennium, in which case it shall be indicated at which moment of that following biennium these posts should be effectively filled. All information on posts shall be subdivided into grades, services, etc.
 - (e) The Budget for the Administrative Account shall be established in United States dollars.

Rule 3

Preparation and Approval of the Budget for the Administrative Account

1. The Executive Director, before the end of each financial biennium, shall prepare a draft budget for the Administrative Account for the following biennium in the manner prescribed in Rule 2. The draft budget shall then be sent to all members at least 90 calendar days before the session of the Council at which the budget is to be approved.
2. Should very exceptional circumstances so require, the Executive Director may submit to the Council proposals for supplementary expenditure during any financial year, together with proposals for meeting such supplementary expenditure. Such proposals shall be sent to all members at least 60 calendar days before the session of the Council at which they are to be considered.
3. If as a result of its consideration under paragraph 2, above, the Council decides to call up supplementary contributions, it shall give members at least 90 calendar days notice before such contributions become due.

Rule 4

Contributions of Members to the Administrative Account

1. The Council shall, in accordance with Article 19 of the Agreement, determine for each financial biennium, the amount in United States dollars of each member's contribution to the Administrative Account. The Executive Director shall, within seven working days after the close of the last Council Session each financial biennium, advise each member of the amount of its contributions to the Administrative Account for the following biennium.

2. With reference to Article 19, paragraph 6 of the Agreement, the Executive Director shall assess the initial contribution of any member joining the Organization after the entry into force of the ITTA, 2006 on the basis of the number of votes to be held by that member and the period remaining in that financial biennium, but the assessment made upon other members in the biennium should not thereby be altered. The Executive Director shall seek approval of the assessed initial contribution by the Council at its next session.
3. Payment of contributions to the Administrative Account shall be made in accordance with Articles 19 and 22 of the Agreement. The exchange rate used to convert the member's payment into United States dollars shall be the rate of exchange prevailing on the day when the contribution is paid.
4. In accordance with Article 19, paragraph 8 of the Agreement, any member which has paid its full contribution within four months of the due date shall receive a discount at a rate to be determined from time to time by the Council. Such discounts shall be applied in the form of rebates from the assessed contributions of members in the financial biennium following that in which the discount was earned, and the total amount of such discounts shall become part of the estimated expenditures described in Rule 2 paragraph 2 (a) for the budget for the Administrative Account of the aforesaid following biennium. The discount rate shall be decided by the Council and initially shall be 5.5%.

Rule 5
Administration of the Administrative Account

1. The approval by the Council of the budget for the Administrative Account shall constitute the authority of the Executive Director to receive payments, to meet obligations and to incur expenditure within the limits of the budget.
2. The Executive Director is authorized to transfer any sum under a heading in the budget for the Administrative Account from one subheading to another subheading or subheadings under the same heading, provided that the total expenditure in this heading is not exceeded. The expenditure of sums so transferred shall be shown separately in the annual accounts.
3. The Executive Director shall inform the Chairperson of the Council, in writing, each time a sum is transferred under the authorization granted in this Rule.
4. The Administrative Account contains a Working Capital Account which shall be used to receive all initial assessed contributions as referred to in Rule 4 paragraph 2 and all arrears of contributions to the Administrative Account. No disbursements shall be made from the Working Capital Account without a decision of the Council.
5. The budget for the Administrative Account may contain a contingency reserve heading. The amount of this heading shall be decided upon every financial biennium by the Council. Interest received on the resources of this heading and of any other heading, which may be invested in such short-term instruments as the Council may approve, constitutes a resource of the budget for the Administrative Account for the next year.
6. At the end of the each calendar year, the Administrative Account shall transfer the excess of revenues over expenditures or excess of expenditures over revenues to/from the Working Capital Account.
7. The Council shall determine when and in what manner the resources of this reserve shall be utilized.
8. Borrowing from whatever source for the Administrative Account is not permitted.

Rule 6
Control of the Administrative Account

The Executive Director shall:

- (a) Set up a system to provide for the effective conduct of financial transactions in order to prevent any irregularity in the receipt, disposal and custody of all funds and other resources relating to the Administrative Account of the Organization and to ensure compliance with the budget or other financial provisions approved by the Council;

- (b) Deposit all revenue relating to the Administrative Account in an account or accounts opened in the name of the "International Tropical Timber Organization (Administrative Account)" at a bank or banks approved by the Council and shall arrange for withdrawals therefrom signed by two persons designated by the Executive Director in consultation with the Chairperson of the Council;
- (c) Keep an inventory of all capital acquisitions.

Rule 7

Audit of the Administrative Account and Submission to the Council for Approval

1. In accordance with Article 23 of the Agreement, the Council shall appoint an independent auditor of recognized standing for a term of three consecutive years, subject to satisfactory performance. This auditor should preferably be selected from among the auditing personnel who are nationals of the Members of the Organization. The same auditor shall not be appointed for the following term of three consecutive years. The Executive Director shall engage the selected auditor on an annual basis. The re-engagement of the same auditor shall also be on annual basis subject to a maximum of three years in total.
2. The terms of appointment of the independent auditor shall be as follows: "To examine the Administrative Account of the Organization and to verify as a result of the audit, the accuracy of such account". The objectives of the audit shall be to review transactions having financial implications as to the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization and the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the Council and the allotments issued thereunder. This includes the regular evaluation of the expenditures in the Administrative Account with regard to achieving the most efficient use practicable of available resources.
3. In order to achieve optimum performance, the auditor shall have full access to all documents and information available in the Organization. The Executive Director shall, within 30 days of the submission of the auditor's report, transmit to all members texts of the audited statements of the Administrative Account. The Executive Director shall submit to the Council for approval the Organization's Administrative Account and audited balance sheet, as well as the auditor's report, as soon as possible after the close of the financial year, but not later than six months after that date and in any case not later than two months before the next session of the Council.

Chapter IV

SPECIAL ACCOUNT

Rule 8

Structure of the Special Account

The Special Account established under Article 18, shall comprise two sub-accounts:

- (a) The Thematic Programmes Sub-Account: to facilitate unearmarked contributions for the financing of approved pre-projects, projects and activities consistent with Thematic Programmes established by the Council on the basis of the policy and project priorities identified in accordance with Articles 24 and 25 of the Agreement; and
- (b) The Project Sub-Account: to facilitate earmarked contributions for the financing of pre-projects, projects and activities approved in accordance with articles 24 and 25 of the Agreement.

Rule 9

Resources of the Special Account

The resources of the Special Account established under Article 18 and described in Article 20 of the Agreement shall include:

- (a) Funds received directly by the Organization from the Common Fund for Commodities;
- (b) Funds received directly by the Organization from regional and international financial institutions referred to in Article 20, paragraph 2 (b), of the Agreement;
- (c) Voluntary contributions from members in accordance with Article 20, paragraph 2 (c), of the Agreement, and voluntary contributions, including scientific and technical equipment or

- personnel provided for under Article 22, paragraph 2, of the Agreement, as well as 50% of any interest earned in the Special Account; and
- (d) Funds from other sources.

Rule 10
Currency Provisions

1. Cash contributions to the Special Account shall be paid in freely convertible currencies.
2. The resources of the Special Account shall, unless the Council decides otherwise, be maintained in United States dollars. The rate of exchange used to convert cash contributions or cash equivalents of other forms of contributions to the Special Account into United States dollars shall be the rate of exchange prevailing on the day when the contribution is made.
3. When resources are maintained in currencies other than the United States dollar, the Executive Director shall establish such procedures as deemed necessary to ensure adequate security for such resources against foreign exchange risks and shall report to the CFA.

Rule 11
Administration and Control of the Special Account

1. The receipt of funds for the financing of the budget of pre-projects and projects approved by the Council shall constitute authority for the Executive Director to meet obligations and to incur, in conformity with Article 25 of the Agreement, expenditure in accordance with the provisions of the present rules relating to the Special Account.
2. The Executive Director shall deposit all revenues relating to the Special Account in an account or accounts opened in the name of the "International Tropical Timber Organization (Special Account)" at a bank or banks approved by the Council and shall arrange for withdrawals therefrom signed by two persons designated by the Executive Director in consultation with the Chairperson of the Council.
3. The Executive Director shall set up a system to provide for the effective conduct of financial transactions in order to prevent any irregularity in the receipt, disposal and custody of all the resources of the Special Account. He shall ensure compliance with the present rules and all decisions of the Council relating to the Special Account.

Rule 12
Disbursements

The disbursement of funds from the Thematic Programmes Sub-Account and the Project Sub-Account shall be governed by the following terms and conditions:

- (a) The funds shall be released to the implementing member or entity only at such time as the Executive Director has been notified by the member or entity and is satisfied that implementation of the project is about to commence, and in any case not more than two months before the scheduled date of commencement;
- (b) The Organization shall release funds to the implementing entity in accordance with a timetable previously agreed between them, and set out in the Project or Pre-Project Agreement. Funds set aside for use by the Organization in monitoring, reviewing, or evaluating pre-projects or projects shall not be released to the implementing entity. Contingency funds shall only be released to the implementing entity on receipt of a written, justified request by the Executive Director. The balance of funds, if already transferred by the financing source(s) to the Organization, shall be held by the Organization in the Thematic Programmes Sub-Account or in the Project Sub-Account;
- (c) Interest earned in cases where the Organization holds funds for later disbursement shall be credited to the Thematic Programmes Sub-Account or the Project Sub-Account, unless the financing source(s) decide(s) otherwise;
- (d) Where the Organization is holding funds for a project on which the Council decides to terminate its sponsorship under Rule 28, disbursements by the Organization shall cease, and any remaining funds returned in accordance with paragraph 2 of Rule 28 below. However liabilities undertaken up to the day of the Council's decision shall be paid;

- (e) Unearmarked funds shall not be disbursed without a specific Council decision relating to their disbursement.

Rule 13
Solicitation of Funds

1. The Executive Director shall seek adequate and assured finance for projects approved by the Council from the possible sources listed in Article 20, paragraph 2, of the Agreement. However, solicitation of unearmarked funds for the Thematic Programmes Sub-Account may be initiated by the Executive Director at any time.
2. In carrying out his endeavours the Executive Director may use the good offices of any persons, institutions or governments disposed to be of service to the Organization, or his own staff. All funds received by the Organization as a result of his solicitations shall be subject to the same budgetary and accounting procedures as funds received earmarked for approved Projects from any other source.

Rule 14
Use of Resources for Other Pre-projects or Projects

1. If the Council finds it desirable to use resources for a pre-project/project or pre-projects/projects other than that/those for which they were originally designated it shall, at least 90 calendar days before taking a decision to that effect, seek the agreement of the original donor(s) in accordance with Article 20, paragraph 8 of the Agreement. If the view of the donor(s) proved to be in conflict with that of the Council, the Council's sponsorship of the original pre-project/project or pre-projects/projects may nonetheless be terminated under Article 25, paragraph 5, of the Agreement, following a further discussion of the matter in the Council.
2. The unused part of the resources contributed to the original pre-project/project or pre-projects/projects shall, in case of a renewed decision to terminate, be returned on a pro rata basis to the donor(s), as required under Article 20, paragraph 8, of the Agreement, and in accordance with paragraph 2 of Rule 28 below. A further Council decision will then be required regarding the alternative project(s).
3. No resources shall be transferred from the Special Account to the Bali Partnership Fund without a decision by the Council and the agreement of the original financial donor.

Rule 15
Programme Support

1. The purpose of Programme Support within the Special Account shall be to defray the expenses of administration of projects, pre-projects, and other activities of the Organization approved by the Council. Such administrative expenses shall comprise bank charges, project-related communication costs, the remuneration of project administration staff, and other expenses related to project administration.
2. The resources of the Programme Support shall comprise a portion of the budget of pre-projects, projects, and Council-approved activities. The charge shall be 12% of the basic budget (all budget components which are not the Programme Support charge), except in the case of ITTO-executed pre-projects, projects, and Council-approved activities, when this figure will be 15%. These funds shall be deposited as Programme Support in the Special Account. Bank interest accruing to the current balance of total Programme Support shall also constitute a Programme Support resource.
3. 1% of the basic project or pre-project budget, being part of the aforementioned programme support charge, shall be utilised to defray the expenses of translation of Council and Committee documents, and Project and Pre-Project documents, into ITTO's working languages.
4. The Executive Director shall ensure that the residual balance of the Programme Support shall at any time be sufficient to meet the commitments already made by the Organization for the administration of projects, pre-projects, and Council-approved activities at that time.

Rule 16

Audit of the Special Account and Submission to the Council for Approval

1. In accordance with Article 23 of the Agreement, the Council shall appoint an independent auditor of recognized standing for a term of three consecutive years, subject to satisfactory performance. This auditor should preferably be selected from among the auditing personnel who are nationals of the members of the Organization. The same auditor shall not be appointed for the following term of three consecutive years. The Executive Director shall engage the selected auditor on an annual basis. The re-engagement of the same auditor shall also be on annual basis subject to a maximum of three years in total.
2. The terms of appointment of the independent auditor shall be as follows: "To examine the Special Account of the Organization and to verify as a result of the audit, the accuracy of such account". The objectives of the audit shall be to review transactions having financial implications as to the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization and the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the Council and the allotments issued thereunder. This includes the regular evaluation of the expenditures in the Special Account with regard to achieving the maximum economic use of available resources.
3. In order to achieve optimum performance the auditor shall have full access to all documents and information available in the Organization. The Executive Director shall, within 30 days of the submission of the auditor's report, transmit to all members texts of the audited statements of the Special Account. The Executive Director shall submit to the Council for approval the Organization's Special Account as well as the auditor's report, as soon as possible after the close of the financial year, but not later than six months after that date and in any case not later than two months before the next session of the Council.

Rule 17

Review

While the Agreement is in force, the Council may, when appropriate, review the financing of the Special Account. It shall report the results of such review and any recommendation thereon to the members.

Chapter V

THE BALI PARTNERSHIP FUND

Rule 18

Resources of the Bali Partnership Fund

1. The resources of the Bali Partnership Fund established under Article 18 and described in Article 21 of the Agreement shall include:
 - (a) Voluntary contributions from donor members in accordance with Article 21, paragraph 2 (a) of the Agreement, and voluntary contributions, including scientific and technical equipment or personnel, to meet the requirements of approved projects in accordance with Article 21, paragraph 3 of the Agreement.
 - (b) Fifty per cent of interest earned as a result of activities related to the Special Account.
 - (c) Voluntary contributions from other public and private sources which the Organization may accept consistent with these Rules.
 - (d) Other sources approved by the Council.
 - (e) Interest earned in the Bali Partnership Fund from all deposits to that Fund.
2. In allocating the resources of the Bali Partnership Fund, the Council shall take into account the requirements of Article 21 paragraph 3 and paragraph 4 of the Agreement and the criteria and priorities to Finance Actions/Activities, Pre-Projects and Projects under Sub-Account B of the Bali Partnership Fund. The Council shall annually review the criteria used for allocating the resources of the Bali Partnership Fund in accordance with its interpretation of Objective 1(d) of the Agreement (See Annex).

Rule 19
Currency Provisions

1. Cash contributions to the Bali Partnership Fund shall be paid in freely convertible currencies.
2. The resources of the Bali Partnership Fund shall, unless the Council decides otherwise, be maintained in United States dollars. The rate of exchange used to convert cash contributions or cash equivalents of other forms of contributions to the Bali Partnership Fund into United States dollars shall be the rate of exchange prevailing on the day when the contribution is made.
3. When resources are maintained in currencies other than the United States dollar, the Council shall establish such procedures as it deems necessary to ensure adequate security for such resources against foreign exchange risks.

Rule 20
Administration and Control of the Bali Partnership Fund

1. The receipt of sufficient funds for the financing of the total budget of pre-projects and projects approved by the Council for financing from the Bali Partnership Fund shall constitute authority for the Executive Director to meet obligations and to incur, in conformity with Article 25 of the Agreement, expenditure in accordance with the provisions of the present Rules relating to the Bali Partnership Fund.
2. The Executive Director shall deposit all revenues relating to the Bali Partnership Fund in an account or accounts opened in the name of the "International Tropical Timber Organization (Bali Partnership Fund)" at a bank or banks approved by the Council and shall arrange for withdrawals therefrom signed by two persons designated by the Executive Director in consultation with the Chairperson of the Council.
3. The Executive Director shall set up a system to provide for the effective conduct of financial transactions in order to prevent any irregularity in the receipt, disposal and custody of all the resources of the Bali Partnership Fund. He shall ensure compliance with the present Rules and all decisions of the Council relating to the Bali Partnership Fund.

Rule 21
Disbursements

The disbursement of funds from the Bali Partnership Fund shall be governed by the following terms and conditions:

- (a) The funds shall be released to the implementing member or entity only at such time as the Executive Director has been notified by the member or entity and is satisfied that implementation of the project is about to commence, and in any case not more than two months before the scheduled date of commencement;
- (b) The Organization shall release funds to the implementing entity in accordance with a timetable previously agreed between them, and set out in the Project Agreement. Funds set aside for use by the Organization in monitoring, reviewing, or evaluating pre-projects or projects shall not be released to the implementing entity. Contingency funds shall only be released to the implementing entity on receipt of a written, justified request by the Executive Director. The balance of funds, if already transferred by the financing source(s) to the Organization, shall be held by the Organization in the Bali Partnership Fund;
- (c) Interest earned in cases where the Organization holds funds for later disbursement shall be credited to the Bali Partnership Fund, unless the financing source(s) decide(s) otherwise;
- (d) Where the Organization is holding funds for a project on which the Council decides to terminate its sponsorship under Rule 28, disbursements by the Organization shall cease, and any remaining funds returned in accordance with paragraph 2 of Rule 28 below. However liabilities undertaken up to the day of the Council's decision shall be paid;
- (e) Unearmarked funds shall not be disbursed without a specific Council decision relating to their disbursement.

Rule 22
Solicitation of Funds

1. The Executive Director shall seek adequate and assured finance for projects approved by the Council from the possible sources listed in Article 21, paragraph 2, of the Agreement. However, solicitation of unearmarked funds for the Bali Partnership Fund may be initiated by the Executive Director at any time.
2. In carrying out his endeavours, the Executive Director may use the good offices of any persons, institutions or governments disposed to be of service to the Organization, or his own staff. All funds received by the Organization as a result of his solicitations shall be subject to the same budgetary and accounting procedures as funds received earmarked for approved projects from any other source.

Rule 23
Use of Resources for Other Pre-projects/Projects in the Bali Partnership Fund

1. If the Council finds it desirable to use resources for a pre-project/project or pre-projects/projects other than that/those for which they were originally intended, it shall, at least 90 calendar days before taking a decision to that effect, seek the agreement of the original donor(s). If the view of the donor(s) proves to be in conflict with that of the Council, the Council's sponsorship of the original pre-project/project or pre-projects/projects may nonetheless be terminated under Article 25, paragraph 5, of the Agreement, following a further discussion of the matter in the Council.
2. The unused part of the resources contributed to the original pre-project/project or pre-projects/projects shall, in case of a renewed decision to terminate, be returned on a pro rata basis to the donor(s), as required under Article 20, paragraph 8, of the Agreement, and in accordance with paragraph 2 of Rule 28 below. A further Council decision will then be required regarding the alternative project(s).
3. No resources shall be transferred from the Bali Partnership Fund to the Special Account without a decision by the Council and the agreement of the original financial donors.

Rule 24
Audit of the Bali Partnership Fund and Submission to the Council for Approval

1. In accordance with Article 23 of the Agreement, the Council shall appoint an independent auditor of recognized standing for a term of three consecutive years, subject to satisfactory performance. This auditor should preferably be selected from among the auditing personnel who are nationals of the members of the Organization. The same auditor shall not be appointed for the following term of three consecutive years. The Executive Director shall engage the selected auditor on an annual basis. The re-engagement of the same auditor shall also be on annual basis subject to a maximum of three years in total.
2. The terms of appointment of the independent auditor shall be as follows: "To examine the Bali Partnership Fund of the Organization and to verify as a result of the audit, the accuracy of such account". The objectives of the audit shall be to review transactions having financial implications as to the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization and the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the Council and the allotments issued thereunder. This includes the regular evaluation of the expenditures in the Bali Partnership Fund with regard to achieving the maximum economic use of available resources.
3. In order to achieve optimum performance the auditor shall have full access to all documents and information available in the Organization. The Executive Director shall, within 30 days of the submission of the auditor's report, transmit to all members texts of the audited statements of the Bali Partnership Fund. The Executive Director shall submit to the Council for approval a statement of account of the Organization's Bali Partnership Fund as well as the auditor's report, as soon as possible after the close of the financial year, but not later than six months after that date and in any case not later than two months before the next session of the Council.

Rule 25
Review

While the Agreement is in force, the Council shall, in accordance with Article 21, paragraph 7 of the Agreement, examine at regular intervals the adequacy of the resources available to the Bali Partnership Fund. It shall report the results of such review and any recommendation thereon to the members.

Chapter VI

PROJECT AND PRE-PROJECT RULES

Rule 26

Project and Pre-project Proposals

The following terms and conditions shall govern the form and composition of project proposals submitted by the Executive Director to any of the Committees established under Article 26, paragraph 1, of the Agreement, for final consideration, technical appraisal and evaluation, and of those submitted by any of these Committees to the Council for approval and prioritization:

- (a) The Project shall be proposed in the form of a Project Document. The Project Document in its draft form shall be the basis for determining whether a project for which ITTO approval is to be requested, and for which financing will be sought, has a reasonable chance of contributing substantially to the objectives of the Agreement. In the event that the proposal is designed to be funded from the Bali Partnership Fund, it must contribute to the achievement of the objective in Article 1(d) of the Agreement, and be in accord with Rule 18 (2). In its final form, the Project Document shall be the formal control document for any project approved by the Council, financially supported by one or more of the sources of finance set out in Article 20, paragraph 2, and Article 21, paragraph 2 of the Agreement, and under implementation by the selected executing agency or other entity. In general, the Project Document shall serve as an effective instrument for communicating all relevant information about the project to all parties concerned with it;
- (b) Each project submitted to the Council for approval shall require a Project Document, irrespective of the magnitude of the funds involved, although the contents and length of each document may be adjusted to the requirements of each case. Projects requiring funding of 150,000 United States dollars or less may be presented to the Council, to prospective donors and to implementing agencies in less detail;
- (c) The Project Document shall provide a clear statement of both the qualitative and quantitative objectives of the project and how they are expected to be accomplished, and shall define them in such a way as to permit evaluation of the project's effectiveness;
- (d) The Project Document shall clearly indicate the inputs required by the project, the project activities and their time schedules and the expected outputs, in such a way as to permit monitoring of implementation in accordance with the ITTO Manual on Monitoring, Review, Reporting and Evaluation;
- (e) The detailed contents of each Project Document shall follow the format laid down in the ITTO Project Formulation Manual;
- (f) The preparation and approval of an ITTO Project Document shall in no way affect the possible need to prepare a parallel document in such format as may be required by donor agencies or individual donors, or by executing agencies;
- (g) The rules and procedures governing the selection of the entity or entities to implement a given project shall be specified by the Council at the time it approves the project, unless these rules and procedures are already included in the relevant project document. The rules and procedures governing the selection of the entity or entities to which certain parts or the whole of the project may be contracted shall be the ITTO Guidelines on the Selection and Employment of Consultants and likewise the procurement of goods and services for the project shall be governed by the ITTO Guidelines for the Procurement of Goods and Services.

Rule 27

Agreement on Location of Projects

In the case where a member has submitted a project proposal some or all of whose activities are planned to take place in the territory of another member, at least two months before the Council considers a project for approval, the Executive Director shall, on behalf of the Council, seek the agreement of the country in whose territory the project, or part of the project, is to be located. He shall inform the Council of the results of his contacts with the Government concerned at the time the project is considered by the Council for approval. If, after six months from the initial approach by the Executive Director, or three months from the Council's definitive approval of the project, whichever is the longer, no agreement has been obtained from the member concerned regarding the location of the project or part of the project, the Council may terminate its efforts to locate the project or part of the project in the territory of that country. In such an event, the Council shall decide:

- (a) either to carry out the project or part of project in the territory of another member(s);
- (b) or to consult with interested members including especially the paid-up donors to the original project, as to alternative uses of the available funds under Article 20, paragraph 8, of the Agreement;
- (c) or to terminate its sponsorship of the project under Article 25, paragraph 5, of the Agreement.

Rule 28

Termination of Sponsorship of Projects

1. The Council may terminate its sponsorship of a project under Article 25, paragraph 5, in particular in cases where it is satisfied that:

- (a) The financial resources provided for the project are being misapplied to an extent which compromises the fulfillment of the objective of the project;
- (b) The technical means and/or personnel being used for the implementation of the project are being misapplied to an extent which compromises the fulfillment of the objectives of the project;
- (c) Its continued sponsorship of the project no longer serves the objectives of the Agreement.

2. Within two months of the termination of sponsorship of a project, the Organization shall, unless otherwise agreed by the donor(s), make the reimbursement of funds required under Article 20, paragraph 8, of the Agreement.

Chapter VII

MISCELLANEOUS

Rule 29

Disposal of Assets on Liquidation of the Organization

In the event that the Council decides, by special vote, to terminate the Agreement under Article 44 paragraph 5 of the Agreement, and thus to liquidate the Organization, or that the Agreement expires with the same effect, the Council shall, within the eighteen months from the date of termination provided for by Article 44 paragraph 6 of the Agreement, make arrangements for the settlement of all existing commitments and shall return all residual financial assets in the Administrative Account, Special Account, and Bali Partnership Fund, pro rata to the original donors.

Rule 30

Amendments and Suspension

These rules may be amended or suspended by a decision of the Council.

ANNEX

Criteria and Priorities to Finance Actions/Activities, Pre-Projects and Projects under Sub-Account B of the Bali Partnership Fund

The Panel on Sub-Account B of the Bali Partnership Fund (BPF) shall consider and recommend non-country specific actions/activities, pre-projects and projects designed to directly assist tropical timber producing members to achieve the Objective of Article 1(d) of the ITTA, 1994 – “To enhance the capacity of members to implement a strategy for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000”.

Eligible activities * shall meet the following criteria:

- (i) Be designed and related to the implementation of those activities captured under the goals of the ITTO Action Plan that are non-country specific.
- (ii) Be of global or regional benefit.

Within eligible activities highest priority will be given to:

- (i) Activities approved in Council Decisions directly related to the promotion of sustainable forest management through one or more of the priority areas established through the Council decisions and the ITTO Action Plan ** as shown below:
 - To adopt a forest policy and enforce legislation,
 - To establish and secure a Permanent Forest Estate,
 - To reduce the damage done by timber harvesting to the physical and social environments and to the forest eco-system,
 - To train the work force to accelerate the use of reduced impact logging,
 - To secure the production of the optimal mix of goods and services and limit timber harvesting to the sustained yield capacity;

AND

- (ii) Approved pre-projects and projects formulated and submitted in response to the recommendation by the Council, by more than one of the Committees or a Committee;

AND

- (iii) Activities that the Panel by consensus deems urgent.

The Panel shall prioritize the eligible actions/activities, pre-projects and projects and recommend a priority list to the Council for consideration in light of the eligibility and prioritization criteria and requirements detailed above.

The Panel shall also make its recommendations taking into account the resources available in Sub-Account B of the BPF at that Session.

The Panel shall endeavor to take decisions on its recommendations on eligibility and priorities by consensus. If consensus cannot be reached, the Panel shall take decisions and make recommendations by simple majority.

* Activities refers to “actions/activities, pre-projects and projects”.

** Priority areas are to be updated to reflect the revised priority areas adopted in new ITTO Action Plans.