



**INTERNATIONAL TROPICAL
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Kuala Lumpur, Malaysia

**REPORT OF THE INFORMAL ADVISORY GROUP (IAG)
AT ITS TWENTY-NINTH MEETING**

**15 November 2015
Kuala Lumpur, Malaysia**

**Twenty-Ninth Meeting of the Informal Advisory Group (IAG)
Kuala Lumpur, Malaysia, 15 November 2015**

Report of the Chairperson

The Twenty-ninth Meeting of the IAG was convened on Sunday, 15 November 2015 at the Royale Chulan Hotel Kuala Lumpur at 10:55 a.m., chaired by Dato' Dr. B.C.Y. Freezailah (Malaysia), Chairperson of the Council. The meeting was attended by Ms. Jennifer Conje (U.S.A.), Vice-chairperson of the Council, Dr. Teguh Rahardja (Indonesia), Chairperson of the Committee on Economics, Statistics and Markets (CEM), Ms. Akiko Nakano, Vice-Chairperson of the Committee on Forest Industry (CFI), Dr. M Nurudeen Iddrisu (Ghana), Vice-Chairperson of the Committee on Reforestation and Forest Management (CRF), Mr. Rob Busink (Netherlands) Vice-Chairperson of the Committee on Finance and Administration (CFA), Ms. Marjukka Mähönen (Finland), Consumer Spokesperson, Mr. Hiroyuki Nishiura (Japan), Representative of the Host Government of the Headquarters, and Dr. Steven E. Johnson, the Officer-in-Charge (OIC), together with other senior members of the Secretariat.

The IAG considered and adopted the following agenda for discussion:

- A. Brief background of the IAG:
 - Decision 5(XXVI);
 - Report of the IAG at its Twenty-eighth Meeting, 2 November 2014;
 - General observations by the IAG Members;
- B. Matters Related to Article 14 of the ITTA, 2006.
- C. Opening of the Fifty-first Session of the Council.
- D. Status of the parties to the International Tropical Timber Agreement, 2006.
- E. Consideration of draft decisions/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII)
 - Projects, Pre-Projects and Activities [Decision 1(LI)];
 - Matters related to Article 14 of the ITTA, 2006 -- *submitted by the Secretariat*;
 - Staff Regulations and Staff Rules of ITTO -- *submitted by the Secretariat*;
 - Role of the Informal Advisory Group (IAG) -- *submitted by the Secretariat*.
- F. List of possible decisions for the Fifty-first Session of the ITTC and report to the Council; and
- G. Other matters
 - Selection of Vice-Chairperson of the Committee on Economics, Markets and Statistics.

A. Brief background of the IAG

In its deliberations, the IAG noted and made reference to Decision 5(XXVI) and the Report of the Informal Advisory Group (IAG) at its Twenty-eighth Meeting held on 2 November 2014 in Yokohama, Japan as contained in document ITTC(L)/2 dated 2 November 2014. The IAG also recalled the consensus regarding the extension of its mandate and the continuation of its existence and role reached by the Council at its Thirtieth and Forty-ninth Sessions. The IAG discussed a possible expansion of its membership to include a representative of the government hosting the ITTC and its possible role in the review and admission of Observers. It noted a possible inconsistency in its existing terms of reference regarding its ability to provide advice to the Secretariat. Any amendments or modifications to the mandate of the IAG should be discussed during the Chairpersons Open Ended Drafting Group to finalize the draft Decision extending the IAG's mandate. The duration of the mandate of the IAG should be kept open until such time that Council decides to review this matter.

B. Matters Related to Article 14 of the ITTA, 2006

The Chairperson informed that four candidates were remaining for the position of ITTO Executive Director, including Mr. Gerhard Dieterle (Germany), Mr. Eduardo Mansur (Brazil), Ms. Sheamala Satkuru-Granzella (Malaysia) and Dr. Ivan Tomaselli (Brazil). All candidates have been invited to attend the Fifty-first ITTC. The IAG noted the importance of reaching agreement on this issue at this Session of the Council. In accordance with the ITTA, 2006, agreement should be reached by consensus. The IAG was then briefed by the OIC on the current status of contributions to the Administrative Budget for 2015 and on Member Countries that are eligible to vote. The IAG was also briefed on the credentials of delegates, including countries that have delegated their votes and on the voting procedure to be adopted in case of voting, which will follow the procedure applied in

Yokohama at the Fiftieth ITTC. Provision has been made by the Secretariat accordingly. It was recommended that provision be made for the Caucuses to meet as early as possible in order to nominate members for the Credentials Committee from their respective Caucuses and that this be reflected in the programme of meetings and activities.

C. Opening of the Fifty-first Session of the Council

The Chairperson introduced arrangements for the opening of the 51st ITTC as contained in the Programme for the Opening Session.

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

The OIC informed the IAG on the current status of the parties to the ITTA, 2006. He reported that Croatia and Thailand have become members of ITTO and that Belgium has ratified the ITTA, 2006 after provisionally applying it since 2008. There are now 72 parties to the Agreement comprising 38 consumer members including the EU and 34 producer member countries. The IAG welcomed the new members of the Organization and the ratification by Belgium.

E. Consideration of draft decisions/elements of decisions, submitted pursuant to ITTC Decision 7(XXXIII)

The IAG considered the draft decisions/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII) as follows:

- i. Projects, Pre-projects and Activities [Decision 1(LI)];
- ii. Matters related to Article 14 of the ITTA, 2006 -- *submitted by the Secretariat*;
- iii. Staff Regulations and Staff Rules of ITTO -- *submitted by the Secretariat*;
- iv. Informal Advisory Group --*submitted by the Secretariat*.

F. List of possible decisions for the Fifty-first Session of the ITTC and report to the Council

The IAG considered the possible list of decisions to be considered and adopted by the Council at its Fifty-first Session as follows:

- i. Projects, Pre-projects and Activities [Decision 1(LI)];
- ii. Matters related to Article 14 of the ITTA, 2006;
- iii. Informal Advisory Group;
- iv. Impairment of Investment in Securities.

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

The IAG also noted that Council may propose additional decisions related to items on its Agenda at this Session, including Staff Regulations and Staff Rules of ITTO, ITTO guidelines on gender equity, ITTO social and environmental safeguards, ITTO regional presence and representation, and/or on accreditation to the Green Climate Fund (GFC).

G. Other Matters

(1) Selection of Vice-Chairperson of the Committee on Economics, Markets and Statistics

Mr. Nishiura (Japan), informed that the Government of Japan will propose Ms. Akiko Nakano to replace Mr. Satoshi Teramura, Vice-chairperson of CFI. The proposal will be forwarded to the Consumer Caucus for their consideration.

(2) Impairment of Investment in Securities

The Chairperson introduced the issue of an impairment of investment in securities of ITTO funds totalling USD 6 million as reported in the 2013 audited financial statements. He noted that the CFA's instructions to the Secretariat relating to investments of ITTO funds required that they be 'zero risk'. Unfortunately this entire investment has now been largely lost. In addition, there is currently another investment in a different product totalling USD 12 million.

He further noted that this matter escaped the attention of the CFA at its last Session and nor was this matter highlighted by the Secretariat.

The Chairperson noted the seriousness of the situation and the need to handle it in a transparent way to ensure that ITTO's credibility is maintained. He then invited the Secretariat to provide further details. The OIC reported that he had become aware of the problem in August 2015 while reviewing ITTO's financial statements in preparation for assuming the OIC position. The decision to invest USD 6 million in the LM Managed Performance Fund had been taken at the end of 2012. The fund went into receivership in March 2013 and trustees were appointed shortly afterward to try to secure the remaining assets of the fund.

The OIC further informed that in 2013 a decision had been taken to invest in the Ardent 365 Fund. This investment now totals USD 12 million. He reported that ITTO's auditors had reviewed the audited financial statement of the Ardent 365 Fund in 2015 and deemed this to be satisfactory evidence of the existence of this investment.

The IAG recognized the seriousness of this issue and its potential impact on the Organization's credibility. It recommended that this matter be raised urgently in the CFA with a view to drafting a Council Decision for adoption at this Session, establishing an investigation with appropriate expertise to ascertain the facts and setting out a plan of action and timeline for dealing with this issue expeditiously.

The IAG further suggested that the Decision should include terms of reference for the investigation, measures for reporting the results of the investigation to the Council, a detailed plan of action/timeline, and proposed steps for strengthening ITTO's internal control procedures. Drafting of this Decision should be facilitated by an Open-ended Working Group to be co-chaired by the Chairperson and Vice-Chairperson of CFA.

Adjournment

The Twenty-ninth meeting of the IAG was adjourned with a vote of thanks to the Chairperson of the meeting.

ANNEX A

Draft Decisions

Only text of draft Decisions is appended to this Report.



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DECISION ...(LI)

APPOINTMENT OF THE EXECUTIVE DIRECTOR

The International Tropical Timber Council,

Recalling its Decision 5(XLII) of 12 May 2007 which appointed Mr. Emmanuel Ze Meka to the post of Executive Director of ITTO for a period of four years beginning on 6 November 2007,

Recalling also its Decision 2(XLVI) of 18 December 2010 which renewed the mandate of Mr. Emmanuel Ze Meka with effect from 6 November 2011 to 5 November 2015, as the second term of his appointment;

Noting, with appreciation, his dedication and untiring contribution to the management of the Organization;

Acting pursuant to Article 14, paragraphs 1 and 2 of the International Tropical Timber Agreement (ITTA), 2006;

Further recalling Decision 3(XLIX) on matters related to Article 14 of the ITTA, 2006, and in particular the Annex to Decision 3(XLIX) on the Vacancy for the Position of the Executive Director of ITTO;

Also further recalling the Report of the Panel on Matters Related to Article 14 of the ITTA, 2006, [ITTC(L)/8];

Underscoring the strategic role of the Executive Director as the Head of the Organization;

Noting the applications for the position of Executive Director of ITTO;

Decides to appoint [by consensus]*name*..... as Executive Director of the International Tropical Timber Organization for a period of four years, beginning on*date*..... in accordance with the terms and conditions contained in the letter of appointment approved by the Council.

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DECISION ...(LI)
INFORMAL ADVISORY GROUP (IAG)

The International Tropical Timber Council,

Recalling Decision 3(XXII) which established the Informal Advisory Group (IAG) and called for a reassessment of its role and continued existence at the Twenty-sixth Session of the Council;

Recognizing the supreme role of the Council to provide effective leadership within the ITTO and to make decisions which direct the work of the Organization;

Welcoming the contribution which the IAG has made in providing advice to Council;

Noting the continuing need for Council to proactively identify and discuss relevant policy issues;

Decides to:

1. Renew the mandate of the IAG [up to the Fifty-Fifth Session of the Council and reassess its role and continued existence at that Session;] or [until such time as Council decides to reassess its role and continued existence;]
2. Continue to apply the Terms of Reference as attached to this Decision.

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