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REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

**TWENTY-EIGHTH SESSION OF THE
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Item 1: Opening of the Session

1. The Chairperson of the Committee on Finance and Administration (CFA), Mr. Mario Rafael Rodríguez Palma of Guatemala, welcomed all delegates to the Twenty-eighth Session of the Committee.

Item 2: Adoption of Agenda and Organization of Work

2. The Chairperson suggested that the Committee takes up discussions agenda item by item in the order listed in document CFA(XXVIII)/1 Rev.1. He requested the Vice-Chairperson of the Committee, Ms. Ellen Shaw of the U.S.A. to lead the discussion of the Committee on a number of the agenda items.

3. The Chairperson drew the attention of the Committee to the work of the Panel on Sub-Account B of the Bali Partnership Fund (BPF) for the allocation of funds under Sub-Account B of the BPF, created under Council Decision 4(XXX). This Panel was chaired by the Chairperson of the Committee and will report directly to the Council. It convened its first meeting on Thursday, 28 November 2013.

Item 3: Admission of Observers

4. The Chairperson advised the Committee that the Council had admitted all applicants as shown on document ITTC(XLIX)/Info.3 which lists states, inter-governmental and non-governmental organizations applying for Observer status. The Committee concurred with the decision of the Council on this matter.

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

5. The Chairperson advised the Committee that the Report of the Forty-fifth and Forty-sixth Meetings of the Expert Panel for Technical Appraisal of Project Proposals (Documents ITTC/EP-45 and ITTC/EP-46) were deliberated and concluded in the Joint Session of the Committees on 26 November 2013. The joint session had not requested the CFA for any follow-up.

Item 5: Draft Biennial Administrative Budget for the Years 2014 and 2015

6. The Secretariat informed the Committee that the draft administrative budget for the financial years 2014-2015 was prepared taking account the provisions in paragraph 2 of article 19 of the ITTA, 2006.

7. The Secretariat further informed the Committee that Document CFA(XXVIII)/2, had been distributed to Members on 21 August 2013 in accordance with Rule 3 of the ITTO's Financial Rules and Rules Relating to Projects which was adopted by the Council at its Session in November 2012 [Decision 6(XLVIII)], for the preparation of the draft administrative budget for a biennial period, instead of an annual period, applying the exchange rate of the month when the budget was prepared. The Secretariat further informed the Committee that at the Twenty-second Session of the Committee in November 2008, and as approved by the Council at its Forty-third Session, it was decided that the proposed budget will not be revised for any further subsequent change in the exchange rate. The draft Biennial Administrative Budget for the Years 2014 and 2015 was, however, amended by the Secretariat to take into consideration the assessed contribution of new members, Brazil and Costa Rica. The Secretariat consequently introduced document CFA(XXVIII)/2 Rev.1, dated 25 November 2013.

8. The Secretariat informed the Committee that the proposed Biennial Administrative Budget for 2014 and 2015 had been prepared using the exchange rate in July 2013 of JPY.98.23 to USD.1. The Secretariat further informed the Committee that the proposed budget for 2014 had been estimated at US\$7,392,762 representing a decrease of US\$296,743 (3.86%) compared to the approved budget for 2013 and the budget

for 2015 estimated at US\$7,867,530. The decrease in the 2014 budget was attributed to the following reasons:

- (a) Fluctuation in exchange rate variation of Yen and the US Dollars. In preparing the 2013 budget the prevailing exchange rate was 1US\$=JPY 79.31. For the 2014 budget the exchange rate is 1US\$=JPY 98.23; and
- (b) The Post adjustment multiplier is currently at 104.9 percentage points as compared to 150 percentage points last year.

9. The Secretariat explained that most of the expenditures for 2014 had been kept at the same level as those for 2013 and the new elements introduced into the Basic Administrative Costs component of the Budget for 2014 were as follows:

- A provision of \$18,000 for the maintenance cost of the Enterprise Resource Planning (F2.Network,Hardware and Supplies)
- A provision of US\$20,000 for replacement of unserviceable and unsafe furniture (more than 20 years old) in a phased manner (G5.Supplies).
- Provision of \$80,000 per year for a period of three years to cover costs of staff training and migrating the current accounting system to International Public Sector Accounting Standards (IPSAS) to enhance the quality and transparency of the Organization's financial reporting by providing better information for public sector financial management and decision making (G8 Audit).
- Provision for one new post of General Service category (GS-6 level) in the amount of US\$145,000 to take care of the newly enhanced IT infrastructure (A. Salaries and Benefits).

10. The Secretariat further explained that the "Core Operational Costs" for 2014 showed an increase of US\$247,275 (36.02%) compared to the budget of 2013 and that the increase had been attributed to the following:

- In 2014 and 2015 provision had been made for Expert Meetings/workshops (\$140,000 per year) in the Core Operational Costs (P1).
- A provision of \$45,000 to redesign the ITTO website leveraging the current tools available to share knowledge and to disseminate information to users in all the official languages of ITTO (O3.website).
- As Biennial Review of the International Timber Situation (Article 28 of the ITTA, 2006) becomes due in 2014, \$40,000/- had been set aside for its production (S2.Biennial Review).
- Provision of US\$25,000 had been made for more events under Outreach (O2)

11. Following a clarification sought by the delegate of Japan, the Committee discussed the issue of Biennial Administrative budget and whether the budget should be approved for Years 2014 and 2015. The Committee noted the provisions of the ITTA, 2006 and decided that the budget should be approved for the Biennial Years 2014 and 2015, including the assessed contributions of member countries for both 2014 and 2015.

12. The Committee discussed extensively the provision of one new post in the General Service category to take care of the Organization's IT infrastructure and requested the Secretariat to provide the job description for this position. The Secretariat complied with the request. Many delegations noted the importance of this position, particularly in contributing to the IT component of the Knowledge Management strategy and the overall benefit that it will bring to the Organization. It was also noted that the recruitment should not be seen as a new cycle of expansion in the Secretariat. The Committee indicated that with the creation of this new position, the Secretariat will need to reduce the cost of IT Services sub-contracted to persons outside the Organization. The Committee consequently decided to recommend to the Council the creation of this new position in the Secretariat in the General Service category (GS-6).

13. The Committee discussed the provision of US\$80,000 per year for a period of three years to cover costs of staff training and migrating the current accounting system to International Public Sector Accounting Standards (IPSAS). The Secretariat explained the need and informed that globally there was a migration to the (IPSAS) which are used by the public sector entities around the world and based on International Financial Reporting Standards (IFRS) to enhance the quality and transparency of the Organization's financial reporting by providing better information for public sector financial management and decision making. The Secretariat further informed that the system is currently widely used by national and regional governments

and intergovernmental organizations and becoming increasingly important for proving an organization's accountability and transparency for attracting funds. The Secretariat was also exploring the option of segregating the training costs by conducting in-house training. However, the Secretariat lacked competencies related to IT software and technical issues for which costs would have to be incurred. The Committee requested the Secretariat to revise down the cost of the implementation of the IPSAS (budget line G8). The Secretariat complied with the request and the cost was reduced from US\$80,000 to US\$65,000. .

14. The Committee noted the increase in the Administrative Budget for 2015 compared to that of 2014 and requested an explanation for this increase. The Secretariat explained that the increase was mainly due to annual salary increases and the provision for the separation costs of three professional staff in 2015 and the installation cost of three new staff in the same year. The Committee decided to absorb this increase in the 2015 Administrative budget. The Committee noted with delight the healthy balance in the Working Capital Account (WCA) and commended the Secretariat for its efforts in securing payment of arrearages to previous years' budget. The Committee subsequently, requested the Secretariat to allocate an amount of US\$121,025 from the Working Capital Account to the 2015 Administrative Budget in order to bring the 2015 budget to the same level as the 2013 budget (US\$7,689,505). As an exceptional measure the Committee decided to use funds from the WCA.

15. The delegate of the European Union proposed that the position of Project Manager in the Programme Support should be moved to the regular Administrative budget with the objective to finalize the restructuring of the Secretariat and to provide stable and predictable funding to the core staff of the Organization. There was, however, no consensus on this proposal.

16. The Committee discussed the Secretariat's proposal to move the cost of the Expert Panel for Project appraisal from the Programme Support Fund to the Core Operational Cost as stipulated in Article 19 paragraph 2(b) and decided to approve the proposal.

The delegate of Japan requested the Secretariat for explanation on the restructuring of the Secretariat and indicated that the Secretariat did not follow the Council Decision. He indicated that from information gathered an additional Assistant Director was in place for more than 10 months although the Council had approved only three Assistant Director positions. He also sought clarification as to why the vacant position of the Assistant Director was not advertised and the recruitment was not conducted on a competitive basis. The Secretariat explained that throughout the year 2013 there had never been a period with four (4) Assistant Directors in place. The Secretariat further explained that under Article 14 paragraph 4 of the ITTA, 2006, the Executive Director is mandated to appoint staff in accordance with regulations to be established by the Council. The Secretariat indicated that there was no Council decision requesting the Executive Director to place an advertisement on the website.

17. The Secretariat informed that the ED had been authorized by Council to use \$300,000 from the WCA to account for any shortfall in revenues. To the suggestion of increasing the limit of the ED's authorization to utilize the WCA, the Committee felt that there was no need to do it at this Council Session.

18. The Committee recommended that the Council approve the Administrative Budget for the Financial Year 2014 as presented in document CFA(XXVIII)/2 Rev.3 in the amount of US\$7,335,762 and an amount of US\$7,689,505 for 2015.

Item 6: Review of Contributions to the Administrative Budget

19. The Secretariat introduced document CFA (XXVIII)/3 dated 25 November 2013. This document detailed the status of Members' contributions to the Administrative Budgets for the financial years from 1986 to 2013, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed the Committee that, as shown in the document, in 2013, \$2,075,185.17 had been received from Producing Members out of the total net assessment of \$3,699,700.00; and \$3,947,233.00 had been received from Consuming Members out of the net assessed amount of \$3,989,061.00. The Secretariat informed the Committee that out of the three late joining members viz., Colombia, Brazil and Costa Rica, payment of \$114,644.80 was received from Colombia. Brazil, India and Gabon have indicated their intention to pay their dues shortly.

20. As shown in the document, arrearages in contributions to previous years' budgets from producing members' amount to \$2,682,276.13; and arrearages from a consuming member amount to \$43,476.00. Furthermore, the outstanding payment of interest charges levied on late contributions under the ITTA, 1983, amount to \$79,042.77. The document also includes information on the status of arrearages in contribution of the Democratic Republic of Congo which affects their eligibility to submit project proposals; as well as the arrearage of 10 former members totaling \$2,348,664.28 that includes the interest charge of \$31,043.56. As at 25 November 2013 the total outstanding contributions from Producer Members was \$4,385,833.73 and from Consumer Members was \$85,304.00.

21. Contributions received in advance from two members in the total amount of \$132,194.00 were also recorded in the document.

22. The Committee took note of the report.

Item 7: Current Status of the Administrative Account

23. The Secretariat introduced document CFA (XXVIII)/4, dated 25 November 2013, together with the estimated expenditures for the current year. The Secretariat informed the Committee that the estimated expenditures for the financial year 2013 would amount to \$6,562,595.00 (i.e. \$1,085,023.00 less than the total amount approved in the budget for 2013 of \$7,689,505). This had been achieved through stricter control of expenditures and other prudent financial management measures instituted by the Executive Director, as well as the weaker strength of the Japanese Yen. Also more aggressive measures were adopted by the Secretariat towards payment of assessed contributions as well as arrearages in contributions to the previous years' budget.

24. The Secretariat further informed the Committee that the total contributions received to-date from both Producer and Consumer members amount to \$6,022,795.78, and together with contributions expected to be paid by members before the end of 2013 (of \$1,058,091.00), it is anticipated that an estimated surplus in the amount of \$521,886.48 would accrue in 2013.

25. The Secretariat further informed the Committee that the resources of the Working Capital Account (WCA) are estimated to increase from the balance of \$3,198,075 at the beginning of 2013 to \$4,066,726.57 by the end of the year 2013.

26. The delegate of Japan sought clarification on the WCA and wanted to know if the increase in WCA could be compared to another international Organization. The Secretariat clarified that the WCA was established by the ITTC and could be utilized in the event of any arrearages received from Member States goes into the WCA. To a further query from the delegate of Japan if there was a need to fund the deficit from the WCA from January to March, the Secretariat clarified that the WCA acts as a buffer throughout the year.

27. The delegate of Japan commented that the level of the WCA was quite high. The Chairperson commented that a healthy organization should have reserves to function during difficult times. The delegate of USA commented that the increase in the amount of WCA was a healthy development and that the WCA should not be used to cover routine cash flow shortfalls. He added that the amount of arrears was constituted a significant proportion of the annual budget of ITTO and called for a strategy to incentivize payment of arrears. The Secretariat stated that there are clear guidelines for the operation of the WCA. The delegate from Switzerland remarked that the Secretariat should conduct a stress test under a worst case scenario to determine the optimal amount to hold in the WCA and inform the results at the next Session.

28. The delegate of EU appreciated the efforts of the Secretariat to recover the arrears and invited the Secretariat to find ways to structure the payment in order to encourage further reimbursement of arrears. The delegate of USA expressed dismay at the continuing high level of arrears and urged the Council and the Secretariat to adopt a more aggressive strategy to recover the arrears. Many of the delegates supported the views expressed by the delegate of USA.

29. The Committee took note of the report.

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

30. The Chairperson introduced the document CFA(XXVIII)/5, stating that it contained historical financing information on projects, pre-projects and activities of the Organization, and requested the Secretariat to explain further.

31. The Secretariat informed the Committee that the document shows a comprehensive summary of expenditures on, and contributions to, the Special Account and the Bali Partnership Fund (BPF). A summary of completed Pre-Projects, Activities and Projects is also included in the document and the pro-rated refunds to relevant donors including the funds remaining under "monitoring and evaluation". In accordance with Council Decision 3(XXVIII) of May 2000, agreement of the donors was requested at regular intervals for the transfer of their share of the remaining "monitoring and evaluation" funds, to the "Pooled Sub-Accounts" for ex-post evaluations. The funds transferred to this pooled account to date, amount to US\$3.0 million and regular ex-post evaluations of projects as approved through the respective Technical Committees, were carried out. Accordingly, the current available balance in this account amounts to US\$835,041.34.

32. The Secretariat informed the Committee that Statement on the Thematic Programme Sub-Account has been included in this document on pages 9 to 13, and that the activities in the various Thematic Programmes will be directly reported at the Council. The five ITTO thematic programmes that were approved in November 2008, with a total budget of US\$58m had received pledges in the amount of US\$21.33m or 36.78%. The Secretariat also highlighted the schedule on the "summary of resources available in the Special Account" on page 15 and added that donor members are expected to utilize their available funds during this Council Session to finance thematic programmes, projects, pre-projects and activities pending financing.

33. With regard to the resources of the Bali Partnership Fund, the Secretariat informed the Committee that as of the end of the last session, forty-five Activities (including Activities for biennial work programmes), five Pre-Projects and five Projects with a total amount of US\$19.41m had been funded from the resources of Sub-Account B of the Bali Partnership Fund. The available funds in the Sub-Account B of the Bali Partnership Fund as of 31 December 2013, is estimated at \$175,793.57.

34. The delegate of the U.S.A. recalled that the funds available in the Sub-Account B of the Bali Partnership Fund were negligible at the end of year 2012, and requested the Secretariat to confirm whether the increase of \$175,793.57 during 2013 could be expected as a regular income in the forthcoming years, or this was rather a one-time occurrence. The Secretariat explained that the increase for the current year was mainly due to interest income and some residue from completed projects, and that it would be premature to affirm that this income would be a constant source for the following years.

35. The Secretariat advised that since this document serves as an information and reference document, Members were invited to contact the Secretariat for further information or clarifications on the details either during the course of the Session or by correspondence at a later date.

36. The Committee took note of the document.

Item 9: Auditor's Report for the Financial Year 2012

37. The Secretariat introduced document CFA(XXVIII)/6 which was the report of the recently appointed auditor, Ernst & Young Shin Nihon LLC, Tokyo for the calendar year 2012, with the financial statements of the four accounts of the Organization – (a) the Administrative Account, (b) the Special Account, (c) the Bali Partnership Fund Account, and (d) the Executing Agencies Account.

38. Members' attention was drawn to pages 7 and 8 of this document, which provided consolidated financial information on all of the four Accounts of the Organization, showing a comprehensive picture of the overall financial status of the Organization. Of the total revenues of \$18.7 million for 2012 (total revenues for 2011 \$26.85m), \$11.11 million was voluntary contributions that were considerably lower than the amount of \$19.92 million received in 2011. The total expenditures were \$21.76 million (2011: \$20.02m), and it included an amount of \$14.32 million (2011: \$12.9m) which was for the ongoing project work of the Organization. Since inception, the fund allocations for project works amount to around \$400 million financing nearly 1,000 activities, projects, pre-projects and the ITTO thematic programmes.

39. The audit works were carried out earlier this year during the months of March to May. The Auditor had confirmed their satisfactory opinion on the financial statements. The Secretariat further confirmed that Ernst & Young Shin Nihon LLC conducted the audit in a satisfactory manner, within the given timeframe and fees quoted.

40. The Committee took note of the Auditor's reports and decided to recommend their approval to the Council.

Item 10: Appointment of Auditor

41. The Secretariat introduced document CFA(XXVIII)/7 which stated that in accordance with Council Decisions 10(XXXI) and 2(XXXIV), the audit firm Ernst & Young Shinnihon LLC, Tokyo, had completed the audit of the Organization for the term of three consecutive years (2010-2012). Accordingly, the Council would need to appoint a new Auditor to audit the Accounts of the Organization for the following term of three consecutive years (2013-2015). With a view to facilitate the decision by the Council at this Session, the Secretariat had contacted ten medium to large size audit firms of recognized standing and invited them to submit estimates of fees for the three consecutive years.

42. Among the six positive responses received by the Secretariat, estimates of fees submitted by the six firms with approximate equivalents in United States dollars were shown in the document for ease of comparison, using the U.N. official exchange rate for the month of October 2013 of US\$1.00 = Yen 98.25: The current audit costs charged by the audit firm Ernst & Young Shinnihon LLC, Tokyo, in total amount to around Yen 9,800,000/US\$10,000 per year.

43. The delegate of the European Union requested the Secretariat to give details on what the criteria was for shortlisting the 10 audit firms which were contacted, apart from the audit firm's size. The Secretariat responded that they looked into the audit firm's experience in auditing companies and organizations of international standing, whose budgets are around US\$10 million, so that they will have the capability of auditing ITTO's financial accounts. The strength of international connections of the audit firms was also considered, should the audit of ITTO Projects on site be required.

44. The delegate of the EU further inquired whether the Secretariat had any comments or reservations on BDO Toyo & Co. / BDO Sanyu & Co., which was the lowest-bidding audit firm. Furthermore, the delegate of Côte d'Ivoire asked the Secretariat whether they had any preference or recommendation for a particular audit firm among the 6 firms shortlisted. The Secretariat stated that all of the audit firms listed in the document should be capable of meeting the audit requirements for ITTO, and that, while it has no special observations towards BDO Toyo & Co. / BDO Sanyu & Co., its appointment would contribute to cost savings.

45. The delegate of Cameroon, followed by Guyana, welcomed the work of the Secretariat and supported the appointment of BDO Toyo & Co. / BDO Sanyu & Co.

46. The Committee took note of this document and recommended to Council at this Session for the appointment of BDO Toyo & Co. / BDO Sanyu & Co., Tokyo, as independent Auditor to audit the Organization's Administrative Account, the Special Account, the Bali Partnership Fund Account and the Executing Agencies Accounts, for the three consecutive years beginning with the Accounts for the financial year 2013. The re-engagement of the same Auditor for auditing the Accounts for the following years, of 2014 and 2015, is subject to an annual review of its performance.

Item 11: Progress report on the Implementation of the Biennial Work Programme of the Committee for the Years 2013 – 2014

47. The Chairperson referred to Activity 54 of the Biennial Work Programme "Mobilizing New Funding for ITTO and its Objectives" as contained in Document CFA(XXVIII)/8.

48. The Chairperson requested the Vice-Chairperson to present the Report of the Working Group as contained in Document CFA(XXVIII)/8. The Vice-Chairperson commended the Working Group for its recommendations and summarized the issues as (a) Strategic- Resources required and outreach activities with a strong message; (b) Implementation –Find practical ways of implementation; and (c) Finance- How do we find resources and move forward.

49. The Working Group held its meeting in Yokohama from 2 to 4 September 2013 and elected Mr. Mario Rodrigues (Guatemala) and Ms. Ellen Shaw (the United States of America) as the co-chairpersons. The Working Group was composed of:

Producers:

Mr. Maidiward (Indonesia)
Mr. Mario Rafael Rodriguez (Guatemala)
Mr. Tabi Agyarko (Ghana)

Consumers:

Ms. Ellen Shaw (USA)
Dr. Jung-Hwan Park (Republic of Korea)
Dr. Atsushi Suginaka (Japan)
Mr. Kazuhiro Takahashi (Japan)
Mr. Shingi Koto (Japan)
Mr. Akira Yamada (Japan)

50. The Working Group was assisted in its work by the background paper prepared by the consultant in close cooperation with the Secretariat and circulated in advance to members. The report included draft elements for the strategy and action plan and the following annexes:

- Comments on the background document received from the European Union and Cote d'Ivoire
- Statement by Malaysia on "Mobilizing New Funding and Partnerships for ITTO and its Objectives"
- Report of the Meeting on Mobilizing New Funding and Partnerships for ITTO and its Objectives held in the Margins of the Tenth Session of the United Nations Forum on Forests (UNFF 10) on Thursday, 11 April 2013 in Stockholm Room, Midtown Hotel, Istanbul, Turkey

51. The Working Group recognized that the timing of the launching of the fundraising strategy and action plan was challenging as in many member countries, governments had to make significant budget cuts in all areas of their operations. In addition to raising funds from new sources, the maintenance of the funding flows from traditional donors also needed to be addressed.

52. The Working Group noted that one of the constraints for ITTO's funding was in many cases that there had not been direct interface with bilateral aid agencies which need to be addressed in future fundraising.

53. Multilateral and regional financing institutions were identified by the Working Group as an important potential source of funding and welcomed the Secretariat's recent efforts in approaching AfDB and ADB which should be followed up and expanded to cover other multilateral and regional financing institutions. The Group also recognized the potential importance to ITTO of becoming an accredited GEF Project Agency and the support of member countries would be important to this end. Such support would be important with regard to other multilateral and regional financing institutions as well.

54. The Working Group also recognized that most of the foundations with potential interest in ITTO are located in the United States and Europe but only a small number of them have strong direct linkages in their priorities and activities with those of the Organization. In volume terms, the funding potential of this group of sources might not be significant but strategically it could result in innovations which could be mainstreamed through ITTO.

55. The Committee took note of the recommendations of the Working Group and decided to adopt the Terms of Reference of the Fundraising Professional and explore the best option to hire her/him on a temporary basis.

56. The Vice-Chairperson posed two items to the members to explore further: Would it be appropriate for the Consultant to take the lead role or should it be the role of the ED? Similarly, should the Chairperson and Vice-chairperson assist in fundraising?

57. The Vice-chairperson mentioned the generous contribution by Japan of \$100,000 and recalled that 3 rounds of discussions were held this year, the latest in early September 2013. She indicated that with new opportunities and new competition a winning strategy must be developed in order for ITTO to become attractive to donors. Other sources of funding are available and ITTO has to develop a message to the world highlighting the value it is going to add. She indicated that there are potential opportunities to tap from non-members, the international financial institutions and private sector companies and there is a need to reach a broader audience.

58. The delegate of USA called for a different approach to be taken by ITTO instead of relying on traditional sources of funding. There is a need to tap the resources of GEF and act as an implementing agency, mobilize SFM elements in the private sector and market a persuasive and well-articulated message. He said that ITTO is quite competitive compared to other international organizations, private sector/ UN in terms of managing its overhead costs. He proposed that members of the ITTC, the Chair and Vice-chair should also have a role in the fund raising activities.

59. The delegate of USA referred to the recommendations of the Working Group contained at the bottom of Page 5 of the document and stated that the Terms of Reference (TOR) of the Fund Raising Professional (Annex) contained the professional responsibilities but made no mention of the professional requirements such as experience, background etc. He stated that the Secretariat should advise on the professional requirements for the consultant. In his view, the ED should take the lead role with the Chair of the ITTC and Secretariat assisting him.

60. The delegate of Cameroon noted that mobilization of resources was discussed at the Forty-eighth Session held in Yokohama in November 2012 and the mandate to prepare the groundwork had been done. Considering that the new ED will be recruited by 2015, he was of the view that it may not be necessary to recruit a professional staff. Instead, a consultant with the required profile for a limited period of one year could be considered for recruitment in 2015. The delegate of USA agreed with the views expressed by the delegate of Cameroon and stated that the term of the consultant should be for one year with an option to extend it for another year in view of the new ED taking over in 2015, and subject to availability of funds.

61. The Swiss delegate supported Cameroon's suggestion to hire the consultant to help the new ED and wanted to know if there was any urgency in recruiting the consultant, considering that the new ED would have to rely on the inputs provided by the consultant. The delegate of EU stated that the role of the Fundraising consultant should be to provide technical assistance to strengthen the capacity of the Secretariat staff. Such a move would help in the long-term to mobilize funding for the Organization in communication and outreach activities, preparing messages, preparing list of contacts and approaching donors. The representative of Brazil agreed with the views of EU. He stated that there was the need to hire the Fund raising consultant now and not wait for two years and that the Executive Director should be the face of the Organization in fund raising efforts.

62. The EU delegate stated that fund raising was an essential activity for ITTO and as such the Organization needs to concentrate on its core mandate instead of thinly spreading resources. He added that the consultant should not be the face of the organization but take on the role of assisting the organization and wanted the TOR for the Fund raising consultant amended to reflect this role. The delegate of Cameroon supported the recommendations of the working group. The delegate of Peru supported the views of EU to finance core issues for the organization. The delegate of Brazil commented that ITTO had an advantage and called for efforts by the Secretariat and Members to enlist major consumers such as Saudi Arabia, Qatar, UAE, and South Africa to join ITTO.

63. The Swiss delegate supported the views of USA and stated the need to expand the donor base for ITTO. The delegate of Guyana called for an action plan and proposed that ITTO Secretariat could take on consultancy activities and charge fees and also act as the project manager for large projects. The delegate of Cote d'Ivoire called for a universal tax on imports to be levied on imports of timber that could be shared between the Exporting Countries and ITTO. The delegate of Japan wanted to know the tentative time schedule of the Fundraising activity and the funds required for this year. They were in favour of utilizing the WCA for partially funding the Fundraising activity and were not in favour of voluntary contributions.

64. The EU delegate wanted to know the fees to be paid to the Consultant and the time span of engaging the Consultant with the possibility of continuing the appointment for the next year. In their view, they foresaw the services of the consultant being hired on an intermittent basis rather than on full-time basis. The

comments of the Members were considered in the arriving of the Terms of Reference for hiring the consultant (see Annex). The EU was in favour of sourcing the balance amount from voluntary contributions. The US delegate estimated the requirement of funds at \$100,000 and to work within this limit. He suggested that the WCA /voluntary contributions could be used as a source to fund the balance amount. The delegate of Japan supported drawing down \$13,800 from the WCA to fund the balance amount and was supported by USA. It was noted by the Committee that \$20,000 was being funded out of the BPF-B account leaving a balance of \$13,800 to be funded from other sources. The EU delegate reiterated that the WCA should not be used and offered to explore with the Secretariat the possibility to fund the balance amount of \$13,800 out of the Euros 4 million already pledged by them to ITTO for the Market Monitoring Mechanism project.

65. The Committee took note of the Report of the Working Group.

Item 12: Draft ITTO Whistleblower Policy

66. The Secretariat introduced document CFA(XXVIII)/9 which seeks to bring changes to the ITTO Staff Regulations and Rules with the objective of enhancing protection for individuals who report misconduct or cooperate with duly authorized investigations.

67. The Secretariat informed the delegates that the draft whistleblower policy was considered as a result of the recommendations made by the European Commission auditors in their process of assessing the Joint management capabilities of ITTO in October 2010. The EC subsequently submitted their report to ITTO for its consideration in January 2013. The Executive Director of ITTO agreed with the EC's recommendation as the whistleblower policy would enhance transparency and accountability for the Organization. The Secretariat further informed that in drafting the whistleblower policy models from the World Bank, United Nations and Tata Consultancy Services (a private organization) were consulted. As ITTO followed the UN rules it was felt that the Policy followed by the UN could be adapted to suit ITTO's requirements. Elements for the draft whistleblower policy such as scope, reporting misconduct, reporting and protection victims of retaliation were incorporated. Since it involved changes to the ITTO staff regulations and rules the Secretariat submitted the draft whistleblower policy document for the consideration by the CFA.

68. The delegate of EU provided the background to the EC's recommendation and supported the introduction of the whistleblower policy as it would be in line with the international best practices. The delegate of Cote d'Ivoire wanted to know if adopting the policy would imply that EU would provide funds to ITTO. The delegate of EU responded that providing funds to ITTO should not be linked to the adoption of the policy and that the EC auditors' recommendations aimed at improving the general functioning of the Secretariat and to bring it to international standards.

69. The delegate of Germany wanted to know if the draft policy should be considered by the Council. It was clarified that it involved changes to the ITTO staff regulations and rules and therefore, it was within the purview of the CFA. In support for introducing the policy she added that she would be happy to share the OECD report on the Working Group on Bribery in International Business Transactions. To the query from the delegate of Japan, the Secretariat clarified that there would be no cost implication by adopting the whistleblower policy as it was a routine matter of administration.

70. The delegate of USA supported the introduction of the whistleblower policy and suggested that in future a background paper should be prepared for members to understand the context of the draft document proposed to be submitted.

71. The Chairperson asked the Secretariat to prepare the background note and submit it to the CFA at its session on the 27 Nov 2013. As instructed the background paper to the draft whistleblower policy was submitted to the CFA. The delegate of USA stated that the background paper provided the required information and reiterated their support. The delegate of Guyana supported the introduction of the whistleblower policy.

Item 13: Election of Chairperson and Vice-Chairperson for 2014

72. The Vice-Chairperson of the Committee for 2013, Ms. Ellen Shaw of the United States of America, was elected Chairperson of the Committee for 2014. Mr. Gilbert Kaya of Republic of Congo was elected Vice-Chairperson of the Committee for 2014.

Item 14: Dates and Venue of the Twenty-ninth and Thirtieth Sessions

73. The Committee agreed that the Twenty-ninth and Thirtieth Sessions would be held on the same dates and at the same venues as the Fiftieth and Fifty-first Sessions of the Council.

Item 15: Other Business

74. The delegate of Japan, supported by EU, Indonesia and USA, proposed that the revision of the ITTO Staff Rules and Regulations should be put on the Agenda of the Committee at its next Session to contend with matters such as selection of personnel on competitive basis and official travel etc. Brazil intervened and informed that the selection of personnel is within the mandate of the ED as stipulated in the ITTA, 2006, and that any changes to the ED's authority may involve changes to the ITTA. The delegate of the EU stated that the Staff Rules will clarify the process of the selection of personnel; however, it shall not take away or limit the authority of the ED given by the ITTA. The Committee agreed to include in the agenda for the next Session the revision of the ITTO Staff Rules and Regulations and requested the Secretariat to provide the up-to-date information on the UN Staff Regulations and Rules to member countries.

75. The Committee indicated that the appointment of new staff members, in the event of any vacancies in the Secretariat in 2015, should be based on the revised Staff Rules and Regulations and should be left to the incoming Executive Director who would assume duty in 2015.

76. Referring to the payment of staff assessment for 2013, the delegate of Japan commented that they were asked to pay more than what was stated in the budget, due to a miscalculation on the part of the Secretariat and reiterated that this should not happen again.

77. The delegate of Brazil pointed out that classifying CFA documents as "Restricted" causes impediments and suggested that such practices be revised. The delegate of Gabon also commented that the final documents received by them were in English language and they were entitled to the French version under the 3 official languages of ITTO. The EU delegate supported Brazil in not restricting the CFA document and they wanted documents to be provided at least two weeks in advance. The Secretariat clarified that budget document had to be classified as "Restricted" following an earlier decision of the Committee and had to be circulated 90 days in advance of the Session. CFA documents 3 and 4 were presented at the last hour in order to take into consideration contributions received till the last minute. The Secretariat also referred to Decision 7(XXXIII) on "Measures to reduce cost and improve the efficiency and effectiveness of the Organization" and stated that as part of the cost saving measures the Council decided that certain documents should not be translated.

78. Members of the Committee expressed appreciation to the Chair and Vice-chair of the Committee for their effective leadership of the Committee during the Session.

Item 16: Recommendations to the International Tropical Timber Council

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

(1) The Committee recommended that the Council approve the Biennial Administrative Budget for the Financial Years 2014-2015 as presented in document CFA(XXVIII)/2 Rev.3 in the amount of US\$7,335,762 and US\$7,689,505 respectively;

(2) To adopt the Report of the Independent Public Auditors on the Accounts of the Organization for the Financial Year 2012 as contained in document CFA(XXVIII)/6;

(3) To approve the appointment of BDO Toyo & Co. / BDO Sanyu & Co., Tokyo, to audit the Accounts of the Organization for the financial year 2013 and beyond, subject to satisfactory performance;

(4) To approve the terms of reference for the recruitment of a temporary fundraising consultant to assist the Executive Director in mobilizing new funding and partnerships for ITTO and its Objectives, as contained in the Annex to this Report;

(5) To approve the ITTO Whistleblower Policy;

(6) To identify and take actions to secure the needed resources to achieve the objectives of the Organization; and

(7) To authorize the Executive Director to utilize an amount of US\$121,025 from the Working Capital Account to defray part of the costs in 2015 with a view to maintain the total budget for 2015 at the same level of that of 2013.

Item 17: Report of the Session

79. The Committee adopted this report as amended.

ANNEX

Terms of Reference for Fundraising Professional Consultant

DUTIES AND RESPONSIBILITIES

Job Title: Temporary Fundraising Professional Consultant

Responsible to: Executive Director

Job Summary: The Temporary fundraising Professional, under the general direction of the Executive Director, will assist the Executive Director in planning and especially implementing the fundraising for the Organization. All resources mobilized will support ITTO's Strategic Action Plan 2013-2018, focusing on achieving the goals and objectives of ITTO and its members.

Detailed Job Description:

Broadly, the responsibilities will include:

- (i) Based on ITTO's comparative advantages and results from field projects, develop and disseminate fact-based key messages directed at groups of potential sources of funding, including pamphlets on specific interests of different donors and on that basis prepare visiting kit, including presentations and videos on ITTO;
- (ii) Identify and highlight for the Executive Director and Secretariat additional funding opportunities, including additional funding mechanisms that donors make available, such as calls for proposals relevant to ITTO's work, and South-South cooperation as well;
- (iii) Assist the Executive Director to improve ITTO's visibility in donor platforms on forests and related issues;
- (iv) Raise awareness of all member countries of ITTO to support the fundraising strategy;
- (v) Organize in-house staff training and assistance on fundraising and communication of the Organization's key messages;
- (vi) Conduct consultative meetings and help to prepare the Executive Director to meet with existing resource partners in capitals and headquarters, potential resource partners (governments, international financing institutions, foundations, private sector and others) to promote ITTO Programmes as programmatic financing windows for addressing resource partners' priorities;
- (vii) Develop a data base on potential financial sources for continuous monitoring and identification of new opportunities;
- (viii) Other duties assigned by the Executive Director.

Duration: One year, extendable by Council.

Available funding: US\$66,200 from Japan, provided under BWP Item #54 for 2013 and 2014 activities; \$20,000 from the Bali Partnership Fund. The EC will explore with the secretariat the possibility of providing the remaining \$13,800 from its allocation to the independent market monitoring project.

Compensation and Travel: US\$ 80,000 (approximately \$500/day for 160 days of work) and US\$ 20,000 for travel expenses (for year one phase in 2014), to be provided by voluntary contributions, including funding from the Bali Partnership Fund.

Council will decide whether and how to provide funding in 2015, after the Secretariat provides a presentation of the first phase to inform the Council.

Location: Consultancy will require some travel to Yokohama, Japan, but not relocation.

Recruitment Strategy: The Fundraising Professional shall be recruited through advertisement in the ITTO Tropical Forest Update, in the ITTO website, and through national governments and partners.

Skills Required:

- 10-15 years of professional experience in progressively responsible positions.
- Demonstrable successes developing and executing communications and outreach campaigns.
- Partnerships building and fundraising experience: demonstrated experience in creating strategic partnerships and networks, and promoting initiatives with partner organizations
- Proven track record in mobilization of additional financial resources.
- Experience engaging with senior management from government, foundations, private sector, international organizations and multilateral financial institutions.

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