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7 – 12 November 2016
Yokohama, Japan

**REVISION OF THE ITTO FINANCIAL RULES AND PROCEDURES,
AUDIT STANDARDS, AND RELEVANT STAFF REGULATIONS AND RULES
UNDER DECISION 1(LI.1)**

[Item 17(a) of the Provisional Agenda]

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**Report of the Expert Panel on Revision of the ITTO Staff Regulations and
Financial Rules established under Decision 1 (LI.1)**

**Report of the Expert Panel on Revision of the ITTO Staff Regulations and Financial Rules
established under Decision 1 (LI.1)**

Yokohama, 12 -14 October 2016

Summary

The Expert Panel met as planned 12-14 October in Yokohama to consider the draft report and draft policies and manuals prepared by two consultants and with the active support of the consultants and the Secretariat, it completed the mandate given to it by the Council in Decision 1(LI.1).

The Panel prepared proposals for comprehensive revisions to the Financial Rules and Rules Related to Projects as well as revisions to the Staff Regulations and Rules that specifically address problems identified by the Oversight Committee. As part of the effort to strengthen ITTO's financial and investment governance framework, the Panel also prepared proposals for an Auditing Standard, an Investment Policy and a Charter for an Investment Oversight Panel.

In addition, three financial procedure manuals were prepared which are proposed to provide detailed guidance on all aspects of financial management, governance and risk management.

The Panel also prepared draft Council decisions supporting the adoption of these revised rules (**Appendix 1**).

In the course of its work, the Panel identified a number of concerns that could not be addressed through proposed revisions to the regulations and rules. The Panel noted, for example, that the Executive Director is not subject to the Staff Regulations and Rules resulting in the absence of an effective transparent mechanism for holding the Executive Director accountable for actions inconsistent with Council expectations. To address these impediments, the Panel discussed and prepared for consideration a set of draft Standards of Conduct for the Executive Director (**Appendix 2**).

The Panel also noted the need to strengthen the role of the CFA, as well as the Informal Advisory Group (IAG), in providing oversight and governance of the Organization. In consideration of these requirements, the Panel reviewed and proposed changes in the terms of reference for both the CFA and IAG (**Appendix 3**).

In conclusion, the Panel noted the lessons learned regarding the importance of effective participation on the part of all members who serve as officers of the Council and committees. As examples, the Panel noted the role of Council officers in implementing the ITTO Whistleblower Policy, the role of CFA in reviewing the Organization's financial statements and books and records and the contribution that the proposed Investment Oversight Panel would make to strengthening the investment governance framework.

The Panel recommended that the Council consider ways to ensure all members can effectively serve on Council bodies, including by covering, as necessary, the expenses of members serving as officers of the Organization, or members of panels.

Introduction

The Expert Panel met pursuant to Council Decision 1 (LI.1) which, recognizing that ITTO was faced with substantial financial losses as a consequence of actions taken in violation of financial rules and Council guidance, noting "the urgent need for corrective and preventive measures to strengthen the internal governance of ITTO and to renew member, donor and public confidence in ITTO." Council Decision 1 (LI.1) and its annex set out the detailed terms of reference for the Panel's work.

Members of the Panel were: Ms. S. McFadden O'Neill (USA), Ms K. Takabatake (Japan), Ms. J. Hanna (EU), Ms E. Binti Malek (Malaysia) and Dr A. Velazquez Martinez (Mexico).¹ The Panel benefitted from and based its work on a report prepared by two consultants, Dr. D. Brooks and Mr. D. Dunstan.

¹ An additional Panel member from Cameroon was unable to attend.

Background

In 2012 and again in 2013, on the advice of a long-standing financial adviser, ITTO made investments which subsequently failed, leading to the loss of more than US\$18 million. After an investigation by an international accounting firm and a comprehensive review by a Council-appointed Oversight Committee, it was found that these investments were highly speculative and were made in contravention of ITTO's financial rules and the guidance provided by the CFA. These investigations revealed further that these losses had escaped the attention of both the CFA and the Council. These investigations identified gaps or weaknesses in:

- policies and procedures controlling ITTO investment processes;
- internal controls surrounding the approval and disbursement of ITTO funds;
- the effectiveness of financial statements audits in highlighting critical events impacting on the Organizations financial health and wellbeing and difficulties experienced by the CFA and Council in interpreting the financial statements and the audit reports resulting in sub optimal governance outcomes;
- ITTO's Financial Rules and Staff Regulations; and
- ITTO's Whistle-blower policy

Decision 1(LI.1) requested that the Panel address these concerns, aided by work to be done by consultants. In addition, other areas of concern identified by the Oversight Committee were brought to the Panel's attention, including: the absence of transparency regarding the status of members' payment of assessed contributions; the fact that details of the approved budget are not publicly available and the absence of any effective mechanism which could be used to recover some of the impaired investments.

Outputs

Revisions of Staff Regulations and Rules

As a precursor to the revision of the Staff Regulations and Rule, the Panel was reminded by the Secretariat that, while the recent experience highlighted an immediate need to revise the regulations and rules, there is also a plan to bring ITTO's Staff Regulations and Rules in line with the emerging revisions to staff rules for the United Nations system. The Panel was encouraged to focus on revisions that would specifically address gaps identified by the Oversight Committee, recognizing that other concerns would be addressed by further revisions to the regulations and rules.

The revisions proposed by the Panel are marked as tracked changes in document CFA(XXXI)... The most important of these are:

- Higher standards of conduct (Regulations 1.6 and 1.12);
- Strengthened provisions on conflicts of interest (Rule 103);
- A prohibition on the use of private email for official business (Rule 105);
- Provision for ITTO's contributions to the Provident Fund to return to the Organisation in cases of summary dismissal (rule 501);
- Clear definitions of gross negligence and serious misconduct that could lead to dismissal, as well as a clarification of disciplinary procedures and termination rules and (Regulations 7.1, 8.1 and Rules 803 to 805);
- New provisions on performance evaluation (Rule 906); and
- Incorporation of the whistle-blower policy (previously adopted by Council in 2013) and adding stronger protection for whistle-blowers (Regulation 8.1(c), Rule 906 and the annexed policy).

In the course of its work the Panel identified a number of concerns that could not be addressed in revisions to the Staff Regulations and Rules. The Panel noted, for example, that the Executive Director is not subject to the Staff Regulations and Rules and is therefore, as noted above, not subject to effective Council oversight.

In this context the Panel discussed the necessary elements of standards of conduct for the Executive Director, based on examples from other organizations, including contracts for executive heads of other

organizations and UN manager compacts. The Panel noted that the prospective appointment of a new Executive Director provides an opportunity to append such standards of conduct to the letter of appointment. The Panel's proposed draft for these standards is contained in **Appendix 2** of this report.

Financial Rules and Rules Related to Projects

The Panel began by agreeing with the recommendation of the consultants that the task of strengthening ITTO's financial governance required a comprehensive revision of the Financial Rules, including the addition of explicit and detailed policies addressing investment and audit, as well as the preparation of manuals describing all aspect of financial procedure. The Panel were cognisant of the mandate from the Council to streamline the rules and, as necessary, incorporate relevant Council decisions. The Panel agreed to work on the basis of a revised and restructured set of financial rules to which the other documents would be appended.

The Panel's proposal for revised financial rules is contained in document CFA(XXXI)/.. Because the Panel undertook to significantly streamline and restructure the current rules, it was not feasible to present the changes as tracked edits. In addition to the incorporation of the policies and manuals as annexes 2-7, notable changes to the current financial rules include:

- The accounts (chapters III-V) have been simplified and their rules clarified; unnecessary repetition has been eliminated;
- Three accounts and two reserves described Council decisions regarding management of these accounts have been added;
- Rules describing control and audit of all accounts have been organized in a new chapter (VI);
- Specific references have been added to rules to require adherence to the policies and procedures contained in the annexes;
- Rules on the adoption of International Public Sector Accounting Standards (IPSAS) have been added (rule 14);
- Rules describing audits have been added (rules 19 and 20);
- A chapter with explicit rules regarding investments (chapter VII, rule 21) have been added.

The Panel worked diligently to implement the Council's request to streamline Financial Rules; the proposed rules are restructured and now address one rule on each financial topic, in a new chapter, rather than repetitive rules in chapters describing each account.

The Working Capital Account is properly described as a reserve of the Administrative Account and Council guidance on its management has been added.

In the context of streamlining the accounts, the Panel considered whether the Executing Agencies Account (EAA), established by a Council decision, should be incorporated in the revised rules. The Panel agreed that the EAA is no longer required and the functions served by the EAA could be addressed by revisions to the rule guiding administration of the Special Account (rule 8). The Panel noted that adoption of the revised rules would, in effect, repeal the decision to establish the EAA.

In order to increase transparency, the Panel added new provisions to the rules to require:

- Budgets shall be adopted by Council decision (rule 3.3);
- The Executive Director shall distribute information on arrears to all members (rule 4.5); and
- The Secretariat shall provide information on disbursement of funds to donors and post reports for all projects on the Organization's website (rule 25).

While all Panel members supported circulation of information on arrears to all ITTO members, the Panel could not agree on a proposal to make the information on arrears publicly available on the website.

As an element of strengthened financial governance, the Panel recommended establishing an Investment Oversight Panel and agreed on a proposed charter (terms of reference) for its operation

(annex 5 of the revised rules). While noting the important contribution of the IOP, the Panel also noted that implementing the IOP will present some challenges. The Panel recommended that the Council establish the IOP as soon as possible and review its effectiveness on an annual basis.

Other Proposals

In addition to the work to revise the Organization's rules, the Panel recognized the need to generally strengthen governance of ITTO through improved functioning of formal bodies, such as the committees, especially the Committee on Finance and Administration (CFA), and informal bodies, such as the Informal Advisory Group (IAG). Therefore, the Panel reviewed and proposed changes in the terms of reference for both the CFA and IAG (**appendix 3**). For the IAG, the proposed changes are intended to strengthen the IAG's role in providing oversight and governance between Council sessions. For the CFA, the proposed changes are intended to clarify the CFA's role in the financial governance structure of the Organization, including the CFA's relationship to the (proposed) Investment Oversight Panel.

The Panel noted that one lesson learned from recent experience was the critical importance of effective participation of members who serve as officers of the Council and committees. In the future, this participation will be even more important. The Panel noted the role of the CFA and IOP in strengthening the investment governance framework, and the role of Council officers in implementing the ITTO Whistleblower Policy. The Panel recommended that the Council consider ways to ensure all members can serve more effectively and cohesively by, for instance, assisting with travel costs.

Finally, the Panel discussed the fact that a number of the proposals to strengthen financial governance would inevitably require additional expenditures. As an example, the Panel noted that the increased scope for audits would make them more expensive, perhaps significantly so, as compared to current practice. The Panel also noted that the operation of the Investment Oversight Panel would require funding in order to be effective as would the migration to IPSAS. The Panel concluded that these additional costs should be drawn to the Council's attention.

Appendix 1: Draft decisions for adopting the revised rules



INTERNATIONAL TROPICAL TIMBER COUNCIL

FIFTY-SECOND SESSION
7-12 November 2016
Yokohama, Japan

DRAFT DECISION ...(LII)

AMENDMENTS TO THE STAFF REGULATIONS AND RULES OF THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

The International Tropical Timber Council,

Recognizing the provisions under Rule 901 of the Staff Regulations and Rules of the International Tropical Timber Organization (ITTO) which provide for the “Amendments of, and Exceptions to, the Staff Rules”;

Recalling that the Staff Regulations and Rules of the International Tropical Timber Organization (ITTO) were approved by the Council for implementation on 17 November 1988 and amended through ITTC Decision 3(XLIV);

Also recalling Decision 1(LI.1) on Revision of ITTO Financial Rules and Procedures, Audit Standards, and Relevant Staff Regulations and Rules;

Noting the ongoing process through the CFA to revise the Staff Regulations and Rules of the ITTO, (which are based on those of the United Nations), to synchronize with the changes in the staff regulations and staff rules of the United Nations which are undergoing major revision;

Further noting the urgent need to revise relevant Staff Regulations and Rules to ensure relevant lessons from ITTO’s loss of investments are taken into account;

Recalling the recommendation of the CFA as endorsed by the ITTC at its 49th Session approving the ITTO Whistleblower Policy;

Appreciating the work of the Expert Panel established under Decision 1(LI.1) in making proposals for amending relevant ITTO Staff Regulations and Rules;

Welcoming the additional work carried out by the Committee on Finance and Administration on this matter as reflected in the relevant recommendations contained in its report to this session;

Decides to:

1. Approve the amendments to the Staff Regulations and Rules of the ITTO, as contained in the annex to this Decision;
2. Approve the implementation of the revised Staff Regulations and Rules of the ITTO with effect from 1 December 2016; and
3. Resume consideration of the ITTO Staff Regulations and Rules at its Fifty-third Session to take account of the outcome of related work in the United Nations.



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**DRAFT DECISION ...(LII)
REVISION OF ITTO FINANCIAL RULES AND PROCEDURES**

The International Tropical Timber Council,

Recalling the provisions of the International Tropical Timber Agreement, 2006 regarding the Administrative Account, Special Account, and Bali Partnership Fund as provided for by Articles 19, 20 and 21;

Also recalling Decisions 6(XXIII), 8(XXIX), 3(XLIII), and 6(XLVIII) revising ITTO's Rules of Procedure and Financial Rules and Rules Relating to Projects;

Further recalling Resolution 1(VIII), Decision 7(XII) and Decision 3(XXXV) establishing the Special Reserve Fund, the Working Capital Account and the Executing Agencies Account, respectively;

Particularly recalling Decision 1(LI.1) which reflected the urgent need to further revise ITTO's Financial Rules and Procedures to ensure relevant lessons from ITTO's loss of investments are taken into account and that ITTO's financial management and governance is improved and strengthened;

Welcoming the work of the Expert Panel established under Decision 1(LI.1) in making proposals for amending relevant ITTO Financial Rules and Procedures;

Further welcoming the additional work on this matter carried out by the Committee on Finance and Administration as reflected in the relevant recommendations contained in its report to this session;

Decides to:

1. Adopt the revised Financial Rules and Rules Relating to Projects of the ITTO and the associated policies and manuals, namely:
 - the Investment Policy;
 - the Charter for the Investment Oversight Panel;
 - the Auditing Standard;
 - the Audit and Financial Statements Reporting Cycle Procedural Manual;
 - the Financial Delegations Procurement and Disbursements Manual; as well as
 - the Procurement and Tender Manual

as contained in Annex 1 to this Decision.

2. Approve the establishment of the Investment Oversight Panel as soon as practical.
3. Approve the implementation of the revised Financial Rules and Rules Relating to Projects of the ITTO and the associated policies and manuals with effect from 1 January 2017 or as soon as practical thereafter.

4. Authorize the Executive Director to utilize an amount not exceeding US\$200,000 from the Working Capital Reserve to meet the expenses related to the adoption of the International Public Sector Accounting Standards (IPSAS) and to increase the scope of the 2016 audit in accordance with the ITTO Audit Standards.

Appendix 2: Proposed Standards of Conduct for the ITTO Executive Director

Appendix 2: Proposed Standards of Conduct for the ITTO Executive Director

(1) It is provided by Article 14 of the ITTA, 2006 that the Executive Director of the Organization shall be appointed by the Council; and Mr./Ms. _____ has been duly nominated and appointed by the Council at its meeting held on the _____ for a period of _____ years at the UN-ASG level.

(2) Subject to the authority of the Council, the Executive Director shall exercise the functions of chief administrative officer of the Organization and shall perform such duties as may be specified in the ITTA and in the rules of the Organization and/or as may be assigned to him or her by the Council.

(3) The Executive Director shall be subject to the Staff Regulations of the Organization in so far as they can be applied to him/her. In particular he/she shall not hold any other administrative post, and shall not receive emoluments from any outside sources in respect of activities relating to the Organization. He/she shall not engage in business or in any employment or activity which would interfere with his/her duties in the Organization. In observing Article 14(5) of the ITTA and Rule 103 of the Staff Regulations and Rules, he/she shall ensure that there is not even the appearance of a conflict of interest.

(4) The Executive Director, during the term of this appointment, shall enjoy all the privileges and immunities in keeping with the office by virtue of the ITTA and any relevant arrangements already in force or to be concluded in the future.

(5) The Executive Director shall demonstrate a commitment to:

- Exercise authority in compliance with regulations, rules and all relevant policies and guidelines;
- Shape, guide and support the Organization's commitment to an ethical culture by ensuring that all Secretariat decisions and actions are informed by accountability, transparency, integrity, respect and fairness;
- Responsible stewardship of resources, including:
 - Responsible management of financial resources;
 - Appropriate management of human resources in alignment with Council mandates and priorities, consistent with staff rules, and in an efficient and effective manner to achieve programmatic objectives;
- Implementation of independent audit recommendations;
- Timely issuance of official documentation;
- Ongoing professional development.

(6) Failure to comply with this Standard of Conduct may result in action by the Council in accordance with the ITTA and the Headquarters Agreement with the host government.

(7) In cases of gross negligence or serious misconduct as defined in Regulation 8.1 of the ITTO Staff Regulations and Rules, the appointment of the Executive Director may be terminated by a Panel made up of the Chair of Council, the Vice-Chair of Council and three of the Committee Chairs acting on behalf of the Organization.

(8) The Executive Director may at any time give six months' notice of resignation in writing to the Chair of the Council, who is authorized to accept such resignation on behalf of the Council; in which case, upon the expiration of the said period of notice, the Executive Director shall cease to hold the appointment.

Appendix 3: Proposed revisions to the Terms of Reference for IAG and CFA

Appendix 3: Proposed revisions to the Terms of Reference for IAG and CFA

1. Proposed revisions to TERMS OF REFERENCE FOR THE INFORMAL ADVISORY GROUP (IAG) ON ORGANIZATION OF WORK UNDER THE ITTA, 2006. Text extracted from Decision 2 (LI). Proposed changes are **bold and underlined** text

Composition of the IAG

The IAG shall comprise the Chair and Vice-chair of the Council, the four Committee Chairs, the two Spokespersons of the producer and consumer groups, a representative of the host country of ITTO Headquarters, a representative of the host country when Council is held outside Headquarters, and the Executive Director;

Roles and Responsibilities of the IAG

Under the direction of the Council, the IAG shall:

1. Receive, generate, synthesize and provide advice to Council, and in this context, review previous Council decisions, assess and advise Council on the need to sunset or further examine previous Council decisions in the light of ITTA, 2006 **and advise Council on the need to incorporate and implement decisions by adopting revisions to ITTO rules;**
- 1bis Monitor implementation of Council decisions by the Secretariat and provide an intersessional interface between the Council and the Secretariat.**
2. Consider, in the context of the overall policy and strategic priorities of the Council, priorities related to public relations and public education of the ITTO;
3. Advise Council on ITTO's coordination and cooperation priorities with external agencies and organizations; for further decision and implementation of appropriate action by the Council;

Mode of Operation

1. The IAG shall be chaired by the Chairperson of Council or, in his or her absence, the Vice-chair of Council;
2. The IAG may propose informal Joint Producer/Consumer sessions to address policy options and strategies during Council Sessions;
3. The IAG shall meet prior to Council sessions for one half or one full day as necessary, during and following Council sessions. Intersessional work of the IAG shall be performed by e-mail, telephone, facsimile and mail;
4. The IAG shall be supported by the Secretariat to the extent needed to plan meetings, provide meeting support and undertake any necessary intersessional work.

Relationship to other ITTO Organizational Entities

The IAG shall take direction only from the Council and shall not give direction to, nor take direction from, the Committees, the Bureau, the producer/consumer groups, or individual members.

Financial Implications

Costs associated with any necessary intersessional work of the IAG shall be met through in-kind support from the organizations with which IAG members are associated. Costs to the ITTO of the establishment of the IAG shall be related to administrative support to be provided by the Secretariat for the effective and efficient functioning of the IAG.

2. Proposed revisions to the terms of reference for the Committee on Finance and Administration. Text extracted from Decision 5 (XLVIII) Proposed changes are **bold and underlined** text

E. Functions of the Committee on Finance and Administration

1. Examine and make recommendations to the Council regarding approval of the Organization's administrative budget and the management operations of the Organization.
2. Review the assets and liabilities of the Organization and make recommendations to the Council on prudent asset and cash flow management and levels of reserves needed to carry out its work.
3. **Review the work and recommendations of the Investment Oversight Panel.**
4. Examine and make recommendations to the Council on the budgetary implications of the Organization's biennial work programme and on actions that might be taken to secure the resources needed to implement the objectives of the ITTA.
5. Recommend to the Council the choice of independent auditors and review the independent audited statements **pursuant to the requirements of the ITTO Auditing Standard.**
6. Recommend to the Council any modifications the Committee may judge necessary to the Organization's Rules of Procedure, **Staff Regulations and Rules** or the Financial Rules **and Rules Related to Projects including their respective Annexes.**
7. Review the Organization's revenues and the extent to which they constrain the work of the Secretariat.

Staff Regulations and Rules



STAFF REGULATIONS AND RULES

~~Second~~Third edition

Revisions Proposed by the Expert Panel

15 October 2016

New text is **BOLD**
Deleted text is ~~strikethrough~~

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

November 200816

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STAFF REGULATIONS AND RULES OF THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION

SCOPE AND PURPOSE

The Staff Regulations embody the fundamental conditions of service and the basic rights, duties and obligations of the staff of the International Tropical Timber Organization. They represent the broad principles of personnel policy for the staffing and administration of the Organization as approved by the Council. The Executive Director, as the Chief Administrative Officer, shall provide and enforce such Staff Rules consistent with these principles as he considers necessary.

The Staff Regulations do not apply to temporary engaged experts, consultants and auxiliary personnel.

1. DUTIES AND RESPONSIBILITIES

Regulation 1.1

Staff members are international civil servants. Their responsibilities are not national but exclusively international. By accepting appointment, they pledge themselves to discharge their functions and to regulate their conduct with the interest of the Organization only in view.

Regulation 1.2

In the performance of their duties staff members shall neither seek nor accept instructions from any government or from any other authority external to the Organization.

Regulation 1.3

Staff members shall exercise the utmost discretion in regard to all matters of official business. They shall not communicate to any person any information known to them by reason of their official position which has not been made public, except in the course of their duties or by authorization of the Executive Director. Nor shall they at any time use such information to private advantage. These obligations do not cease upon separation from the Organization.

Regulation 1.4

Staff members are subject to the authority of the Executive Director and to assignment by him to any of the activities or offices of the Organization. They are responsible to him in the exercise of their functions. The whole time of staff members shall be at the disposal of the Executive Director. The Executive Director shall establish a normal working week.

Regulation 1.5

Staff members shall conduct themselves at all times in a manner befitting their status as international civil servants. They shall not engage in any activity that is incompatible with the proper discharge of their duties with the Organization. They shall avoid any action, and in particular any kind of public pronouncement, which may adversely reflect on their status, or on the integrity, independence and impartiality which are required by that status.

Regulation 1.6

The status, privileges and immunities attached to the Organization by virtue of its Headquarters Agreement with the Government of Japan are conferred to enable the Organization fully and

efficiently to discharge its responsibilities and fulfill its purpose and functions. ~~These privileges and immunities furnish no excuse to the staff who enjoy them for non performance of their private obligations or failure to observe laws and police regulations.~~ **The privileges and immunities that international civil servants enjoy are conferred upon them solely in the interests of the Organization. They do not exempt international civil servants from observing local laws, nor do they provide an excuse for ignoring private legal or financial obligations.** In any case where questions of privileges and immunities arise, the staff member shall immediately report to the Executive Director, who alone shall decide whether they shall be waived.

The Council shall decide whether the privileges and immunities shall be waived in the case of the Executive Director.

Regulation 1.7

Staff members shall give neither advice nor assistance to any government or person or authority in relation to tropical timber or other commodities except as is necessary for the proper discharge of their duties.

Regulation 1.8

Staff members shall not have any financial interest in the tropical timber industry trade, transportation, publicity or associated commercial activities, including dealings related to tropical timber or other commodities. While employed by the Organization, the staff member shall not acquire or hold any such interest. Staff members shall not engage in any occupation or activity, including political activities, or hold any office or position which is incompatible with the proper discharge of their duties with the Organization, or which might prove a source of embarrassment to the Organization.

Regulation 1.9

No staff member shall accept any honour, decoration, favour, gift or remuneration from any source external to the Organization, in connection with his/her duties in the Organization, without first obtaining the approval of the Executive Director. Approval shall be granted only in exceptional cases and where such acceptance is not incompatible with the terms of Regulation 1.4 of the Staff Regulations and with the individual's status as an international civil servant.

Regulation 1.10

Staff members may exercise the right to vote but shall not engage in any political activity which is inconsistent with, or might reflect upon, the independence and impartiality required by their status as international civil servants or which prove a source of embarrassment to the Organization.

Regulation 1.11

Upon appointment, each staff member shall subscribe in writing to the following affirmation: "I solemnly affirm that, to the best of my ability, I will carry out my responsibilities in a manner that will further the purpose of the International Tropical Timber Organization; that I will refrain from communicating confidential information to persons outside the Organization; that I will not use to private advantage information known to me by reason of my official position; and that I will not seek or receive instructions from any member or from any other authority external to the Organization in regard to the performance of my duties."

Regulation 1.12

Harassment in any shape or form is an affront to human dignity, and it will not be tolerated. Staff members should not engage in any form of harassment and must be above any suspicion of it

Rule 101

Hours of Work

(a) Normal working hours shall be from 9.30 a.m. to 5.45 p.m. Monday through Friday, with an interval of one hour for lunch. Such times, or the work week, may be altered by the Executive Director as the needs of the service may require, provided that the total number of normal working hours a week is not thereby changed.

(b) The scheduled work week assigned to a staff member may be subject to alteration if the exigencies of the service so require.

(c) A staff member may be required to work beyond the normal working hours if the exigencies of the service so require.

Rule 102

Official Holidays

Official holidays shall be those observed in Japan, 25December, Eid-al-Fitr and Eid-al-Adha.

Rule 103

Outside Activities and **Conflict of Interests**

(a) Staff members shall not engage in any ~~continuous or recurring~~ outside occupation or employment without the prior approval of the Executive Director.

(b) No staff member may be ~~actively~~ associated with the management of, or hold a financial interest in, any business concern if it were possible for the staff member to benefit from such association or financial interest by reason of his or her official position with the Organization.

(c) A staff member who has occasion to deal in his or her official capacity with any matter ~~involving a business concern~~ in which he or she holds a financial interest, **including private investments**, shall disclose ~~the measure of~~ that **potential conflict of** interest to the Executive Director.

(d) The mere holding of shares in a company shall not constitute a financial interest within the meaning of **paragraph (b)** of this rule unless such holding constitutes a substantial control.

(e) Staff members shall not, except in the normal course of official duties or with the prior approval of the Executive Director, perform any one of the following acts, if such an act relates to the purpose, activities, or interests of the Organization

- (i) Issue statements to the press, radio or other agencies of public information;
- (ii) Accept speaking engagements;
- (iii) Take part in film, theatre, radio or television productions;
- (iv) Submit articles, books or other material for publication.

Rule 104

Membership in Political Parties and Political Activities

Membership in a political party is permitted provided that such membership does not entail action, or obligation to action, contrary to Staff Regulation 1.10.

Rule 105

Use of email and social media

Staff members shall use official channels, including ITTO's official business-email services on ITTO servers, to conduct official business of the Organization. All email accounts are the property of ITTO which has the right to read and keep a record of any email that staff members transmit using the Organization's email system. Employees shall not use personal email accounts to conduct official business and shall adhere to the Information Technology (IT) policies of the Organization.

2. CLASSIFICATION OF STAFF, SALARIES AND RELATED ALLOWANCES

Regulation 2.1

In conformity with the requirements of the Organization, as approved by the Council, the Executive Director shall make appropriate provision for the classification of posts and staff according to the nature of the duties and responsibilities. Classification will be in accordance with the United Nations categories of:

- (a) Professional and higher categories.
- (b) General Service category.

Regulation 2.2

In conformity with the requirements of the Organization, the salaries of staff members shall be fixed by the Executive Director in accordance with the prevailing classification system and salary scales of the United Nations.

Regulation 2.3

All salaries and allowances for staff in the professional and higher categories shall be quoted and paid in US dollars. Salaries of members of the staff in the general service category shall be quoted and paid in Yen. Staff shall receive net salaries as calculated by deducting UN rates of staff assessment from UN notional gross salaries.

Regulation 2.4

Subject to satisfactory service, salary increments within the levels set out in the prevailing salary scales of the United Nations shall be awarded annually, except that any increment above step IV of the Principal Officer level, as well as those at the high steps at each level as indicated in the salary scales of the U.N., shall be preceded by two years at the previous step.

Regulation 2.5

The Executive Director shall determine, within the framework of the approved programmes of work and budget, the rates of salary to be paid to personnel specifically engaged for Council sessions, conferences and other short-term services, to consultants and to technical assistance experts.

Regulation 2.6

The Executive Director may grant a non-resident allowance to staff members in the general service category who have been recruited from outside Japan. This is envisaged only in exceptional circumstances when staff cannot be recruited locally.

Regulation 2.7

In order to maintain standards of living, members of the staff in professional and higher categories shall receive cost-of-living payments in conformity with the prevailing post adjustment schedules of the United Nations.

Regulation 2.8

Staff members in professional and higher categories shall be entitled to receive dependency allowances in conformity with the prevailing dependency allowances schedule and related provisions of the United Nations. Such allowances are payable in respect of:

- (i) Each dependent child of a single, married, widowed or divorced staff member;

- (ii) Where there is no dependent spouse, a single annual allowance for either a dependent parent, a dependent brother or a dependent sister.

Regulation 2.9

Claims for dependency allowances shall be submitted annually in writing and supported by evidence satisfactory to the Executive Director. Staff members shall be responsible for reporting immediately to the Executive Director any change which affects the payment of the allowances during the year.

Regulation 2.10

A staff member who is internationally recruited and who is outside his/her home country shall be entitled to an education grant for his/her children and a staff member with disabled children shall be entitled to a special education grant for such children. These grants shall be in accordance with the prevailing United Nations schedule for such grants.

Regulation 2.11

Where a staff member is subject to national income taxation in respect of the salaries and emoluments paid to him/her by the Organization, the Executive Director is authorized on receiving proof of payment of such national taxation, to refund the amount of taxes paid and payable in respect of the ITTO income only. In making such refunds, the Executive Director will draw only on funds made available by the member concerned for the specific purpose. The Executive Director is authorized to conclude arrangements with members to obtain such funds; such arrangements will be reported to the Council. In the absence of other arrangements, the amount of these funds will normally be equal to the member's share under the UN staff assessment- formula.

Rule 201

Definition of Dependency

(a) A dependent spouse shall be a spouse whose annual occupational earnings, if any, during the calendar year considered do not exceed the lowest entry salary level of the United Nations general service salary scale in effect in Japan.

(b) For purposes of the Staff Regulations and the Staff Rules a "child" shall be the unmarried child of a staff member, under the age of 18 years, or if the child is in full-time attendance at a school or university, or similar educational institution, under the age of 21 years. If the child is totally and permanently disabled, the requirements as to school attendance and age shall be waived.

(c) For the purpose of the dependency allowance a child shall be recognized as dependent when the staff member provides continuing support and submits a claim certifying this; provided that, where divorce has occurred and the child does not reside with the staff member, or if the child is married, dependency allowance will be payable only where the staff member submits satisfactory documentary evidence that he has assumed responsibility for the main and continuing support of the child.

(d) A dependent parent, dependent brother or dependent sister shall be a parent, unmarried brother or unmarried sister of whose financial support the staff member provides one half or more, and in any case at least twice the amount of the dependency allowance; provided that the brother or sister is under the age of 18 years, or, if in full-time attendance at a school or university, or similar educational institution, under the age of 21 years. If the brother or sister is totally and permanently disabled, the requirements as to school attendance and age shall be waived.

Rule 202

Salary Increments

- (a) Annual salary increments shall be effective from the first day following the date on which

the service requirements are completed.

(b) A salary increment may be deferred within an incremental period, or withheld, if service or conduct is unsatisfactory. The staff member involved shall be so informed by the Executive Director.

(c) Satisfactory service for the purpose of awarding a salary increment shall be defined as satisfactory performance and conduct of staff members in their assignments as evaluated by their supervisors.

Rule 203

Salary Policy in Promotions

Staff Members receiving promotions shall be paid in accordance with the following provisions:

- (i) During the first year following promotion a staff member in continuous service shall receive in salary the amount of two full steps in the level to which the staff member has been promoted more than he or she would have received without promotion except where promotion to the lowest step of the level yields a greater amount. The step rate and date of salary increment in the higher salary level shall be adjusted to achieve this end.
- (ii) When, on promotion, a staff member becomes ineligible for payment of non-resident allowance and/or language allowance which he or she has formerly been receiving, the amount the staff member has been receiving for these allowances shall be added to his or her salary before promotion to establish the step rate and date of next salary increment under (i) above.

Rule 204

Overtime and Compensatory Time Off

(a) Compensatory time off or additional payment under conditions established by the Executive Director shall be given to staff members in the general service category who are required to work:

- (i) in excess of eight hours in a day;
- (ii) on Saturday or Sunday when these days are not part of the scheduled work week; or
- (iii) on official holidays

(b) Compensation for overtime work shall be computed to the nearest half-hour. Less than half an hour on any day during the scheduled work week shall not be considered.

(c) Overtime compensation shall be made at the rate of one-and-a-half times the staff member's hourly basic salary for overtime performed during the scheduled work week or on Saturdays and at the rate of twice the staff member's hourly basic salary on Sunday or on an official holiday.

Rule 205

Allowance for Non-Residents

(a) Staff members in the general service category, who have been recruited from outside Japan may receive a non-resident allowance in accordance with prevailing United Nations rules and scales provided that in no case shall the allowance be paid to a staff member who has Japanese nationality.

(b) The non-resident allowance shall be taken into account in determining Provident Fund, medical, and group insurance contributions; overtime compensation; and payments and indemnities on separation.

(c) Non-resident allowance will not normally be paid to a staff member who, at the time of appointment

- (i) is living in Japan;
- (ii) is the spouse of any person covered by (i).

(d) Entitlement to a non-resident allowance will cease in the case of a staff member who:

- (i) changes his/her residential status in such a way that he/she may, in the opinion of the Executive Director, be deemed to be a permanent resident of Japan.
- (ii) marries a spouse who himself/herself would be regarded as resident (if appointed), unless he/she would be regarded as a dependent spouse under the Rules;
- (iii) marries an ITTO staff member in the Professional or higher categories (or an official in comparable "international status" outside, for example in a diplomatic mission);
- (iv) marries another ITTO staff member with non-resident allowance. In this case, the allowance will be continued for the staff member who is regarded as the "head of the family".

Rule 206

Language Allowance

(a) A staff member in the general service category shall be paid a language allowance in accordance with prevailing United Nations' rules and rates if he/she passes a test, prescribed for this purpose, in any language of the Organization other than the language or the languages in which he/she is required to be proficient by the terms of his/her appointment. No staff member shall be paid a language allowance for more than two official languages of the Organization. Further tests at intervals of not less than five years will be required in order to demonstrate their continued proficiency.

(b) The language allowance shall be taken into account in determining the contributions to the Provident Fund.

Rule 207

Deductions and Contributions

(a) There shall be deducted, each pay period, from the total payments to each staff member:

- (i) staff assessment, at the rates and subject to the conditions prescribed in Staff Regulation 2.3;
- (ii) contributions to the Provident Fund, based on the staff member's pensionable remuneration as defined by the United Nations.

(b) Deductions from salaries, wages and other emoluments may also be made for the following purposes:

- (i) for contributions, other than to the Provident Fund, for which provision is made under these Rules;
- (ii) for indebtedness to the Organization;

- (iii) for indebtedness to third parties when any deduction for this purpose is authorized by the Executive Director and agreed to by the staff member.

Rule 208

Education Grant

- (a) For the purpose of this rule:

- (i) "child" means an unmarried child of a staff member who is dependent upon the staff member for continuing support. "Disabled child" means a child who is unable, by reasons of physical or mental disability, to attend a normal educational institution and therefore requires special teaching or training to prepare him or her for full integration into society or, while attending a normal educational institution, requires special teaching or training to assist him or her in overcoming the disability.
- (ii) "home country" means the country of home leave of the staff member under the Rule 403. If both parents are eligible staff members, "home country" means the country of home leave of either parent.
- (iii) "duty station" means the country, or area within commuting distance notwithstanding national boundaries, where the staff member is serving.

(b) A staff member, who is regarded as an international recruit, and whose duty station is outside his/her home country, shall be entitled to an education grant in respect of each dependent child in full-time attendance at a school, university or similar educational institution. The grant shall not, however, be payable in respect of:

- (i) attendance at kindergarten or nursery school at the preparatory level;
 - (ii) attendance at a free school or one charging only nominal fees or a university in the country or area of the duty station;
 - (iii) correspondence courses, except those which, in the opinion of the Executive Director, are the best available at the duty station;
 - (iv) private tuition, except tuition in a language of the home country at duty stations where satisfactory school facilities for learning that language are not available; or
 - (v) vocational training or apprenticeships which either do not involve full-time schooling or which the child receives payment for services rendered.
- (c) (i) The grant shall be payable up to the end of the school year in which the child completes four y of post-secondary studies or is awarded the first recognized degree, whichever is the earlier;
 - (ii) the grant will not normally be payable beyond the school year in which the child reaches the age of 25 years. If the child's education is interrupted for at least one school year by national service, illness or other compelling reasons, the period of eligibility shall be extended by the period of interruption.

(d) The amount of the grant shall be in conformity with the prevailing rules and scales of the United Nations.

(e) A staff member to whom an education grant is payable in respect of his or her child's attendance at an educational institution shall be entitled to travel expenses for the child of one return journey each scholastic year between the educational institution and the duty station, provided that:

- (i) such travel expenses shall not be paid if the requested journey is unreasonable, either because of its timing in relation to other authorized travel of the staff member or his dependents, or because of the brevity of the visit in relation to the expense involved;
 - (ii) where attendance is for less than two-thirds of the school year, travel expenses shall not normally be payable;
 - (iii) transportation expenses shall not normally exceed the cost of a journey between the staff member's home country and the duty station.
- (f) The Executive Director will decide in each case whether the education grant shall be paid for tuition of the mother tongue.
- (g) Claims for education grant shall be submitted in writing and supported by evidence satisfactory to the Executive Director.
- (h) A special education grant for disabled children shall be available to staff members of all categories, regardless of whether they are serving in their home country, provided that they have appointments of one year or longer or have completed one year of continuous service. The amount of the grant shall be in conformity with the prevailing rules and scales of the United Nations.

Rule 209

Assignment Allowance

Subject to the provision of Rule 619, an assignment allowance shall be paid to a staff member in the professional category and above who is appointed or assigned to a duty station outside his or her home country for a specified period of service under circumstances, and at scales, equal to those provided for in the relevant United Nations Staff Regulations and Staff Rules.

3. RECRUITMENT AND APPOINTMENT

Regulation 3.1

Except where expressly provided for in the International Tropical Timber Agreement, 1983 (ITTA) or succeeding Agreements, or as might be otherwise determined by the Council, the Executive Director shall appoint the staff. Upon appointment (or notification of promotion) each staff member shall receive a letter of appointment (or notification of promotion) in accordance with the provisions of these Regulations and Rules.

Regulation 3.2

The paramount consideration in the appointment, transfer or promotion of the staff shall be the necessity for securing the highest standards of efficiency, competence and integrity. Due regard shall be paid to the importance of recruiting the staff on as wide a geographical basis as possible from among member countries.

Subject to the provisions of the preceding paragraph and without prejudice to the recruitment of fresh talent at all levels, the fullest regard shall be given, in filling vacancies, to the requisite qualifications and experience of persons already in the service of the Organization. Staff members shall have a working knowledge of at least one of the languages of the Organization in addition to their mother tongue.

Regulation 3.3

Staff members shall be granted either permanent or temporary appointments under such terms and conditions consistent with these Regulations and Rules as the Executive Director may prescribe.

Regulation 3.4

Selection of staff members shall be made without distinction as to race, sex or religion. So far as is practicable, selection shall be made on a competitive basis.

Regulation 3.5

The Executive Director shall prescribe which staff members are eligible for permanent appointments. Permanent appointment to the staff of the Organization shall normally be subject to a probationary period of two years. In exceptional circumstances, the period of probationary service may be reduced or extended for not more than one additional year. At the end of this period the member shall be granted a permanent appointment or be separated from the service.

Regulation 3.6

Temporary appointments, having an expiration date specified in the letters of appointment, may be granted for a period not exceeding two years. Temporary appointments do not carry any expectancy of renewal or conversion to any other type of appointment.

Regulation 3.7

Appointments shall be subject to a satisfactory medical examination. Staff members may be required from time to time to undergo further medical examination. These medical examinations shall be at the expense of the Organization.

Regulation 3.8

Part-time staff may be hired within limits set by the Council.

Rule 301

Local Recruitment

Staff members who at the time of recruitment are permanently resident in Japan and those recruited to serve in posts in the general service category, whatever their residential status at the time of recruitment, shall be regarded for purpose of these Regulations and Rules as locally recruited.

Rule 302

International Recruitment

Staff members other than those regarded under Rule 301 as having been locally recruited shall be considered as having been internationally recruited. The allowances and benefits in general available to internationally recruited staff members include payment of travel expenses upon initial appointment and on separation for themselves and their dependents, installation grant, education grant, home leave, repatriation grant and removal of household effects and any other United Nations allowances and benefits granted to internationally recruited staff members.

Rule 303

Letters of Appointment

(a) The letter of appointment granted to every staff member shall contain expressly or by reference all the terms and conditions of employment.

(b) The letter of appointment shall state:

- (i) that the appointment is subject to the provisions of the Staff Regulations and Staff Rules applicable to the grade of appointment in question and to changes which may be duly made in such Regulations and Rules from time to time;
- (ii) the nature of the appointment;
- (iii) the date at which the staff member is required to enter upon his/her duties;
- (iv) the periods of appointment and of probation, if any, and the notice required to terminate the appointment;
- (v) the grade, level, commencing rate of salary and, if increments are allowable, the scale of increments and the maximum attainable;
- (vi) any special conditions which may be applicable.

(c) A copy of the International Tropical Timber Agreement, 1983 (ITTA) or succeeding Agreement and the Staff Regulations and Staff Rules shall be transmitted to the staff member with the letter of appointment. In accepting appointment, the staff member shall state in writing that he/she has been made acquainted with and accepts the conditions laid down in the Staff Regulations and Staff Rules.

Rule 304

Effective Date of Appointment

(a) The appointment of every locally recruited staff member shall take effect from the date on which he/she starts to perform his/her duties.

(b) The appointment of every staff member internationally recruited shall take effect from the date on which he/she enters into official travel status to assume his/her duties or, if no official travel is involved, from the date on which he/she starts to perform his/her duties.

Rule 305

Notification by Staff Members and Obligation to Supply Information

(a) Staff members shall be responsible on appointment for supplying the Executive Director with whatever information may be required for the purpose of determining their status under the Staff Regulations and Rules, or of completing administrative arrangements in connection with their appointments.

(b) Staff members shall also be responsible for promptly notifying the Executive Director, in writing, of any subsequent changes affecting their status under the Staff Regulations and Rules.

(c) A Staff member who intends to acquire permanent residential status in any country other than that of his/her nationality, or who intends to change his/her nationality, shall notify the Executive Director of that intention before the change of his/her residential status or in his/her nationality becomes final.

(d) A Staff member who is arrested, charged with an offence other than a minor traffic violation, or summoned before a court as a defendant in a criminal proceeding, or convicted, fined or imprisoned for any offence other than a minor traffic violation, shall immediately report the fact to the Executive Director.

(e) A Staff member may at any time be required by the Executive Director to supply information concerning facts anterior to his/her appointment and relevant to his/her suitability, or concerning facts relevant to his/her integrity, conduct and service as a staff member.

Rule 306

Nationality

(a) In the application of these Staff Regulations and Staff Rules, the Organization shall not recognize more than one nationality for each staff member.

(b) When a staff member has been legally accorded nationality status by more than one state, the staff member's nationality for the purpose of the Staff Regulations and Rules shall be the nationality of the State with which the staff member is, in the opinion of the Executive Director, most closely associated.

Rule 307

Family Relationships

(a) Except where another person equally well qualified cannot be recruited, a permanent appointment shall not be granted to a person who bears any of the following relationships to a staff member husband, wife, father, mother, son, daughter, brother or sister.

(b) Staff members who bear any of the relationships specified in (a) above shall not be assigned to serve in a post which is superior or subordinate to the other in the line of authority, and shall disqualify himself or herself from participating in the process of reaching or reviewing an administrative decision affecting the status or entitlements of the staff member to whom he or she is related.

(c) The marriage of one staff member to another shall not affect the contractual status of either spouse but their entitlements and other benefits shall be modified as provided in the relevant Staff Regulations and Rules; their appointment status shall not, however, be affected.

Rule 308

Relations with Members of the Council and its Committees

- (a) No member of the staff shall canvass any member of the Council or of the Council's committees and subsidiary bodies with regard to his or her salary or any conditions of employment.
- (b) Applicants for employment shall be informed that such canvassing is not permitted.

4. ANNUAL, HOME AND SPECIAL LEAVE

Regulation 4.1

Staff members shall be allowed appropriate annual leave.

Special leave may be authorized by the Executive Director in exceptional cases.

Regulation 4.2

Eligible staff members shall be granted home leave once in every two years.

Rule 401

Annual Leave

(a) A staff member shall accrue annual leave while in full pay status at the rate of 30 working days a year or 2 1/2 working days per month.

(b) Annual leave may be accumulated provided that not more than 60 working days of such leave shall be carried forward beyond 1 January of any year.

(c) The leave year for each member of the staff for annual leave is the period of 12 months beginning on the date when employment with the Organization begins.

(d) Annual leave for any employee leaving the service of the Organization is calculated in proportion to the period of service during the leave year and, where necessary, a proportionate amount of salary or wages will be refundable to the Organization or, conversely, payable to the employee.

(e) Any absence from duty not specifically covered by other provisions in these Regulations shall be charged to the staff member's accrued annual leave, if any if the staff member has no accrued annual leave, it shall be considered unauthorized, and pay and allowances shall cease for the period of such absence.

(f) All arrangements as to annual leave shall be subject to the exigencies of the service, which may require that annual leave be taken by a staff member during a period designated by the Executive Director. Annual leave may be taken only when authorized, but the personal circumstances and preferences of the individual staff member shall, as far as possible, be considered.

Rule 402

Special Leave

(a) Special leave without pay may be granted for advanced study or research in the interest of the Organization, or in cases of extended illness or for other important reasons for such period as the Executive Director may prescribe.

(b) Staff members shall not accrue service credits toward sick, annual, home and maternity leave, salary increment, termination indemnity and repatriation grant during full months of leave without pay. Periods of less than one calendar month of such leave shall not affect the ordinary rates of accrual; nor shall continuity of service be considered broken by periods of special leave.

Rule 403

Home leave

(a) Staff members other than those considered as local recruits shall be entitled once in

every two years of qualifying service to visit their home country, at the expenses of the Organization, for the purpose of spending in that country a substantial part of their annual leave.

(b) A staff member shall be eligible for home leave provided his/her service is expected by the Executive Director to continue at least six months beyond the date of his/her return from any proposed home leave.

(c) The country of home leave shall be the country of nationality of the staff member subject to the following terms, conditions and exceptions

- (i) The place of home leave of the staff member within his/her home country shall be, for purposes of travel and transportation entitlements, the place with which the staff member had the closest residential ties during the period of his/her most recent residence in his/her home country preceding appointment.
- (ii) The Executive Director, in exceptional and compelling circumstances, may authorize as the home country, for the purposes of this Rule, a country other than the country of nationality. A staff member requesting such authorization will be required to satisfy the Executive Director that he/she maintained his/her normal residence in such other country for a prolonged period preceding his/her appointment, that he/she continues to have close family or personal ties in that country and that his/her taking home leave there would not be inconsistent with the purposes and intent of this Rule. Such exceptional authorization should normally be made at the time of appointment.

(d) Home leave for an eligible staff member shall fall due for the first time after completion of two years of qualifying service.

(e) Home leave may be taken, subject to the exigencies of the service, at any time during the period of 12 months after it falls due.

(f) If, except as provided hereunder, a staff member delays taking his/her home leave beyond the period in which it falls due, he/she shall not be entitled to take his/her next such leave until the second succeeding year thereafter. Should, however, the Executive Director decide that exceptional circumstances, arising out of exigencies of service, make it necessary for a staff member's home leave to be delayed beyond the period in which it falls due, such delayed leave may be taken without altering the time of his/her next and succeeding home leave entitlements provided that not less than 12 months of qualifying service elapse between the date of the staff member's return from the delayed home leave and the date of his/her next home leave departure.

(g) A staff member may be required to take his/her leave in conjunction with travel on official business, due regard being paid to the interest of the staff member and his/her family.

(h) Subject, to the conditions specified in Section 6 of these Regulations, a staff member shall be entitled to claim, in respect of authorized travel on home leave, travel time and expenses for himself/herself and eligible dependents (as defined in Rule 604) for the outward and return journeys between Yokohama and the place of residence in his/her home country.

(i) The Executive Director may request a staff member, on his/her return from home leave, to furnish satisfactory evidence that he/she has spent a substantial period of leave in his/her home country.

5. SOCIAL SECURITY

Regulation 5.1

Provision shall be made for the establishment and operation of a Provident Fund with the joint participation of the Organization and staff members, the contributions to the Provident Fund by the staff member and by the Organization shall be the percentage rates of the staff member's pensionable salary set by the UN Joint Staff Pension Fund (UNJSPF).

Regulation 5.2

The Executive Director with the approval of the Council shall establish a scheme of social security for the staff, including provisions for sick leave and maternity leave and shall make arrangements to provide the staff with adequate accident and health insurance.

Regulation 5.3

Notwithstanding Regulations 5.1 and 5.2, the staff members who are nationals of or permanently resident in Japan shall participate in the Japanese social security scheme and the Executive Director shall make necessary arrangements, including payment of compulsory contributions by the Organization, as required under such scheme. Such staff members also participate in the Provident Fund and their contribution to the Provident Fund will be the percentage rate of the Organization's contribution to the Fund less the compulsory contribution to the Japanese social security scheme.

Rule 501

Provident Fund

- (a) All staff members shall participate in the Provident Fund which shall consist of:
 - (i) a contribution by the staff member and a contribution to be made by the Organization, both at the percentage rates set by the United Nations Joint Staff Pension Fund (UNJSPF); except for staff members who are nationals of Japan or permanently resident in Japan, whose contribution will be the Organization's contribution at the percentage rates set by the United Nations Joint Staff Pension Fund (UNJSPF) less the contribution on the part of the Organization to the Japanese Social Security Plan in respect of such staff members;
 - (ii) the interest accrued from the investment of the above contributions
- (b) Payment of contributions to the Fund shall be effected monthly.
- (c) The administration, investment and control of the Fund is the responsibility of the Executive Director who shall have the assistance of professional money management advisers.
- (d) The staff member's share in the Provident Fund shall be payable to him/her upon separation of the staff member from the Organization or to his/her beneficiary on his/her death, except that a staff member who leaves the Organization before he/she has completed one year's service for other than health reasons shall be entitled only to that part of the fund contributed by himself/herself plus the interest accruing therefrom, if any. In that case, the Organization's contribution plus interest, if any, shall revert to the Administrative Account of the Organization. **The Organization's contribution plus interest may also be withheld at the discretion of the Executive Director in the case of summary dismissal.**
- (e) The final date used for the calculation of payment of the staff member's share in the Provident Fund shall be determined by application of Rule 705.
- (f) The auditing of the Provident Fund shall be carried out in conjunction with the annual

auditing of the Administrative Account of the Organization.

Rule 502

Sick Leave

Staff members who are prevented from the performance of their duties by illness or injury or whose attendance is prevented by public health requirements will be granted sick leave in accordance with the following provisions

(a) All sick leave must be approved on behalf of the Executive Director.

(b) A staff member holding a temporary appointment of less than one year shall be granted sick leave credit at the rate of two working days per month of service for the duration of his employment, with a minimum credit of five days.

(c) A staff member holding a probationary appointment of one year or longer but less than three years shall be granted sick leave of up to three months on full salary and three months on half salary in any period of twelve consecutive months.

(d) A staff member holding a permanent appointment or who has completed three years of continuous service shall be granted sick leave up to a maximum of up to nine months on full salary and nine months on half salary in any period of four consecutive years.

(e) A staff member absent for more than two consecutive working days on ground of sickness shall forward to the Executive Director (not later than the third day after the beginning of the absence) a doctor's certificate of sickness. Where absence is longer than five consecutive working days, the member of the staff shall forward to the Executive Director, at weekly intervals, a doctor's certificate of inability to resume work. Non-working days which intervene between working days do not interrupt the consecutive sequence.

(f) No more than seven day's uncertified sick leave will be allowed in any twelve months of employment. Part or all of this entitlement may be used to attend to family-related emergencies, or for paternity leave in case of birth or adoption of a child, in which case the limitation of three consecutive working days shall not apply.

(g) All uncertified sick leave under Rule 502 (f) shall be counted as part of the total sick leave on full pay in Rule 502 (b), (c) and (d).

Rule 503

Maternity Leave

(a) A staff member who will have served continuously for one year at the anticipated time of confinement shall be entitled to maternity leave in accordance with the following provisions:

- (i) The leave shall commence six weeks prior to the anticipated date of confinement upon production of a certificate of a duly qualified medical practitioner indicating the anticipated date of confinement;
- (ii) The leave shall extend for a total period of sixteen weeks from the time it is granted. The post-confinement leave shall therefore extend to a period equivalent to sixteen weeks less the period between the commencement of the maternity leave to the actual date of confinement, subject to a maximum of ten weeks;
- (iii) The staff member shall be given full pay during maternity leave for the entire duration of her absence in accordance with the provisions of sub-paragraph (i) and (ii) above. No miscalculation on the part of the doctor or midwife as to the date of the confinement shall prevent the staff member from receiving full pay to the actual date of confinement.

- (iv) Return to duty after maternity leave shall be approved by the Executive Director on the basis of a medical certificate
- (b) Subject to conditions established by the Executive Director, a staff member shall be entitled to paternity leave in accordance with the following provisions:
 - (i) The leave shall be granted for a total period of up to four weeks. In exceptional circumstances, leave shall be granted for a total period of up to eight weeks;
 - (ii) The leave may be taken either continuously or in separate periods during the one-year period following the birth of the child, provided it is completed during that year.
 - (iii) The staff member shall receive paternity leave with full pay for the entire duration of his absence.
- (c) Sick leave shall not normally be granted in conjunction with maternity leave and paternity leave, except in the case of maternity leave when serious complications arise.
- (d) Annual leave shall accrue during the period of maternity leave and paternity leave, provided that the staff member returns to service for at least 6 months after the completion of such leave.

Rule 504

Accident and Health Insurance

- (a) The Organization shall provide staff members with:
 - (i) an insurance scheme to compensate staff members in the event of death, injury or illness attributable to the performance of official duties on behalf of the Organization; and
 - (ii) a health insurance scheme.
- (b) The premium for the scheme mentioned under (i) above shall be borne by the Organization.
- (c) The premium for the scheme mentioned under (ii) above shall be subsidized by the Organization at a percentage proposed by the Executive Director for the approval of the Council.

Rule 505

Compensation for Loss or Damage to Personal Effects Attributable to Service

Staff members shall be entitled, within the limits and under the terms and conditions established by the Executive Director, to reasonable compensation in the event of loss or damage to their personal effects determined to be directly attributable to the performance of official duties on behalf of the Organization.

6. TRAVEL AND REMOVAL EXPENSES

Regulation 6.1

Subject to the conditions and definitions prescribed by the Executive Director, the Organization shall, in appropriate cases, pay the travel expenses of staff members and their dependents.

Regulation 6.2

Subject to the conditions and definitions prescribed by the Executive Director, the Organization shall pay removal costs for staff members.

Rule 601

Official Travel of Staff Members

(a) Subject to the conditions laid down in these Rules, the Organization shall pay the travel expenses of a staff member in the following circumstances:

- (i) on initial appointment and on separation from the service for staff recruited internationally;
- (ii) when required to travel on official business;
- (iii) on home leave, in accordance with the provisions of Rule 403;
- (iv) on travel authorized for medical or security reasons or in other appropriate cases, when, in the opinion of the Executive Director, there are compelling reasons for paying such expenses.

(b) The Organization shall pay the travel expenses of a staff member to the place from which he/she was recruited or to the place recognized as his/her home.

Rule 602

Official Travel of Dependents

(a) Subject to the conditions laid down in these Rules, the Organization shall pay the travel expenses of eligible dependents of a staff member recruited internationally in the following circumstances:

- (i) on initial appointment for at least one year;
- (ii) on separation from the service, provided he/she has completed not less than one year of continuous service or earlier if his/her services are terminated by the Organization;
- (iii) on home leave;
- (iv) on journeys approved in connection with the education of a staff member's child;
- (v) on travel authorized for medical or security reasons or in other appropriate cases, when, in the opinion of the Executive Director, there are compelling reasons for paying such expenses.

(b) The Organization shall pay the travel expenses of the eligible dependents of a staff member either from the place of recruitment or from the place recognized as his/her home for the purpose of these Rules. Should a staff member wish to bring any eligible dependents to his/her official duty station from any other place, the travel expenses borne by the Organization shall not exceed the

maximum amount which would have been payable on the basis of travel from the place of recruitment.

Rule 603

Loss of Entitlement to Return Transportation

(a) A staff member who resigns before completing one year of service or within six months following the date of his/her return from travel on home leave shall not normally be entitled to payment of return travel expenses for himself/herself or his/her dependents. The Executive Director may, however, authorize such payments if there are compelling reasons for so doing.

(b) A staff member who resigns in order to take up another appointment within Japan shall not normally be entitled to payment of return travel expenses for himself/herself or his/her eligible dependents.

(c) Entitlement to return travel and removal expenses shall cease if travel has not commenced within six months after the date of separation, except where otherwise approved by the Executive Director.

Rule 604

Eligible Dependents

Dependents, for the purpose of official travel and for home leave, shall be deemed to comprise a spouse and children in respect of whom a dependency allowance is payable. A son or daughter of more than 21 years of age may also be considered a dependent for travel purposes if totally disabled.

Rule 605

Authority for Travel

Before travel is undertaken, it shall be authorized in writing by the Executive Director. In exceptional cases, staff members may be authorized to travel on oral orders but such oral authorization shall require written confirmation. A staff member shall be personally responsible for ascertaining that he/she has the proper authorization before commencing travel.

Rule 606 Travel Expenses

(a) Travel expenses which shall be paid or reimbursed by the Organization under the relevant provisions of this Section shall include:

- (i) Transportation expenses i.e. carrier fare (Rules 607, 608 and 609)
- (ii) Terminal expenses (Rule 610)
- (iii) Expenses while in transit (Rule 611)
- (iv) Travel subsistence allowance (Rule 612)
- (v) Miscellaneous travel expenses (Rule 614)

In instances where the Executive Director prescribes the use of all-inclusive per diem rates, the per diem rate employed shall be the prevailing United Nations rate for the particular city, country or region.

(b) Staff members shall exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business.

Rule 606

Travel Expenses

(a) Travel expenses which shall be paid or reimbursed by the Organization under the relevant provisions of this Section shall include

- (i) Transportation expenses i.e. carrier fare (Rules 607, 608 and 609)
- (ii) Terminal expenses (Rule 610)
- (iii) Expenses while in transit (Rule 611)
- (iv) Travel subsistence allowance (Rule 612)
- (v) Miscellaneous travel expenses (Rule 614)

In instances where the Executive Director prescribes the use of all-inclusive per diem rates, the per diem rate employed shall be the prevailing United Nations rate for the particular city, country or region.

(b) Staff members shall exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business.

Rule 607

Route, Mode and Standard of Transportation

(a) Official travel shall in all instances be by a route, mode and standard of transportation approved in advance by the Executive Director.

(b) Travel expenses or other entitlements, including travel time, shall be limited to the amount allowable for a journey by the approved route, mode and standard. Staff members who wish to make other arrangements for personal convenience must obtain permission to do so in advance and pay all additional costs.

(c) Travel shall be by the most direct and economical route and mode of transportation unless it is established, to the satisfaction of the Executive Director, that the use of an alternative route or mode of transportation is in the best interests of the Organization.

Rule 608

Standard of Travel Accommodation

For official travel, travel accommodation shall be provided in accordance with the following general standards:

(a) For all official travel by air, staff members and their eligible family members shall be provided with economy class accommodation or its equivalent, except the Executive Director and his family members, other than on travel in connection with an education grant under Rule 208, who shall be provided with first class accommodation when the duration of a particular flight exceeds nine hours (by the most direct and economical route), including scheduled stops for such purposes as change of planes or refueling, but excluding travel time to and from airports.

(b) When approved travel is by train, staff members and their family members shall be provided with regular first class or equivalent accommodation, including sleeper and other facilities, as appropriate.

(c) Subject to prior permission by the Executive Director, the use of a private car may be

allowed, provided that the expenses claimed do not exceed those which would otherwise apply. Staff members who are authorized to travel by private car shall be reimbursed by the Organization at prevailing United Nations rates for the use of private cars or, in the absence of United Nations rates, reimbursement shall be made under conditions established by the Executive Director.

(d) First class sea travel may be chosen by staff members in lieu of air travel, provided the Organization does not incur any additional expense thereby.

(e) If a staff member or family member travels by more economical accommodation than the approved standard, the Organization shall only pay for accommodation actually used at the rate paid by the traveler.

Rule 609

Purchase of Tickets

(a) Unless the staff member concerned is specifically authorized to make other arrangements, all tickets for transportation involving official travel of staff members and entitled dependents shall be purchased by the Organization in advance of the actual travel or, where circumstances so require, shall be secured by the staff member.

(b) When a staff member requests a standard of transportation in excess of his entitlement under Rule 608 or is authorized to travel, for reasons of personal preference or convenience, by other than the approved route or mode of transportation under Rule 607, he/she shall be required to reimburse the Organization for any additional costs thus incurred.

Rule 610

Terminal Expenses

A staff member traveling to or from Headquarters may claim for himself/herself and for each dependant reimbursement of terminal expenses incurred for each authorized outward or return journey and for each authorized intermediate stop in accordance with the prevailing United Nations rules. Terminal expenses shall be deemed to include all expenditures incurred for the means of public conveyance between the airport or other point of arrival or departure and the hotel or other place of dwelling, including transfer of accompanied baggage and other related incidental charges.

Rule 611

Expenses while in Transit

Full travel subsistence allowance shall be payable for the time spent in transit, subject to the conditions laid down in Rules 607 and 608 and provided that in the case of travel other than on official business a maximum of three day's travel time shall be allowed in respect of any specific journey.

Rule 612

Travel Subsistence Allowance

(a) When a staff member is authorized to travel at the expense of the Organization, he/she shall receive the per diem subsistence allowance according to the prevailing United Nations schedule for per diem travel allowance. Where there is no prevailing United Nations per diem allowance or where the Executive Director considers there are special circumstances, actual reasonable expenses may be allowed subject to such conditions and limitations as the Executive Director may prescribe.

(b) Per diem travel subsistence shall be deemed to comprise the total contribution of the Organization towards such charges as meals, lodging, gratuities and other payments made for personal services rendered, except as provided for in Rule 614. Any expenditure incurred in excess of the allowance shall normally be borne by the staff member.

(c) The travel subsistence allowance shall continue to be paid during periods of sick leave while in travel status, except that, if the traveler is hospitalized, only one-third of the appropriate per diem rate shall be paid.

(d) Travel subsistence allowance shall not be paid in respect of any period of annual or special leave.

(e) When the spouse or dependent children of a staff member are authorized to travel at the Organization's expenses, the staff member shall be paid an additional travel subsistence allowance in respect of each of them at half the rate applicable to the staff member.

(f) Where travel at the Organization's expense is authorized for medical, security or other reasons under Rule 601 (iv) or Rule 602 (v), an appropriate amount of subsistence allowance may be paid at the discretion of the Executive Director.

Rule 613

Computation of Travel Subsistence Allowance

(a) Subsistence allowance shall be paid at the rates under the conditions prescribed in Rule 612 for each calendar day or fraction thereof exceeding twelve hours during which a staff member or his/her dependents are in official travel status, provided that a full day's allowance at the appropriate rate shall be paid for the day on which travel is commenced and, save at the discretion of the Executive Director, that no allowance shall be paid for the day on which the travel is concluded.

(b) No allowance shall be paid when a traveler returns to his/her official duty station within 10 hours after departure, and 40 per cent of the allowance shall be paid for a journey of 10 hours or more.

(c) Where travel is by sea, a full day's allowance at the appropriate rate shall be paid for the day of arrival at the port of disembarkation, provided the traveler remains in official travel status for more than 12 hours thereafter. No allowance shall be paid for the day on which embarkation takes place.

(d) When it is necessary, for the purposes of computing the amount of travel subsistence allowance payable, to specify the "hour of departure" and the "hour of arrival", these shall be considered as the time when the train, vessel or airplane used by the traveler actually leaves or arrives at its regular terminal.

Rule 614

Miscellaneous Travel Expenses

Necessary additional expenses, incurred by a staff member in connection with the transaction of official business or in the performance of authorized travel, shall be reimbursed by the Organization after completion of travel provided the necessity and nature of the expenses are satisfactorily explained and as far as practicable supported by proper receipts which shall normally be required for any expenditure in excess of US\$10. Such expenses, for which advance authorization shall be obtained to the extent practicable, shall normally be limited to:

- (i) hire of local transportation other than provided for under Rule 610;
- (ii) telephone, telegraph, radio and cable messages of official business;
- (iii) transfer of authorized baggage by rail or another appropriate agency;
- (iv) hire of room for official use;
- (v) stenographic or typing services or rental of typewriters in connection with the preparation of official reports or correspondence; and

- (vi) transportation or storage of baggage or property used on official business.

Rule 615

Installation Grant

(a) A staff member recruited from outside Japan, provided that his/her assignment is expected to be of at least one year's duration, shall be paid in respect of himself/herself and his/her eligible dependents an installation grant in the following conditions.

(b) The amount of the installation grant shall be the equivalent of 30 days of subsistence allowance at the appropriate daily rate applicable in accordance with the United Nations scale in respect of a staff member and at one half that rate in respect of a family member for whom travel expenses have been paid by the Organization. This amount shall be calculated on the basis of the rate prevailing on the date of the staff member's or the family member's arrival, as appropriate.

(c) Under the conditions established by the Executive Director, the limit of 30 days provided in paragraph (b) above may be extended up to a maximum of 90 days, subject to approval by the Council. The amount of the grant during the extended period shall be 60 per cent of the appropriate rate applicable to the initial period.

(d) In addition to any amount of grant paid at the daily rates under this rule, the payment of a lump sum may be authorized in accordance with conditions established by the United Nations. The lump sum presently is \$600 for the staff member and \$600 for each eligible family member who joins the staff member at the duty station, up to a maximum of \$2,400.

Rule 616

Excess Baggage and Unaccompanied Shipments

(a) Baggage in excess of the weight or volume carried without extra charge by transportation companies shall be considered as excess baggage within the meaning of these Regulations.

(b) Staff members traveling by air economy class or its equivalent shall be entitled to payment of excess baggage for themselves and their eligible family members to the extent of the difference between the free baggage allowance by first class and by economy class or its equivalent.

(c) Charges for excess baggage by air, other than those authorized under paragraph (b) above, shall not be reimbursable unless, in the opinion of the Executive Director, the circumstances under which the staff member is traveling are of a sufficiently exceptional and compelling nature to warrant such reimbursement.

(d) When the authorized travel is by air or by land, charges for unaccompanied shipment of personal baggage relating to travel on home leave, or education grant, may be reimbursed as follows:

- (i) Up to a maximum of 50 kg (110 lbs) or 0.31 cubic meters (11 cubic feet) by surface means per person in respect of each journey, except as provided in subparagraph (ii) below. At the request of the staff member, this entitlement may be converted to 10 additional kg of accompanied excess baggage or its equivalent as established by the Executive Director.
- (ii) For travel on education grant in regard to the first outward journey to, or the final return journey from, an educational institution up to a maximum of 200 kg (440 lbs) or 1.24 cubic meters (44 cubic feet) by surface means in respect of each journey.

(e) On travel on appointment, or separation from service, where entitlement to removal costs does exist under Rule 619, a staff member shall be paid expenses incurred in transporting a reasonable amount of personal effects and household goods, as an advance removal shipment, by the most economical means, as determined by the Executive Director, up to a maximum, including the weight or volume of packing and crating, but excluding crating and lift vans, of:

- (i) 450 kg (990 lb) or 2.80 cubic meters (99 cubic feet) for the staff member,
- (ii) 300 kg (660 lb) or 1.87 cubic meters (66 cubic feet) for the first family member, and
- (iii) 150 kg (330 lb) or 0.93 cubic meters (33 cubic feet) for each additional family member authorized to travel at the expense of the Organization. The weight or volume of any shipment under this paragraph shall be deducted from the maximum weight or volume to which the staff member is entitled under paragraph (e) of Rule 619.

(f) Where surface shipment under paragraphs (d) (ii), or (e) is the most economical means of transport, such shipment may be converted to air freight on the basis of one half of the weight or volume of the authorized surface entitlement:

- (i) When a staff member elects to convert the whole surface entitlement to air freight; or
- (ii) When, in the opinion of the Executive Director, the conversion to air freight of a portion of the surface entitlement is necessary to meet urgent needs.

(g) When the authorized travel is by air, the staff member may elect to convert the whole surface shipment relating to travel on home leave, or education grant under paragraph (d) (i) above, to air freight on the basis of the one-half rule. No costs for packing, crating, unpacking and uncrating will be paid, but reasonable costs will be paid for cartage of such air freight shipments.

Rule 617

Travel Advances

Staff members authorized to travel shall provide themselves with sufficient funds for all current expenses by securing an advance of funds if necessary. A reasonable advance of funds against the estimated reimbursable travel expenses may be made to a staff member or his dependents for authorized expenses.

Rule 618

Illness or Accident during Travel

The Organization shall pay or reimburse reasonable hospital and medical expenses, in so far as these are not covered by other arrangements, which may be incurred by staff members who become ill or are injured while in travel status on official business and will provide appropriate insurance coverage where necessary.

Rule 619

Removal Costs

(a) Subject to the conditions laid down in these Rules the Organization shall pay expenses in connection with the removal of the personal effects and household goods of staff members recruited internationally in the following circumstances:

- (i) on initial appointment;
- (ii) upon separation from the service, provided he/she has completed not less than two years of continuous service or earlier if his/her services are terminated by the Organization.

(b) The Organization shall pay the expenses of removing household goods and personal effects of a staff member either from the place of recruitment or from the place recognized as his/her home, provided that the goods and effects were in his/her possession at the time of appointment and are being transported for his/her own use. Payment of removal expenses from a place other than those specified may be authorized by the Executive Director in exceptional cases on such terms and conditions as he deems appropriate.

(c) The Organization shall pay the expenses of removing the household goods and personal effects of a staff member from his/her official duty station to the place to which he/she is entitled to be returned in accordance with the provisions of Rule 601 (b) provided the goods and effects were in the possession of the staff member at the time of separation and are being transported for his/her own use.

(d) For the purposes of this Rule, "personal effects" and "household goods" shall not include a motor vehicle.

(e) Payment by the Organization of removal expenses shall be regulated by the Executive Director subject to the following conditions:

- (i) the maximum weight and volume for which entitlement to removal at the Organization's expense exists shall be 4,890 kg (10,800 lbs) or 30.58 cubic meters (1,080 cubic feet), including the weight or volume packing but excluding crating and lift vans, for staff members without dependents, and 8,150 kg (18,000 lbs) or 50.97 cubic meters (1,800 cubic feet) for staff members with one or more dependents residing with them at their official duty station. Higher maxima may be set, however, in the case of a staff member with one or more dependents residing with him/her at his/her duty station, if the staff member presents convincing evidence that his/her normal and necessary household effects to be removed exceed those limits.
- (ii) storage charges other than those directly incidental to normal transportation expenses shall not normally be allowed;
- (iii) reasonable costs of packing, crating, cartage, unpacking and uncrating shall be allowed for shipments within the limits of authorized weight or volume, except that costs for servicing of appliances, dismantling or installation of fixtures or special packing will not be borne by the Organization.
- (iv) transportation shall be by the most economical means as determined by the Executive Director, taking into account costs allowable under the provisions of subparagraph (iii) above; and
- (v) the cost of insurance in transit of household goods and effects, excluding any articles of value for which special rates of premium are charged, shall be payable by the Organization up to a maximum valuation of US\$ 65,000 if the staff member is accompanied by a member or members of his/her family whose travel is authorized at the expense of the Organization or of US\$ 40,000 if he/she is not so accompanied. The Organization shall in no case be responsible for loss or damage.

Rule 620

Loss of Entitlement to Removal Expenses

(a) A staff member who resigns before completing two years of service shall not normally be entitled to payment of removal expenses.

(b) Entitlement to removal expenses shall cease when the staff member's services are not expected to continue for more than six months beyond the proposed date of arrival of the household

goods and effects.

(c) Entitlement to removal expenses on separation from service shall cease if removal has not commenced within one year after the date of separation.

7. SEPARATION FROM SERVICE

Regulation 7.1

(a) The Executive Director shall terminate the appointment of a staff member who holds a permanent appointment and whose probationary period has been completed if the necessities of the service require abolition of the post or reduction of the staff, if the service of the individual concerned proves unsatisfactory, or, if he/she is, for reasons of health, (subject to Rule 502), incapacitated for further service.

(b) The Executive Director may also, giving ~~his reasons~~ **reasoned justification therefore**, terminate the appointment of a staff member who holds a permanent appointment:

- (i) **If as a result of a review by a the Joint Disciplinary Committee established under Rule 801, the conduct of the staff member is found to** ~~indicates that the staff member does~~ not meet the highest standards of integrity required by the Organization.
- (ii) If facts anterior to the appointment of the staff member and relevant to his suitability come to light which, if they had been known at the time of his appointment, should have precluded his appointment.

(c) No termination under subparagraphs (i) and (ii) shall take place until the matter has been considered and reported on by the Joint Disciplinary Committee established under Rule 801.

Regulation 7.2

In the case of all other staff members, including staff members serving a probationary period for a permanent appointment, the Executive Director may at any time terminate the appointment, if, in his opinion, such action would be in the interest of the Organization.

Regulation 7.3

Staff members may resign from the Organization upon giving the Executive Director the notice required under the terms of their appointment.

Regulation 7.4

(a) Staff members shall normally not be retained in the service of the Organization beyond the age of 62 years and are expected to retire at that age. Earlier retirement consistent with the rules of the Provident Fund may be agreed between the Organization and the staff member.

(b) The Executive Director may recommend to the Council the retention of a member of the staff aged 62 or over if this would be in the interest of the Organization.

(c) The normal age of retirement shall not debar the Executive Director from appointing to the staff, for a fixed term, a person whose age would exceed the normal retirement age during the course of his/her appointment.

Regulation 7.5

If the Executive Director terminates an appointment, the staff member shall be given such notice and such indemnity payments as may be applicable under these Regulations and Rules. Payments of termination indemnity shall be made by the Executive Director in accordance with the rates and conditions specified by the United Nations.

Regulation 7.6

The Executive Director shall implement a scheme for the payment of repatriation grant within

the rates and under the conditions specified by the United Nations.

Rule 701

Definition of Termination

A termination within the meaning of these Regulations is a separation from service initiated by the Executive Director, other than retirement at the age of 62 years or more or summary dismissal for serious misconduct.

Rule 702

Notice of Termination

A staff member whose appointment is to be terminated shall be given written notice of such termination which, unless otherwise determined by the Council, shall be as follows:

- (i) Staff members in the professional and higher categories holding an appointment longer than one year: three months, and
- (ii) Staff members in the (1) general service category and (2) professional and higher categories holding an appointment less than one year: 30 days.

Alternatively, the Executive Director may terminate an appointment with immediate effect provided the staff member is paid the equivalent of the salary and any allowances due for the period of the notice.

Rule 703

Resignations

(a) A resignation, within the meaning of these Regulations and Rules, is a separation initiated by the staff member.

(b) Unless otherwise specified in their letters of appointment, written notice of resignation shall be given by staff members as follows:

- (i) Staff members in the professional and higher categories holding an appointment longer than one year: three months, and
- (ii) Staff members in the (1) general service category and (2) professional and higher categories holding an appointment less than one year: 30 days.

The Executive Director may, however, accept resignations on shorter notice.

(c) The Executive Director may require the resignation to be submitted in person in order to be acceptable.

Rule 704

Computation of Earned Annual Leave

If upon separation a staff member has earned annual leave, he/she shall be paid in lieu thereof a sum of money equivalent to his/her salary and any allowances for the period of such earned leave up to a maximum of 60 working days. Conversely, if separation takes place at a date during the leave year when the staff member has exceeded his/her annual or sick leave entitlement up to the date of separation, a proportionate sum of money equivalent to the salary and allowances for the period of such excess leave will be refundable to the Organization through cash refund or deduction from any salary and allowances due.

Rule 705

Last Day for Pay Purposes

When a staff member is separated from the service, the date on which entitlement to salary and allowances shall cease shall be determined according the following provisions:

- (i) upon resignation, the date shall be the date of expiration of the notice period or such earlier date as the Executive Director accepts;
- (ii) upon retirement, the date shall be the date approved by the Executive Director;
- (iii) upon termination, the date shall be the date provided in the notice of termination;
- (iv) in the case of summary dismissal, the date shall be the date of dismissal;
- (v) In the case of death, the date on which entitlement to salary and allowances shall cease shall be the date of death, unless there is a surviving spouse or dependent child. In this event, the date and payment amount shall be determined and calculated in conformity with the prevailing rules and scales of the United Nations. Payment related to the period of extension beyond the date of death shall be made in lump sum as soon as the pay accounts and related matters can be closed. Such payment shall be made only to the surviving spouse or dependent children;
- (vi) When an internationally recruited staff member is exercising an entitlement to return travel, the last day for pay purposes shall be the date established under (i) and (ii) above, or the estimated date of arrival at the place of entitlement, whichever is later. The estimated date of arrival shall be determined on the basis of the time it would take to travel without interruption by an approved route and mode of direct travel to the place of entitlement, the travel commencing not later than the day following the date established under this title.

Rule 706

Transportation of Decedents

Upon the death of a staff member or of his/her recognized dependant, the Organization shall pay the expenses of transportation of the body from his/her official duty station or, in the event of death occurring whilst in travel status, from the place of death to the place to which the staff member or his/her dependant was entitled to return transportation under Rule 601 or 602. These expenses shall include reasonable costs for preparation of the body. Where the deceased staff member is buried or cremated at the duty station, the Organization will pay reasonable expenses for the funeral or cremation.

Rule 707

Repatriation Grant

(a) A repatriation grant shall be payable to any internationally recruited staff member who, on leaving the Organization, otherwise than by summary dismissal or resignation to take up another appointment within the country of the duty station, has completed a minimum of one year's service outside his/her recognized home country.

(b) The amount of the grant shall be proportional to the length of service with the Organization in accordance with United Nations scales and conditions.

(c) Payment of repatriation grant shall be subject to the following conditions and definitions:

- (i) Obligation to repatriate shall mean the obligation to return a staff member and

his/her dependents, upon separation, at the expense of the Organization to his/her home country or place of recruitment.

- (ii) Home country shall mean the country of home leave entitlement under Rule 403.
- (iii) If at any time the staff member was considered to have acquired permanent residence in the country of his/her duty station and subsequently changed from such status, his/her continuous service will be deemed to have commenced at the time the change was made. Continuity of such service shall not be considered as broken by periods of special leave without pay or with partial pay, but full months of any such periods shall not be credited as service for the purpose of calculating the amount of the grant payable; periods of less than one calendar month shall not affect the ordinary rates of accrual.
- (iv) Payment of the repatriation grant shall be calculated in accordance with the United Nations scale and conditions.
- (v) No payments shall be made to a staff member who abandons his/her post, nor any staff member who is residing at the time of separation in his/her home country while performing his/her official duties.
- (vi) Dependents, for the purpose of the repatriation grant, shall consist of a spouse and children in respect of whom a staff member, at the time of separation is receiving a dependency allowance under Rule 201. The repatriation grant shall be paid at the dependency rate to staff members with dependents regardless of the place of residence of dependents.
- (vii) Loss of entitlement to payment of return travel expenses under Rule 603 shall not affect a staff member's eligibility for payment of the repatriation grant.
- (viii) In the event of the death of an eligible staff member, no payment shall be made unless there is a surviving spouse, or one or more dependent children whom the Organization is obliged to return to their home country. If there is one such surviving dependant payment shall be made at the single rate; if there are two or more such surviving dependents, payment shall be made at the dependency rate.

Rule 708

Termination Indemnity

(a) Staff members whose employment by the Organization is terminated, shall receive an indemnity determined in accordance with the United Nations schedule and scale.

(b) A staff member whose appointment is terminated for reasons of health shall receive an indemnity equal to the indemnity provided under paragraph (a) of this rule reduced by the amount of any disability benefit the staff member receives under the accident insurance scheme established under Rule 504 of these Rules.

(c) No termination indemnity shall be payable to:

- (i) a staff member who resigns;
- (ii) a staff member whose appointment is terminated for unsatisfactory services or who, for disciplinary reasons, is dismissed for misconduct or who is summarily dismissed;
- (iii) a staff member who is retired under the rules of the Provident Fund;
- (iv) a staff member who receives compensation for permanent total disability under the accident insurance scheme established under Rule 504 of these Rules; and

- (v) a staff member who has reached the end of his term of appointment.

Rule 709

Extension of Employment beyond Retirement Age

Extension of employment beyond retirement age may be granted by the Council for one year. Only in exceptional cases shall the total period for extension exceed one year, up to a maximum of three years.

In the exercise of his discretion to recommend to the Council the extension of a staff member's employment beyond retirement age, the Executive Director shall give consideration to such factors as the immediate needs of the service, the performance record of the staff member, and the availability of a suitable replacement, whether by promotion from within the Organization or by recruitment from outside.

Rule 710

Retirement

Retirement under Staff Regulation 7.4 shall not be deemed to be a termination.

Rule 711

Certificate of Service

Any staff member who so requests shall, on separation, be given a certificate specifying the nature of his/her duties and the length of his/her service. On the request of the staff member concerned, the certificate shall include an appraisal of his/her work and behavior.

8. DISCIPLINARY MEASURES

Regulation 8.1

a) ~~The Executive Director may impose disciplinary measures on staff members whose conduct is unsatisfactory~~ **fail to comply with obligations under the Staff Regulations and Rules, Financial Rules, the International Tropical Timber Agreement, or any other relevant administrative issuances, whether intentionally or through negligence. Noncompliance with these obligations constitutes misconduct.**

b) ~~He~~ **The Executive Director may summarily** dismiss a member of the staff for serious misconduct or gross negligence. **Serious misconduct includes but is not limited to fraud, theft, physical violence, sexual abuse or exploitation, use of official status for personal gain, or serious insubordination. Gross negligence is the conscious and voluntary disregard of the need to use reasonable care in fulfilling ones' obligations as an ITTO staff member, resulting in harm to persons, property or both. Decisions which result in summary dismissal must however be made only after a full and transparent investigation has been instituted where evidence clearly supports that the action taken by the Executive Director, as advised by a Joint Disciplinary Committee, is justifiable and where all tenets of natural justice have been afforded to the staff member affected.**

(c) **All staff members have a responsibility to report violations or suspected violations of the Organization's policies and procedures. All staff members are also obliged to cooperate with duly authorized audits, investigations and other oversight activities, as required and as appropriate. An individual who does so has the right to be protected against retaliation.**

Regulation 8.2

The Executive Director shall establish administrative machinery with staff participation which will be available to advise him in disciplinary cases.

Rule 801

Joint Disciplinary Committee

(a) A Joint Disciplinary Committee shall be established by the Executive Director and will be available to advise him in disciplinary cases involving staff members.

(b) The Joint Disciplinary Committee will consist of three members, namely:

- (i) The Head of Administration
- (ii) The Head of one other division to be appointed by the Executive Director
- (iii) One member elected by the staff.

Rule 802

Disciplinary Measures

Disciplinary measures **that may be imposed include** ~~shall consist of~~ written censure, suspension without pay, demotion **or, in the case of serious misconduct, dismissal for misconduct.**

Rule 803

Suspension Pending Investigation

If a charge of misconduct is made against a staff member and the Executive Director so decides, the staff member may be suspended from duty pending investigation, the suspension being without prejudice to the rights of the staff member. Suspension pending investigation shall not be considered a disciplinary measure. Such suspension shall be with pay unless, in exceptional circumstances, the Executive Director, **based on the advice of a Joint Disciplinary Committee**, decides that suspension without pay is appropriate.

Rule 804

Joint Disciplinary Committee Procedure

In considering a case the Joint Disciplinary Committee shall act with maximum dispatch. Normally, proceedings before the Committee shall be limited to the original written presentation of the case, together with brief statements and rebuttals, which may be made orally or in writing, but without delay. The Joint Disciplinary Committee shall make every effort to send its report to the Executive Director within one week after being convened. The Joint Disciplinary Committee shall permit a staff member to arrange to have his/her case presented before it by any other staff member.

Rule 805

Appeals

An appeal against the Executive Director's decision on disciplinary action ~~and~~ **including** termination of appointment under Regulation 7.1 (b) may be addressed to the Chairman of the Council within one month from the time the staff member received notification of the decision in writing. The ~~Chairman~~ of the Council will refer the appeal to a ~~three~~**five** member panel composed of himself/herself, the ~~Vice-Chairman~~ of the Council, and the ~~Chairman~~ of ~~any one~~ **three** of the Committees (to be chosen **jointly** by the Council Chair **and Vice-Chairman**). The decision of this panel, which shall be taken within 60 days, shall be final.

9. GENERAL PROVISIONS

Regulation 9.1

These Staff Regulations and Rules shall apply to all full-time employees of the Organization. The terms and conditions of service of seconded and part-time employees of the Organization, including the application of any relevant sections of these Regulations and Rules, shall be determined by the Executive Director.

Regulation 9.2

These Regulations may be supplemented or amended by the Council without prejudice to the acquired rights of the staff members.

Rule 901

Amendments of, and Exceptions to, the Staff Rules

(a) Amendments of these Staff Rules may be proposed by the Executive Director to the Council for its approval.

(b) Exceptions to these Staff Rules, in case of emergency, may be made by the Executive Director subject to subsequent approval by the Council, provided that such exceptions are not inconsistent with any Staff Regulations or other decision of the Council and provided further that such exceptions are agreed to by the staff member directly affected by them and are, in the opinion of the Executive Director, not prejudicial to the interests of any other staff member(s).

Rule 902

Financial Responsibility

A staff member may be required to reimburse the Organization either partially or in full for any financial loss suffered by the Organization as a result of his/her negligence or of his/her violation of any Regulation, Rule or administrative instruction.

Rule 903

Beneficiaries of Staff Members

(a) At the time of appointment each staff member shall nominate a beneficiary or beneficiaries in writing in a form prescribed by the Executive Director. It shall be the responsibility of the staff member to notify the Executive Director of any revocations or change of beneficiaries.

(b) In the event of the death of a staff member whilst in service, all amounts standing to his/her credit will be paid to his/her nominated beneficiary or beneficiaries subject to the application of the Staff Rules and the Provident Fund Regulations. Such payment shall release the Organization from all further liability in respect to any sum so paid.

(c) If a nominated beneficiary does not survive, or if a designation of beneficiary has not been made or has been revoked, the amount standing to the credit of a staff member will upon his/her death be paid to his/her estate.

Rule 904

Proprietary Rights

All rights, including title, copyright and patent rights, in any work performed by a staff member as part of his/her official duties, shall be vested in the International Tropical Timber Organization.

Rule 905

Liability Insurance

Staff members who own or drive motor cars shall carry public liability and property damage insurance in an amount adequate to insure them against claims arising from injury or death to other persons or from damage to the property of others caused by their cars.

Rule 906

~~Service and Conduct Reports~~ Performance Evaluation

(a) The performance of every staff member shall be evaluated on an annual basis by his or her direct supervisor. This review shall be based on a mutually agreed, written work plan to be established initially at the time of appointment; each staff member's work plan shall be reviewed and as necessary revised on an annual basis. The results of the annual performance evaluation shall be documented and made available to the employee and ~~The service and conduct of a staff member shall be the subject of reports made annually by the staff member's supervisors. Such reports, which shall be shown to the staff member and initialed by him/her, shall form a part of his/her permanent cumulative record.~~

(b) At the time of the annual performance review each staff member shall be given copies of all relevant policies and rules of the Organization, including the Whistleblower Policy, and each staff member shall affirm receipt of those documents and be given the opportunity to confirm agreement with the evaluation or to record areas of disagreement with the annual review assessment.

Rule 907

Whistleblower Policy

(a) It is the duty of staff members to report any breach of the Organization's Regulations and Rules to the officials whose responsibility it is to take appropriate action. An individual who makes such a report in good faith has the right to be protected against retaliation.

(b) It is also the duty of staff members to cooperate with duly authorized investigations. An individual who cooperates in good faith with an investigation has the right to be protected against retaliation.

(c) Retaliation means any direct or indirect detrimental action recommended, threatened or taken because an individual is engaged in an activity protected by the Organization's Whistleblower Policy, incorporated as an annex to these Regulations and Rules. When established, retaliation is by itself misconduct.

ITTO Whistleblower Policy²

Purpose

- 1.1 To ensure that the International Tropical Timber Organization (ITTO) functions in an open, transparent, **ethical** and **fair** ~~equitable~~ manner, with the objective of enhancing protection for individuals who report misconduct or cooperate with duly authorized investigations.

General

- 2.1 It is the duty of staff members to report any breach of ~~the~~ ITTO's Regulations and Rules to the officials whose responsibility it is to take appropriate action. An individual who makes such a report in good faith has the right to be protected against retaliation.
- 2.2 It is also the duty of staff members to cooperate with duly authorized **and transparent** investigations. An individual who cooperates in good faith with an investigation has the right to be protected against retaliation.
- 2.3 Retaliation ~~means~~ **is defined for the purposes of this Policy as** any direct or indirect detrimental action recommended, threatened or taken because an individual is engaged in an activity protected by the present policy. When established, retaliation is by itself misconduct.
- 2.4 **Consultants, contractors or their employees, agents or representative or any other individual engaged in business dealings with ITTO have a duty to report any breach of ITTO's Regulations and Rules to the officials whose responsibility it is to take appropriate action.**

Scope

- 3.1 Protection against retaliation applies to ITTO Staff members, ~~Consultants, Contractors or its Employees, Agents or representatives or any other individual engaged in business dealings with ITTO~~ who may use the procedures ~~set out~~ **established** in this Whistleblower policy to submit confidential complaints to:
 - (a) Report the failure of one or more staff members to comply with his or her obligations provided in the ITTO Staff Regulations and Rules or other relevant administrative issuances, the Financial Rules and Rules relating to projects of the ITTO, including any request or instruction from any staff member to violate the above-mentioned regulations, rules or standards. In order to receive protection, the report should be made as soon as possible and not later than one **(1)** year after the individual becomes aware of the **alleged** misconduct. The individual must make the report in good faith and must submit information or evidence to support a reasonable belief that misconduct has occurred; or
 - (b) Cooperate in good faith with a duly authorized **and transparent** investigation.
- 3.2 The Whistleblower Policy is without prejudice to the legitimate application of regulations, rules and administrative procedures, including those governing evaluation of performance, non-extension or termination of appointment. However, the burden of proof shall rest with ITTO, which must prove by clear and convincing evidence that it would have taken the same action in the absence of the protected activity referred to in section 3.1 above.

²Text taken from CFA(XXVIII)/9 (19 September 2013)

False complaints

- 4.1 A whistleblower who intentionally makes a false, fraudulent, malicious or frivolous complaint and which is subsequently found to be false shall be subject to disciplinary or other appropriate action.

Reporting misconduct through established internal/external mechanisms

- 5.1 Reports of misconduct should **in practice** be made through the established internal mechanisms of ITTO. It is the duty of the Administration to protect the confidentiality of the **reporting** individual's identity and all communications through those channels to the maximum extent possible.
- 5.2 Protection against retaliation will be extended to an individual who reports misconduct to an entity or individual outside of the established internal mechanisms of ITTO, where the criteria set out in subparagraphs (a), (b) and (c) below are satisfied:
- (a) Such reporting is necessary to avoid:
Substantive damage to ITTO's operations; or
Violations of national or international law; and
- (b) The use of internal mechanisms is not possible because:

At the time the report is made, the individual has grounds to believe that he/she will be subjected to retaliation by the person(s) he/she should report to pursuant to the established internal mechanism; or

It is **substantially** likely that evidence relating to the misconduct will be concealed or destroyed if the individual reports to the person(s) he/she should report to pursuant to the established internal mechanisms; or

The individual has previously reported the **identical** information through the established internal mechanisms, and ITTO has failed to inform the individual in writing of the status of the matter within six(6) months of such a report; and

- (c) The individual does not accept payment or any other benefit from any party for such report.

5.3 Individuals unable or unwilling to make a report of misconduct due to the circumstances described in paragraph 5.1 or 5.2 are encouraged to make the report to one of the Council officers (Council Chair, Council Vice-Chair or the Chairperson, Committee on Finance and Administration).

Reporting Retaliation to the Chairperson of the Committee on Finance and Administration (CFA)

- 6.1 Individuals who believe that retaliatory action has been taken **or may be taken** against them because they have reported misconduct or cooperated with a duly authorized **and transparent** investigation should forward all information and documentation available to them ~~to support~~ **substantiating** their complaint to **one of the Council Officers (Council Chair, Council Vice-Chair or the Chairperson, Committee on Finance and Administration (CFA)** as soon as possible. Complaints may be made in person, by regular mail, **fax** or by e-mail.
- 6.2 The functions and responsibilities of the ~~Chairperson, CFA~~ Council Officers **described in paragraph 6.1** with respect to protection against retaliation for reporting misconduct or cooperating with a duly authorized investigation are as follows:
- To receive complaints of retaliation or threats of retaliation;
- To keep a confidential record of all complaints received; and
- To conduct a preliminary review of the complaint to determine if (i) the complainant engaged in a

protected activity; and (ii) there is a prima facie case that the protected activity was a contributing factor in causing the alleged retaliation or threat of retaliation.

These processes will be undertaken in a collaborative manner.

Individuals making the disclosure will be offered and afforded confidential liaison with the Council Officer to whom the disclosure was first made, That Council Officer will serve as the principal point of contact for the duration of these actions.

- 6.3 The **Council Officers Chairperson, CFA** will seek to complete a its preliminary review within 45 days of receiving the complaint of retaliation.
- 6.4 All officers and staff members shall cooperate with the **Council Officers Chairperson, CFA** and provide access to all records and documents requested by the **Council Officers Chairperson, CFA**, except for medical records that are not available without the express consent of the staff member concerned.
- 6.5 If the **Council Officers Chairperson, CFA** finds that there is a credible case of retaliation or threat of retaliation, ~~they/he/she~~ will **normally** refer the matter in writing to the Executive Director for investigation and will immediately notify in writing the complainant that the matter has been so referred. The Executive Director will seek to complete his investigation and submit its report to the **Council Officers Chairperson, CFA** at the next session of the **Council CFA**. **If the Council Officers Chairperson, CFA has concerns that the Executive Director cannot or will not act impartially, the case will be referred to the Council Chair and Vice-Chair.**
- 6.6 Pending the completion of the investigation, the **Council Officers Chairperson, CFA** may recommend that the Executive Director take appropriate measures to safeguard the interests of the complainant, including but not limited to temporary suspension of the implementation of the action reported as retaliatory and, with the consent of the complainant, temporary reassignment of the complainant within or outside the complainant's office or placement of the complainant on special leave with full pay.
- 6.7 Once the **Council Officers Chairperson, CFA** has received the investigation report, ~~he/she~~ **they** will inform in writing to the complainant of the outcome of the investigation and make ~~their/his/her~~ recommendations on the case to the Executive Director. The recommendations may include disciplinary actions to be taken against the retaliator.
- 6.8 If the **Council Officers Chairperson, CFA** find that there is no credible case of retaliation or threat of retaliation but finds that there is an interpersonal problem within a particular office, ~~he/she~~ **they** will advise the complainant to seek recourse ~~to~~ **via** informal mechanisms of conflict resolution ~~in~~ **within** ITTO.
- 6.9 If the **Council Officers Chairperson, CFA** finds ~~determines~~ that there is a managerial problem based on the preliminary review of the complaint ~~he/she~~ **they** will advise the Executive Director accordingly.
- 6.10 Where, in the opinion of the **Council Officers Chairperson**, there may be a conflict of interest in ITTO conducting the investigation, ~~they~~ **Chairperson, CFA** may recommend to the Executive Director that the complaint be referred to an alternative **transparent** investigating mechanism.

Protection of the person who suffered retaliation

- 7.1 If retaliation against an individual is established, the **Council Officers Chairperson, CFA** may, after consultation with the individual who has suffered retaliation, recommend to the Executive Director appropriate measures aimed at correcting negative consequences suffered as a result of the retaliatory action. Such measures may include, but are not limited to, the rescission of the retaliatory decision, including reinstatement, or, if requested by the individual, transfer to another office or function for which the individual is qualified, independently of the person who engaged in retaliation. **If requested, the individual shall be provided with professional counseling to be paid for by ITTO.**

Action against the person who engaged in retaliation

- 8.1 Retaliation against an individual because that person has reported misconduct on the part of one or more ITTO officials or cooperated with a duly authorized investigation of the ITTO constitutes misconduct which, if established, ~~will~~ **may** lead to disciplinary action and/or transfer to other functions in the same or a different office.

Prohibition of retaliation against outside parties

- 9.1 Any retaliatory measures against a Consultant, Contractor or its employees, agents or representatives or any other individual engaged in any dealings with the ITTO because such person has reported misconduct by ITTO staff members will be considered misconduct that, if established, will lead to disciplinary or other appropriate action.

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



FINANCIAL RULES AND RULES RELATING TO PROJECTS OF THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION

Post-EP revised draft

Revised Rules Proposed by the Expert Panel 19 October 2016

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

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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.
4. The Administrative Account shall contain two reserves: a Working Capital Reserve and a Special Reserve.

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. The Council shall approve and adopt the budget through a Council decision.
3. 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.
4. If as a result of its consideration under paragraph 3, 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%.
5. The Executive Director shall maintain and distribute to members on a quarterly basis a table showing the status of all member contributions to the Administrative Account.

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 Working Capital Reserve shall be used to receive:
 - (a) any surplus of revenues over expenditures from the Administrative Account for the previous financial year as approved by Council;
 - (b) any payments by members of their contributions to the Administrative Account that are received after the year in which they are due; and
 - (c) the initial contribution of any member joining the Organization after the entry into force of the ITTA 2006, in accordance with Rule 4, paragraph 2 of these rules.
5. If and when necessary, the Executive Director is authorized to transfer an amount not exceeding US\$300,000 annually from the Working Capital Reserve to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization.³ All other uses of the Working Capital Reserve require a Council decision.

³ This amount was established in Decision 2 (XXIV) (17 May 2003).

6. The Executive Director shall notify the Council if the amount of the Working Capital Reserve falls below 15% or approximately two months of annual operating expenses of the Administrative Budget.
7. The budget for the Administrative Account shall contain a Special Reserve heading. The amount of this Special Reserve heading shall be decided upon every financial biennium by the Council. The Executive Director is authorized to use interest received on funds in the Special Reserve as a resource of the budget for the Administrative Account for the subsequent financial year.
8. The Council shall determine when and in what manner the resources of this reserve shall be utilized.
9. Borrowing from whatever source for the Administrative Account is not permitted.
10. The Executive Director is authorized to use the interest earned on funds in the Administrative Account to hire on a temporary and intermittent basis, consultants and contractors to support the Secretariat in carrying out its duties.

Chapter IV

SPECIAL ACCOUNT

Rule 6

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 7

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 8

Administration 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 is authorized to transfer fifty per cent of interest earned on funds in the Special Account to the "unearmarked fund" in the Special Account, and to transfer the remaining balance of interest earned on funds in the Special Account into the Bali Partnership Fund in accordance with Article 21 of the ITTA, 2006, and Rule 11 of these rules.

Rule 9
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 10
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 11
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 1).

Rule 12
Administration of the Bali Partnership Fund

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.

Rule 13
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
CONTROL AND AUDIT OF ALL ACCOUNTS

Rule 14
Control of the Accounts

1. The Executive Director shall:
 - (a) Ensure that the ITTO financial statements and reports embrace Generally Accepted Accounting Principles based on the International Public Sector Accounting Standards (IPSAS) that are established and are maintained by the International Public Sector Accounting Standards Board.
 - (b) Establish 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 accounts of the Organization and to ensure compliance with the budget or other financial provisions approved by the Council;
 - (c) Deposit all revenue relating to each Account of the Organization in an account or accounts opened in the name of the "International Tropical Timber Organization (with the designation of the account name)" at a bank or banks approved by the Council and shall arrange for withdrawals and disbursements therefrom in conformity with the rules established in ITTO's Financial Delegations, Procurement and Disbursements Manual (Annex 4).
 - (d) Keep an inventory of all capital acquisitions.
2. All actions relating to the investment of moneys and the earning of interest on moneys held in any Account are required to follow the mandated policies and processes approved under the operation of Rule 21 of these rules.

3. All actions relating to the disbursement of moneys from any Account are required to follow the policies and processes required by the policies and rules established in ITTO's Financial Delegations, Procurement and Disbursements Manual (Annex 4).

Rule 15
Currency Provisions

1. Cash contributions to the Special Account and Bali Partnership Fund shall be paid in freely convertible currencies.
2. The resources of the Special Account and 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 Special Account and 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 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.
4. All actions relating to the investment or placement of moneys to provide security against foreign exchange risk are required to follow the mandated policies and processes approved under the operation of Rule 21 of these rules.

Rule 16
Disbursements from the Special Account and Bali Partnership Fund

The disbursement of funds from the Special Account and 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 Account designated by the funding source(s);
- (c) Interest earned in cases where the Organization holds funds for later disbursement shall be credited to the Account in which they are earned, except as specified in Rule 8 of these rules, 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 24, disbursements by the Organization shall cease, and any remaining funds shall be returned in accordance with paragraph 2 of Rule 24 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 17
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 in the case of the Special Account and Article 21, paragraph 2 in the case of the Bali Partnership Fund. However,

solicitation of unearmarked funds for the Thematic Programmes Sub-Account of the Special Account and 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 18

Use of Resources for Other Pre-projects/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 intended, it shall, at least 90 calendar days before taking a decision to that effect, request the Secretariat to 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 24 below. A further Council decision will then be required regarding the alternative project(s).

3. No resources shall be transferred between the Special Account and the Bali Partnership Fund without a decision by the Council and the agreement of the original financial donors.

Rule 19

Appointment of Auditor

1. In accordance with Article 23 of the Agreement and following the procedures and guidelines as described in ITTO's Auditing Standards (Annex 3) the Council shall appoint an independent external auditor of recognized standing for a term of three consecutive years, subject to satisfactory performance. The process for identifying qualified firms for Council consideration and selecting an auditor is described in ITTO's Auditing Standards. This auditor shall be selected from among firms incorporated in a member country of the Organization that are qualified to conduct audits in Japan. The same auditor shall not be appointed for the successive three years after the most recent appointment. Notwithstanding that the appointment is made for a maximum of three (3) years the tenure of the engagement will be subject to an annual performance review, which may in the event of unsatisfactory performance, result in termination of the appointment prior to the elapse of three (3) years.

2. The general terms of appointment of the independent external auditor shall be as follows: "To examine all of the accounts of the Organization and to verify as a result of the audit, the accuracy of such accounts". 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 accounts with regard to achieving the maximum economic use of available resources. Additional and recommended supplemental terms for the audit are described in ITTO's Auditing Standards (Annex 3) and will provide clear measurement and verification of the financial regularity and financial health and welfare of the Organization. This will be achieved by entering into a comprehensive negotiation and agreement with the appointed auditor annually via the Engagement Letter defining the nature and extent of auditing services required which may extend beyond a standard financial statements and books and records audit to Value for Money audits, performance audits, verification of Going Concern concepts and special investigations covering aspects of economy and efficiency, fraudulent and unethical practices and other reviews as deemed necessary. The auditor will be expected to attend

meetings of the Council held in Yokohama and, if requested, meetings of the Council convened outside of the headquarters of the Organization.

3. In order to achieve optimum performance the auditor shall have full access to all documents and information available in the Organization.

Rule 20
Auditing of Accounts

The Executive Director shall, within 30 days of the submission of the auditor's report, prepared in accordance with Rule 19 of these rules transmit to all members the audited financial statements and auditor's reports covering the Organization's financial statements and books and records. The Executive Director shall submit to the Council for approval the Organization's audited financial statements and 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 VII

INVESTMENT

Rule 21
Investment of Funds across all Accounts

1. For the purpose of these rules, investments are defined as arrangements that are undertaken or acquired with the expectation of achieving a financial return through interest, profit or capital growth, requiring that:
 - (a) Investments are to be made in a capital guaranteed cash fund or an approved cash management product, in such a way as to place primary emphasis on minimizing the risk to principal funds while ensuring the liquidity necessary to meet the Organization's cash flow requirements
 - (b) The Executive Director may make:
 - i. short-term investments of money not needed for immediate requirements;
 - ii. long-term investments;
 in accordance with the relevant provisions of ITTO Investment Policy (Annex 6), as approved by the Council, and shall inform the Investment Oversight Panel and the Committee on Finance and Administration regularly of any such investments.
 - (c) Income derived from investments shall be accounted for, as required under the applicable accounting standards. Any investment losses must be reported at once to the Council.
2. The Council shall apply the ITTO Investment Policy (Annex 6) with the advice of the Investment Oversight Panel and the Committee on Finance and Administration.
3. The ITTO Investment Policy directs all aspects of the approved processes and procedures associated with the Organization's investment decisions and in particular addresses:
 - (a) Authority to invest funds and optimize returns on those investments;
 - (b) Ethics and conflict of Interest surrounding investment decisions;
 - (c) Investment objectives;
 - (d) Portfolio establishment;
 - (e) Governance structures, in particular establishment and implementation of an investment governance framework, including establishment of the Investment Oversight Panel;
 - (f) Investment parameters describing approved and proscribed investments;
 - (g) Investment guidelines defining optimal investment;
 - (h) Reporting requirements and Performance Measurement for the investment portfolio.

Chapter VIII

PROJECT AND PRE-PROJECT RULES

Rule 22

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 11 (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 23

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 24

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.

Rule 25

Reporting on Disbursement of Funds to Individual Projects

1. The Secretariat shall periodically, or at the request of a donor, provide a payment status report of each project or activity funded by that donor.

2. The Secretariat shall prepare an Inception/Progress/Completion Report for each project /activity on a regular basis and at a minimum, annually, and distribute that report to the donor(s). The Secretariat shall also publicize the implementation status of each project/activity on ITTO's website, based on respective reports, as appropriate.

Chapter IX

MISCELLANEOUS

Rule 26

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 27
Amendments and Suspension

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

* * *

**Annex 1: Criteria and Priorities to Finance Actions/Activities, Pre-projects and
Projects under Sub-Account B of the Bali Partnership Fund**

ANNEX 1

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.

Annex 2: Audit & Financial Statements Reporting Cycle Procedural Manual

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1. PRE-AUDIT PLANNING

Determination of audit coverage and approach

As the audit cycle approaches the Finance & Administrative Services Officer (FASO) will undertake the following processes:

1. Review the minutes of the last CFA meeting and any decisions taken by that committee having audit consequences which should be recorded in the Audit Planning Report.
2. In addition, the FASO will consider the following issues which will impact on the audit function and process:
 - Previous audit findings, recommendations and Management Letters issued by External Audit;
 - Changes to significant accounting policies;
 - Significant changes to the business structure and operations;
 - Matters which have a material impact on the presentation of the financial statements and may require special audit review and investigation i.e. asset impairment, asset revaluations, fraudulent practices, going concern verification etc.
3. Once this process has been completed, the FASO will meet with the Assistant Director Division of Operations, the Executive Director and the Assistant Directors of all business units of ITTO to discuss the emerging Audit Plan seeking feedback and confirmation from all members of the Executive Management Team about all material items that impact of the audit cycle.
4. These matters will be incorporated in the Audit Plan which will determine the audit methodology required which may only necessitate routine audit of the Financial Statements and the Books & Records or give rise to a range of additional auditing and investigative services.
5. Once the Audit Plan has been completed specifying the scope and methodology that are anticipated for the forthcoming audit, the draft Audit Plan will be presented to the Chair of the CFA for review and clearance before discussions are held with the appointed external auditor. This process is the precursor to the negotiation with the appointed external auditor on the audit scope and methodology which will be adopted in the annual Audit Engagement Letter. These matters are also covered in the **ITTO Auditing Standard paragraphs 3.1 and 4.5.**

Agreement on audit scope and Engagement Letter

1. Once pre-planning has been completed the FASO and the Assistant Director Division of Operation will meet with the External Auditor to consider the forthcoming engagement and will then negotiate the Scope of the Audit in compliance with the **ITTO Auditing Standard** and where necessary negotiate additional audit services required to cover all aspects of ITTO operations for the year.
2. Upon request of the external auditor, management shall authorize the predecessor auditor to respond fully to the auditor's inquiries regarding matters that will assist the

auditor in determining whether to accept the engagement.

3. Once all terms and scope of the audit have been agreed, the External Auditor will issue the draft **Engagement Letter** which the FASO and Assistant Director Division of Operations will review and endorse. Once this process has been completed, the Executive Director will sign the Engagement Letter confirming the scope and nature of agreed audit services pursuant to **paragraph 4.5 of the ITTO Auditing Standard**.

2. AUDIT PROCESS & SCOPE OF AUDIT

1. The external audit will be conducted in conformity with generally accepted auditing standards and subject to any special directions of the Council through the CFA.
2. The FASO and the Assistant Director of Operations will serve as the audit liaison officers and will be responsible for ensuring that all audit requests are facilitated. Their substantive role is to ensure that all audit observations raised during the audit process are cleared to the satisfaction of the external auditor with a view to avoiding any qualifications in the audit opinion.
3. If, prior to completing the audit engagement, the auditor is requested to change the audit engagement by management, the external auditor shall communicate the circumstances of the request to Council.
4. The external auditor will be required to determine the Scope of Audit pursuant to the **ITTO Auditing Standard** and observe International Standards of Audit and to consider emerging accounting and reporting standards.

3. AUDIT REPORTING REQUIREMENTS

1. The External Auditor shall make observations and recommendations with respect to the efficiency of the financial procedures, the accounting systems, the adequacy of internal financial controls and in general, the administration and management of the Organization.
2. The External Auditor shall observe the Audit Reporting Requirements as specified in the **ITTO Auditing Standard paragraphs 4.1-4.6** in completing statutory audit reporting including the Management Letter detailing observations and recommendations. The FASO will prepare a management response for clearance by the Assistant Director Operations before they are released officially under the signature of the Executive Director to the External Auditors.
3. The Operations Division will be responsible for disseminating the audited financial statements, auditors' report, auditors' management letter and management responses thereto in electronic form (or written form upon request), to CFA and then to Council pursuant to the **ITTO Auditing Standard paragraphs 4.7- 4.9**.
4. These processes will provide a comprehensive control framework which will lead to clarity and a clear understanding of all aspects of the audit process and the impacts and exposures that it has on the Organization which will allow CFA and the Council to make informed decisions about the finances and governance of ITTO.

4. FACILITIES & ASSISTANCE PROVIDED TO AUDIT

1. The Executive Director shall provide the External Auditor with the facilities and necessary office equipment, they require in the effective performance of the audit as

specified in the ITTO Auditing Standard Paragraph 5.1.

2. The process of audit liaison and facilitation is delegated to the Assistant Director of the Division of Operations.

Annex 3: Auditing Standard

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1. APPOINTMENT OF INDEPENDENT AUDITORS

1.1 Selection process

In accordance with Article 23 of the International Tropical Timber Agreement 2006 and as required by ITTO Financial Rules and Rules Related to Projects, the following process and selection criteria will be employed in selection of the independent auditors:

1. The Executive Director will publish a request for goods and services under a selective competitive tender framework; this request will be sent to a select group of reputable international auditing firms that are in compliance with the ITTO Procurement and Tender Policy;
2. The Executive Director will inform the Council regarding all bidders and will submit a short list of not more than three auditors who have been subjected to the evaluation processes prescribed by the ITTO Procurement and Tender Policy to the Council for selection. The successful bid will be an International firm with expertise in audits of International Organizations and the ability maintain independence;
3. The successful firm will possess the ability to satisfy the technical capabilities of the ITTO operation by meeting all key criteria for the audit engagement and to provide profiles and supporting criteria to confirm that the firm and all key staff are able to satisfy all aspects of the engagement and to meet the reporting requirements within agreed timelines;
4. The firm will have excellent reputation and a history of providing excellence in auditing and related services which will be verified by testimonials from current and past clients which they will have agreed to be released to ITTO as an integral part of the assessment process;
5. The firm will satisfy the ITTO budgeted fee range for auditing and associated services and be open to robust negotiation during the selection process.

1.2 Contractual terms & obligations

At the conclusion of the evaluation and selection process the successful firm will be required to execute a contract of services specifying the key contractual terms of services rendered during the 3-year contractual duration. Contractual terms may contain, but not be limited to the following;

- Agreed terms of engagement;
- Statement of professional capabilities;
- Key personnel and qualifications;
- Basis of Fees, billing and charges;
- Confidentially clauses;
- Warranties regarding conflict of interest and capability to complete the engagement/s;
- Professional /Legal liability coverage;
- Liability, release & indemnity clauses;
- Disputes resolution clause;
- Termination clauses;

2. TENURE

1. The independent external auditor (the Auditor) shall maintain complete independence and will be solely responsible for the conduct of the audit.
2. The Council, through the Committee for Finance and Administration (CFA) Finance may request the Auditor to perform certain specific examinations and issue separate reports on the results, these will be subject to annual agreement between the independent auditor and ITTO and confirmed and executed Engagement Letters.
3. Additional Terms of Reference for External Audit & additional Audit Services are*attached* at Appendix 1.

3. SCOPE OF AUDIT

1. The external audit will be conducted in conformity with generally accepted auditing standards and, subject to any special directions of the Council through the CFA.
2. The Auditor must observe the reporting and disclosure requirements specified by International Standards on Auditing (ISA) the professional standards for the performance of financial audit of financial information, issued by International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB).
3. The Auditor will apply audit methodologies, reporting requirements and auditing standards associated with International Accounting Standards, and in particular International Public Sector Accounting Standards (IPSAS) once these are adopted by the Organization..
4. The Auditor must be familiar with and to follow any audit requirements as prescribed in ITTO's Financial Rules and Rules Related to Projects when planning the audit methodology and completing reporting requirements.

4. AUDIT REPORTING REQUIREMENTS.

1. The Auditor shall make observations and recommendations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.
2. The Auditor shall at all times display independence and remain solely responsible for the conduct of the audit.
3. The Council, through the CFA, may request the Auditor to perform certain specific examinations and issue separate reports on the results.
4. In particular audit reporting should embrace the following matters to assist the CFA and Council in understanding the audit findings and meetings its oversight obligations:
 - a. Matters affecting the completeness or accuracy of the accounts, including :
 - i. information necessary to provide the correct interpretation of the accounts;
 - ii. any amounts which ought to have been received but which have not been brought to account;
 - iii. any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;

- iv. expenditures not properly substantiated;
 - v. whether proper books of accounts have been kept; where in the presentation of statements there are deviations of material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed.
 - b. Other matters which should be brought to the notice of the Council and CFA, include:
 - i. cases of fraud or presumptive fraud;
 - ii. wasteful or improper expenditure of the organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - iii. expenditure likely to commit the Organization to further outlay on a large scale;
 - iv. any defect in the general system of detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
 - v. Significant accounting policies & practices;
 - vi. Critical accounting estimates;
 - vii. Significant unusual transactions;
 - viii. Difficult, anomalous or contentious matters;
 - ix. Going Concern opinions particularly those that indicate solvency challenges;
 - x. Uncorrected & corrected misstatements;
 - xi. Departures from auditor's standard reporting;
 - xii. Disagreements with management during the course of the audit engagement that may have impacted on the audit opinion;
 - xiii. Any requests from management to alter engagement or findings;
 - xiv. Difficulties encountered in performing the audit;
 - xv. Other significant matters highlighted during the audit.
5. As a precursor to the audit cycle, the Executive Director will issue a management report along with the financial statements including both the scope and significant issues that relate to each audit as part of negotiating and acceptance process culminating in the executed Engagement Letter.

The content of the management report to the Auditor will identify the ITTO Financial Rules which must be addressed during the audit and any additional auditing services which have been expressed in the Additional Terms of Reference that have been mandated by the Council through the CFA.
6. The Auditor shall issue a report on the audit of the financial statements for each calendar year and relevant schedules, which will include such information as the firm deems necessary in regard to matters referred to in Financial Rules in operation at the time of the audit completion and in the Additional Terms of Reference.
7. This written report shall be submitted in electronic form (or written form upon request), together with an Executive Summary prepared by the Executive Director clarifying audit results and providing adequate responses to the Auditor's management letter in time for review by the CFA no later than six months following the period to which the financial statements relate.
8. The Council, through the CFA, shall examine the financial statements, the audit reports, management letters and the deliberation of CFA. The Auditor shall be available to present audit findings and recommendations to the CFA and provide clarification as needed as part of the process of adopting the financial statements and accompanying audit report.

9. The Executive Director shall submit annual reports to Council through the CFA on progress of implementing approved management actions and audit recommendations resulting from completed audits.

5. FACILITIES & ASSISTANCE PROVIDED TO AUDIT

1. The Executive Director shall provide the Auditor with the facilities and necessary office equipment they require in the effective performance of the audit.
2. For the purpose of making a local or special examination or of effecting economies of audit cost, the Auditor may engage the services of any commercial public auditors of known repute or any other person or firm who, in the opinion of the Auditor, is technically qualified.

APPENDIX 1

Additional Terms of Reference Governing the External Audit

1. The independent external auditors (the Auditor) shall perform such audits of the accounts of the Organization, including all Funds and Special accounts, as deemed necessary in order to complete all audit procedures and form a view:
 - (a) that the financial statements are in accord with the books and records of the Organization;
 - (b) that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
 - (c) that the securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositaries or by actual count;
 - (d) that the internal controls, including the internal audit (if applicable), have been subjected to representative risk based audit testing and have been found to be adequate to the extent of reliance placed thereon;
 - (e) that procedures satisfactory to the Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.
 - (f) that assets and resources are used in accordance with ITTO Financial Rules and ITTO Council directives and decisions and have been utilized in the most effective and economical manner;
2. The Auditor shall be the sole arbiter as to the acceptance in whole or in part of certifications and representations by the Executive Director or Council Chair and may proceed to such detailed examination and verification as they choose of all financial records including those relating to supplies and equipment.
3. The Auditor and its staff shall have unfettered access at all convenient times to all books, records and other documentation which are, in the opinion of the Auditor, necessary for the performance of the audit.
4. Information classified as privileged and which the Council Chair or Executive Director agree is required by the Auditor for the purposes of the audit and information classified confidential shall be made available on application.
5. The Auditor and his staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit.
6. The Auditor may draw the attention of the CFA to any denial of information classified as privileged which, in his opinion, was required for the purpose of the audit.
7. The Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Executive Director for appropriate action any transaction concerning which they maintain doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall

be immediately communicated to the Executive Director.

8. The Auditor shall express and sign an opinion on the financial statements. The opinion shall include the following basic elements:
 - (a) the identification of the financial statements audited;
 - (b) a reference to the responsibility of the entity's management and the responsibility of the Auditor;
 - (c) a reference to the audit standards followed;
 - (d) a description of the work performed;
 - (e) an expression of opinion on the financial statements as to whether:
 - the financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;
 - or, in the event that the financial statements have not presented fairly the financial position a disclaimer to the extent and circumstances which lead to that position;
 - the financial statements were prepared in accordance with the stated accounting policies; and
 - the accounting policies were applied on a basis consistent with that of the preceding financial period;
 - (f) an expression of opinion on the compliance of transactions with the financial rules, regulations and enabling authority;
 - (g) the date of the opinion;
 - (h) the external auditor's name and position; and should it be necessary, a reference to the report of the External Auditor on the financial statements.
9. The report of the External Auditor to the Council on the financial operations of the period should mention the type and scope of his examination.
10. The Executive Director may, based, on specific request from the CFA and Council commission additional audit and investigation services and projects to be conducted by the External Auditor. Such services will be subject to negotiation and agreement via an Engagement Letter before they commence.
11. These services may consist of but are not limited to:
 - (a) Value for money or efficiency audits for designated business cycles or business units;
 - (b) Project audits;
 - (c) Internal control reviews;
 - (d) Governance & risk assessment review;
 - (e) Fraud investigations;
 - (f) Probity audits;
 - (g) Business continuity and disaster recovery reviews;
 - (h) Council and Committee performance evaluations.
12. Once Council approves the audited financial statements, the Executive Director shall post the full external audit report on ITTO's publicly accessible website.

Annex 4: Financial Delegations Procurement & Disbursements Manual

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1. DELEGATIONS AT ITTO

Delegations are attached to the position and not to the officer designated to it. Assignment of delegations can be transferred if an officer is acting in a higher position.

The Executive Director of ITTO may assign his/her delegations to a nominated officer during his/her absence. The acting officer will then have the same delegations as the Executive Director as those prescribed in this manual. This interpretation is applicable to other positions that have delegations attached to them.

Subject to the general supervision of the Council, the Executive Director shall have full power and authority to direct the work of the Organization including right to establish appropriate delegations of authority.

1.1 Financial Delegations

Financial Delegations in this manual are applicable to all staff at ITTO. These delegations relate to the approval and payment of the organisation's core financial related activities such as project expenditure, travel, training, consultancies, goods and services etc.

1.2 Procurement Delegations

Procurement Delegations in this manual are applicable to all staff at ITTO who are responsible for the purchasing of goods and services and capital items to ensure:

- Fair and Competitive Procurement, and
- Achieving "Best Value for Money" for ITTO.

1.3 Recommendation Authority

Recommendation Authority is to be provided by the Executive Director, this type of authority exists in certain circumstances as a precursor to the approval authority. Certain types of expenses will not require a recommendation authority but a direct approval from the immediate supervisor, for instance travel related expenses.

1.4 Cheque and Electronic Funds Transfer (EFT) signatories

The following are the requirements for cheque payment;

- For all cheques / EFT payments necessitate two authorised signatories,

1.5 Periodic Payment of Services

Periodic Payment of Services relates to the provision of a service, which is of repetitive, periodic or standard in nature not requiring the issuance of an official requisition or an order.

An approval to incur expenditure on periodic services shall only occur in circumstances where a delegated officer has approved an initial contract.

1.6 Segregation of Duties

ITTO should attempt to establish and maintain an effective internal control framework at all times in which officers will not be granted both the approval authority and the payment authority. There is also a need to ensure that recommendation authority is independent from the authorities noted above.

Furthermore, it is essential that the staff members who are involved in procurement activity do not have the approval and payment authority.

1.7 Responsibility

The Executive Director shall ensure that there is a written instrument of financial delegations in place, which is kept up-to-date at all times.

Furthermore, it is the responsibility of all the senior staff at ITTO who have delegated authority to ensure that personnel under their control comply with the approved financial delegations.

1.8 Principles

The philosophy contained in the Financial Delegations is threefold:

- It ensures that Internal Controls of the Centre are operating effectively;
- It ensures that effective Segregation of Duties exist at all times;
- It ensures that Efficiency is maintained continually and that there are no roadblocks, bottlenecks and blockages preventing smooth business flows.

1.9 Delegations Applicability

This Financial Delegations, Procurement and Disbursement Manual is applicable to all ITTO staff.

2. PROCUREMENT

2.1 Underlying doctrines

The following main doctrines underlie proficient procurement:

- Economy and efficiency to achieve quality, cost effectiveness and timely delivery in procurement;
- Equitable, fair and open competition giving all eligible and qualified bidders an opportunity to participate;
- Accountability and cost effective use of funds, and;
- Transparency of the procurement process.

The delegations in these guidelines are designed to meet the above principles proficiently.

Detailed procedures on the Procurement cycle are contained in the ITTO Procurement & Tender Manual.

2.2 Approval

The requestor shall obtain approval of the Purchase Requisition from the Assistant Director Division of Operations.

3. FINANCIAL DELEGATIONS

3.1 Procurement and Payment Delegations

- a) When the estimated value of the item to be purchased does not exceed **\$5,000** then canvassing may be dispensed with, if there is a previous record of purchases of same or similar items. Investigations may be made to confirm pricing however this is at the discretion of the purchaser;
- b) When the estimated total price of the item exceeds **\$5,000** but is not more than **\$10,000** inquiries shall be made with at least two suppliers;
- c) When the value of the goods to be purchased exceeds **\$10,000** but is not more than **\$100,000**, quotations shall be obtained from at least three suppliers. The Executive Director has the authority to authorise these payments;
- d) Equipment, scientific instruments, furniture and other fixed assets exceeding **\$5,000** are subject to planned canvassing and whenever possible, consolidated purchase and shipment. Request for three quotations may be dispensed with for high dollar value equipment, supplies and other materials, where items are proprietary in nature or available only from a sole source or by an exclusive distributor. Assets are recognized at a value of **\$1,500** and above and must be covered by a Capital Asset Requisition and Registration Form (CARR) to ensure they are correctly recorded and treated for accounting purposes;
- e) Emergency purchases of goods/services shall be allowed only if the normal prescribed procedure for procurement would result in an unacceptable delay, which will cause irreparable damage or prejudice operational imperatives;
- f) Except where proprietary or sole source items are requisitioned, the name of the supplier indicated in the requisition will be the suggested supplier;
- g) For purchases of general supplies (such as stationery) and printing services, request for quotations and negotiation on prices shall be carried out annually with accredited suppliers;
- h) Quotations can be received via fax, email or mail. ;
- i) Approving of Purchase Order under existing CFA and Council approved budget are as follows -

- For amounts less than **\$50,000**, Assistant Director Division of Operations
 - For amounts greater than **\$50,000** Executive Director.
 - Payments greater than **\$100,000** are subject to Bid and Tender processes as prescribed by Section 6 of the ITTO Procurement and Tender Manual and require that the Executive Director report such procurements to the CFA;
- j) Air travel for all operational and centre administrative purposes will be at the most economical cost unless approval for deviation to this requirement is obtained prior to the travel being taken. Due regard must always be given to budgetary constraints and will approved as follows:
- International travel for all staff and consultants will be subject to approval by the Executive Director;
 - All domestic travel will be approved as per financial delegations' levels defined in 3.0 i) Financial Delegations above.
- k) Approvals to initiate staff recruitment will vest in the Executive Director up to a level of \$200,000 pa per staff cost with reference to the Council for annual cost exceeding \$200,000 per staff member.
- l) Payments will be made by EFT wherever possible under the following delegations:
- Where less than **\$5,000**, two signatories consisting of the Finance & Administrative Services Officer and the Assistant Director Division of Operations;
 - Where payments are greater than **\$5,000** they will be required to be signed by the Executive Director and one other Assistant Director (normally the Assistant Director Operations);
 - Where payments exceed **\$100,000** they must be signed by the Executive Director, the Assistant Director Division of Operations and one other Assistant Director.
- m) There will be occasions where there will be an exemption from competitive procurement approval. To authorise an exemption from the normal competitive selection requirement of the procurement process, the situation for such action may be as follows -
- Genuine urgency exists
 - No competitors (sole supplier situation) subject to CFA endorsement;
 - The service is of specialist or confidential nature and it is reasonable in circumstances for it to be supplied by one or a limited number of parties;
 - The exemption needs to be provided in writing by the Executive Director and/or the Assistant Director Division of Operations based on the value of the procurement

3.2 Corporate Credit / Charge Cards

Recommendation of Corporate Credit Cards will be established by Assistant Director Division of Operations and approved by the Executive Director.

The agreed limit for each corporate card will be \$20,000.

Expenditure on corporate cards will be subject to approval based on the financial delegation defined in Clause 3.1 of this manual.

4. FINANCIAL STATEMENTS AND ACCOUNTING RECORDS

4.1 Responsibilities

The establishment and maintenance of the Centre's accounts are the responsibility of the

Assistant Director Division of Operations and include -

- Producing financial statements;
- Maintaining data in accordance with generally accepted accounting principles;
- Accounting for any other moneys, property or resources controlled by the Centre;
- Ensuring the safe custody of assets;
- Maintaining effective liaison with the External Auditors and addressing audit observations raised during the audit;
- Attending to the distribution of financial statements and auditors reports in compliance with ITTO's Financial Rules.

4.2 Official Accounting Stationery

The authority to utilise impressed or electronic signatures on accounting records rests with the Assistant Director Division of Operations. This function includes the custody of the organisation's official seal. Ratifications of these matters must be obtained from CFA at their annual meeting.

4.3 Budgets

Budget preparation and responsibility of budget maintenance and monitoring rests with the Executive Director who is assisted by the Assistant Directors; with coordination of the budget process vesting in the Assistant Director Division of Operations.

4.4 Information Systems

ITTO will develop and maintain information systems which satisfy business requirements at all times in a timely manner and satisfy reasonable information technology and telecommunication requests. These processes fall under the responsibility of the Assistant Director Division of Operations.

4.5 Systems Appraisal

ITTO will prepare a systems appraisal at least once every 3 years and at such times as circumstances require, to assess the appropriateness of systems and the proper

functioning of internal controls in respect of income, expenses, assets, liabilities and contingencies, will fall under the responsibility of Assistant Director Division of Operations.

4.6 Internal Controls and Governance Systems

ITTO will establish and maintain adequate systems and internal controls in respect to Income, Expenses, Assets, Liabilities, and Contingencies . These responsibilities are assumed by the Assistant Director Division of Operations.

4.7 External and Internal audits

The Executive Director is responsible for all the findings and remedial action required from External and Internal Audits.

4.8 Bank Accounts

The opening and closing of bank accounts in approved banks is the responsibility of Executive Director which he/she will do in conformity with ITTO Financial Rules and Rules Related to Projects. This accountability extends to ensuring that authorised signatories for these bank accounts are nominated as cheque signatories.

4.9 Bad or Doubtful Debts

With the exception of arrears in Members' assessments, the writing-off of bad or doubtful debts is the responsibility of the Assistant Director Division of Operations with approval by the Executive Director. Annual Bad debt write off approvals will be subject to approval by the Council as advised by the CFA.

4.10 Investment Policy

The review of ITTO's Investment Policy in its entirety annually to ensure the maximisation of returns is delegated to the Assistant Director Division of Operations who will report the results thereof to the Investment Oversight Panel.

4.11 Disposal of Assets

The approval to dispose of assets in accordance with proper and transparent commercial terms and associated accounting treatment rests with the Executive Director.

4.12 Records Maintenance

There is a requirement to have documents available for review and audits. It is the responsibility of the Assistant Director Division of Operations to ensure that all relevant accounting and administrative records are maintained for the prior five (5) financial years.

4.13 Archiving

To ensure that ITTO's records are safeguarded and maintained in a safe manner enabling efficient retrieval is the accountability of the Assistant Directors; electronic archiving is the responsibility of the Assistant Director Division of Operations.

4.14 Destruction of Accounting and Administrative records

Destruction of unused cheque, money forms or any other sensitive Centre documentation as a result of obsolescence, damage or cancellation is the responsibility of the Assistant Director Division of Operations.

Annex 5: Charter for the Investment Oversight Panel

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1. Purpose of Charter

This Charter sets out the role, responsibilities, composition and operation of the Investment Oversight Panel ('the Panel') of the International Tropical Timber Organization (ITTO).

2. Authority

The Panel advises the ITTO Committee on Finance and Administration (CFA) and operates in compliance with:

1. The ITTA 2006;
2. The ITTO Financial Rules and Rules Related to Projects; and
3. Relevant decisions of the International Tropical Timber Council.

3. Composition

1. The Panel consists of two (2) members to be appointed by the Council Chair and Vice-Chair, each to serve for a period of three (3) years; the Executive Director and the Assistant Director Division of Operations ITTO as the Executive Officer and Secretary.
2. The Panel Chair shall be appointed by the CFA to serve for a period of three (3) years.
3. Should the Panel Chair be absent for all or part of a meeting, or be unwilling to act, the Panel members present shall elect one of their number in attendance to chair the meeting.
4. In appointing members to the Panel, the Council Chair and Vice-Chair will strive to select individuals who have the skills and experience needed to carry out the Panel's function.

4. Role and Responsibilities

The overall role of the Panel, in the context of ITTO's investment governance framework, is to assist the CFA in its implementation of the Investment Policy, and the monitoring of the ITTO's investments and investment strategies.

5. Scope of Responsibilities

1. The Panel may recommend that the Organization engage independent counsel and other advisors as it determines necessary, providing it is within budgetary provisions, in order that it can carry out its duties;
2. All Panel decisions must comply with the ITTO's Investment Policy, as approved by Council;
3. It is the Panel's responsibility to monitor implementation of this policy;
4. In the event that an investment decision, which has the Panel's support, would breach the Investment Policy that decision must be referred to the CFA.

5.1 Investment Governance Framework

The Panel has responsibility to:

- Undertake a triennial comprehensive review of the Organization's investment governance framework;
- Review the investment related risks prepared and maintained by ITTO Secretariat to ensure that exposure to these risks remains within the ITTO's risk appetite.
- Recommend changes to the Investment Policy and to its liquidity management plan;
- Monitor and review the performance of ITTO's regular investment management processes on an annual basis to determine their adequacy, based on the reporting by ITTO Secretariat and;
- Review any investment related information prepared by the Secretariat and proposed for disclosure to members and the public.

The Panel makes recommendations to the CFA, after consulting with the ITTO Secretariat, regarding:

- Changes to the investment governance framework, including the investment approach, philosophy and/or beliefs;
- Material changes to this Charter, and the Investment Policy and any other policies or procedures of ITTO which impact on investments.

5.2 Setting Investment Objectives

The Panel makes recommendations to the CFA, taking into account advice from the ITTO Secretariat, regarding the risk and return objectives of each investment option

5.3 Liquidity Strategy

The Panel has responsibility to:

- Conduct the Quarterly Investment Reviews and monitor the Target Portfolios for each investment option;
- Review the liquidity threshold within investment options;
- Review appropriate stress and scenario testing of the investment options;
- Consider and assess the adequacy of ITTO Secretariat assessments as required of the economic and investment markets; and
- Review trends and asset holdings in regard to ratings against rating agencies (Standard & Poor's, Moody's, Fitch) based on reports provided by the ITTO Secretariat within quarterly reporting.

The Panel makes recommendations to the CFA, in consultation with the ITTO Secretariat, on the annual Strategic Review, including:

- The appropriate range of investment types and their relative earnings capabilities; and
- The long term strategic asset allocations and ranges for each investment option

5.4 Investment Strategy

The Panel has responsibility to, based on the quarterly investment reports provided by the ITTO Secretariat:

- Provide advice in regard to investment or divestment from any investment holdings;
- Consider and monitor allocations between financial advisers and brokers and products within each asset sector;
- Review due diligence processes undertaken prior to appointing an investment manager and ongoing reviews of investment managers by application of the criteria for selection of authorized dealers and brokers mandated in the ITTO Investment Policy;
- Make recommendations to the CFA in regard to material changes to the ITTO's strategic investments holdings.

5.5 Liquidity Risk

The Panel has responsibility to, based on quarterly investment reports provided by the ITTO Secretariat:

- Monitor regular liquidity reviews and stress testing undertaken in compliance with the ITTO Investment Policy;
- Review and monitor liquidity risk indicators; and
- Request a Liquidity Action Plan from the ITTO Secretariat.

5.6 Valuation Risk

The Panel has responsibility to, based on quarterly investment reports provided by the ITTO Secretariat:

- Conduct quarterly reviews of the valuation policies of the ITTO's investment portfolio;
- Monitor valuation risk indicators established by the ITTO Secretariat; and
- Report any material matters found to CFA.

5.7 Performance Monitoring

The Panel has responsibility to, based on quarterly investment reports provided by the ITTO Secretariat:

- Monitor the performance of all investment managers, investment products investment options, and all other assets of the ITTO, consistent with the ITTO Investment Policy; and
- Monitor compliance with investment mandates.

5.8 Material Outsourced Arrangements

The Panel has responsibility to, based on quarterly investment reports provided by the ITTO Secretariat:

- Advise the CFA on endorsing the appointment or removal of investment manager external providers, in accordance with the ITTO's Procurement & Tender Policy; and
- Consider and advise the CFA on the annual review conducted by the ITTO Secretariat of the ITTO's outsourced investment services, and make recommendations to the CFA on their performance and effectiveness.

6. Meetings

1. The Panel will generally meet quarterly and more frequently if required. All Panel members are expected to participate in each meeting.
2. The Panel shall generally confer by telephone, video, electronic mail or any other technology which permits each member to communicate with every other member (or any combination of any of these methods);
3. A resolution passed at such a conference, notwithstanding the members are not present together in one place at the time of the conference, is deemed to have been passed at a meeting of the Panel held on that day.
4. The Executive Director must attend all meetings, unless unavailable or requested by the Panel Chair to be absent.
5. Investment advisers are invited on an 'as needs' basis.
6. With consent of the Panel Chair, the Panel may meet without the presence of management at any time either prior to, or during, any meeting.

7. Voting and Quorum

1. A quorum of the Panel (including proxies) is two thirds of members (i.e. at least three (3) members).
2. The Panel Chair will ensure that a quorum is met prior to commencing the meeting.
3. Two-thirds majority of members present is required for all resolutions (two (2) votes, based on minimum quorum);
4. A Panel member may not accept appointment as a proxy at a meeting for more than one (1) Panel member. Proxy notifications shall be confirmed in writing to the Panel Chair prior to the meeting, and must specify any instructions or restrictions on any matter (if applicable).

8. Auditor Access

1. The ITTO's auditors have full and unfettered access to the Panel, each of the Panel members, and its Chair, and can raise matters directly at any time.

9. Conflicts of Interest

1. All Panel members must have the ability to recognise and disclose actual, perceived and potential material conflicts and ensure they are appropriately managed or avoided so as to ensure that priority is given to interests of the ITTO's beneficiaries.
2. Where there is a conflict the Panel must give priority to the duties to and interests of the beneficiaries of the ITTO over the duties to and interests of other persons and

ensure that the duties to the beneficiaries are met despite the conflict and that the interests of the beneficiaries are not adversely affected by the conflict.

3. Conflict procedures are included as a standard Panel agenda item for every meeting. The Panel Chair reminds members at the beginning of every meeting of their obligation to disclose any conflict or potential conflict with regard to any agenda item for consideration at that meeting.
4. The Panel Chair also invites all other meeting attendees to disclose any actual or potential conflicts of interest, which could reasonably be foreseen to impact any agenda item.
5. Any identified conflicts are recorded, as well as the action taken to avoid or manage the conflict, in accordance with ITTO's Staff Regulations and Rules. Where a recorded conflict could reasonably be foreseen to impact an agenda item, the Panel member(s) affected shall not receive the papers for that agenda item. Additionally, the member/s who have declared the conflict will absent themselves from the meeting for that agenda item.

10. Panel Administration

1. The Executive Officer of the Panel is the Assistant Director of Division of Operations and is responsible for:
 - a. The preparation of Panel minutes; and
 - b. The collation and distribution of Panel Reports and Papers to Panel members.
2. Papers are distributed to all Panel members two (2) weeks prior to the meeting date.
3. The Panel Chair will approve each meeting's agenda and the minutes of each and every meeting;

11. Reporting to the CFA

1. The minutes of all Panel meetings are to be distributed to its next meeting for approval.
2. The Chair of the Panel will provide the draft minutes after the meeting to the CFA and ITTO's Informal Advisory Group (IAG).

12. Consideration of Panel recommendations

1. The Panel's recommendations will be distributed to the CFA for consideration and as appropriate submitted to Council as part of the report of the CFA.

13. Review

1. The performance of the Panel is reviewed internally on an annual basis. An independent review of the Panel will be performed every three (3) years if required.
2. This Charter will be reviewed by the CFA for ongoing relevance and effectiveness.
3. Any material changes to this Charter must be considered by the CFA and approved by the Council before they come into effect.

Annex 6: Investment Policy

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1. INVESTMENT POLICY

1.1 BACKGROUND

The authority to invest funds is provided pursuant to Articles 7 and 18 of the International Tropical Timber Agreement 2006 (ITTA 2006), under the ITTO Financial Rules and Rules Related to Projects and by decisions of Council.

1.2 INTENT

The intent of this document is to describe ITTO's investment policy and guidelines regarding the investment of funds, with the objective to maximize earnings within approved risk guidelines and to ensure the security of funds.

The activities of the investment officers or fund managers responsible for stewardship of ITTO's funds will be measured against the standards and objectives in this Policy.

Activities that defy the spirit and intent of the Policy will be deemed contrary to the Policy.

1.3 SCOPE

For the purpose of this Policy, investments are defined as arrangements that are undertaken or acquired with the expectation of achieving a financial return through interest, profit or capital growth. This Policy applies to the investment of funds held by ITTO and undertaken in accordance with the ITTO Financial Rules.

Investments are to be made in a capital guaranteed cash fund or an approved cash management product.

2. POLICY STATEMENT

2.1 AUTHORITY

All investments are to be made in accordance with this policy.

2.2 ETHICS AND CONFLICTS OF INTEREST

2.2.1 Prudent Person Standard

The standard of prudence is to be used by ITTO investment officers when managing the overall portfolio. Investments will be managed with the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons. This includes having in place appropriate reporting requirements that ensure the investments are being reviewed and overseen regularly.

ITTO Investment officers are to manage the investment portfolios not for speculation, but for investment in accordance with the intent of this Policy. They are to avoid any transaction that might harm confidence in or the reputation of ITTO. They MUST consider the safety of capital and income objectives when making an investment decision.

2.2.2 Ethics and conflicts of interest

ITTO Investment officers shall refrain from personal activities that would conflict with the proper execution and management of ITTO's investment portfolio. This includes activities that would impair the investment officer's ability to make impartial decisions.

Employees responsible for making investment decisions are required to disclose to the Executive Director any conflict of interest or any investment positions that could be related to ITTO's investment portfolio.

Actions inconsistent with this policy are a violation of ITTO Financial Rules or ITTO Staff Regulations and Rules. As described in ITTO's Whistleblower policy, it is the duty of staff members to report any breach of ITTO Regulations and Rules.

2.2.3 Delegation of authority

The Executive Director is responsible for overseeing implementation of the Investment Policy. Authority for the day-to-day management of the Council's investment portfolio may be delegated by the Executive Director to the Assistant Director for Operations (or other senior officials of the organization).

2.3 INVESTMENT OBJECTIVES

ITTO's overall objective is to invest its funds at the most advantageous rate of interest available to it at the time, for that investment type, and in a way that it considers most appropriate given the circumstances.

In priority order, the investment objectives shall be preservation of capital, liquidity, and return on investment.

2.3.1 Preservation of capital

Preservation of capital shall be the principal objective of the investment portfolio. Investments are to be managed in a manner that seeks to ensure security of principal of the overall portfolio. This includes managing credit and interest rate risk within given risk management parameters and avoiding any transactions that would prejudice confidence in ITTO or its associated entities or affiliates.

Credit Risk

ITTO will evaluate and assess credit risk prior to making any form of investment. Credit risk is the risk of loss due to the failure of an investment issuer or guarantor. The investment officer will minimize credit risk in the investment portfolio by pre-qualifying all transactions including the brokers/securities dealers with which they do business, diversify the portfolio and limit transactions to secure investments.

Interest Rate Risk

The investment officers shall seek to minimize the risk of a change in the market value of the portfolio because of a change in interest rates. This would be achieved by considering the cash flow requirements of ITTO and structuring the portfolio accordingly. This will avoid having to sell securities prior to maturity in the open market thus reducing optimal return. Secondly, interest rate risk can be limited by investing in shorter term securities.

2.3.2 Maintenance of liquidity

Pursuant to ITTO Financial Rules, ITTO maintains accounts with banks for its day-to-day operating transactions.

In addition to the balances held in its operational bank accounts for routine operating requirements, the investment portfolio will maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements of ITTO, as and when they fall due, without incurring significant transaction costs occasioned by prompt sale of an investment.

For these purposes, *illiquid investments* are defined as investments that are not publicly traded in sufficient volume to facilitate, under most market conditions, prompt sale without severe market price effect.

Examples of *illiquid investments* include:

- investment in private placements;
- a security that is not supported or priced by at least two approved brokers/securities dealers;
- sub investment grade (i.e. a lower than rating BBB- (Standard and Poor's) or equivalent), and in most cases, BBB rated investments; and
- unrated securities.

2.3.3 Return on investments

The ITTO investment portfolio is expected to achieve a market average rate of return taking into account ITTO's risk tolerance and current interest rates, budget considerations, and the economic cycle. Any additional return target may be set by the Council will also consider the risk limitations, prudent investment principles and cash flow characteristics identified within the Policy.

2.3.4 Comparison of Performance

In making investments, the Executive Director should ensure ITTO achieves value-for-money or a competitive price after considering the costs of the investment.

In comparing performance, the portfolio will be market valued and take into account all coupons, deposits and withdrawals to/from the portfolio.

2.4 PORTFOLIO ESTABLISHMENT & OVERSIGHT

2.4.1 Authorized personnel

The Executive Director is authorized to invest ITTO's funds in investments consistent with this Policy. As provided for in section 2.2.3, the Executive Director may delegate this authority.

The Executive Director will provide quarterly reports on investments to the Council through the Committee on Finance and Administration (CFA) and its Investment Oversight Panel.

2.4.2 Investment Oversight Panel

To ensure effective oversight, an Investment Oversight Panel (IOP) is established. The IOP shall include the Executive Director, and two (2) members to be designated by the Council Chair and Vice-chair. The Investment Oversight Panel shall function as an advisory Panel to the CFA and Council.

Its purpose is to:

- oversee the development and update of this Policy and its guidelines;
- make recommendations to the Council regarding modifications to this Policy;
- monitor compliance with ITTO Financial Rules and related Council Decisions) and;
- review ITTO's periodic investment reports to the CFA and Council.

An officer independent to the execution of investment transactions will provide compliance and investment analysis to the Investment Oversight Panel (Assistant Director, Operations).

The Investment Oversight Panel is proscribed from direct investment decisions, selecting fund managers, or becoming involved in the routine operations of the portfolio.

The role of the IOP is to review and ensure that procedures and processes are at all times adequate and to refer investment decisions to the CFA and Council, if required.

2.4.3 Internal controls

The Executive Director of ITTO shall establish internal controls and processes that will ensure investment objectives are met and that the investment portfolios are protected from loss, theft or inappropriate use. To this end, the Executive Director shall establish an executive management group or review group.

The Investment Oversight Panel is responsible for reviewing the approved lists and investment guidelines, which are updated regularly and recorded at ***Appendix 1***. The guidelines set by the Panel may, if required, be more conservative than the Policy. However, in no instance will they override this Policy or its objectives.

The established processes will include appropriate reporting (including compliance reporting), as well as an annual review of the Policy. The internal controls will address the following:

- control of collusion;
- measures to avoid conflict of interest;
- separate the transaction authority from accounting and record keeping;
- safekeeping;
- avoid physical delivery of securities;
- clearly delegate authority to ITTO investment officers;
- confirmation requirements for settlement of securities;
- compliance and oversight of investment parameters; and
- reporting of breaches.

The Investment Oversight Panel shall conduct an annual review of the activities of the portfolio to verify compliance with this Policy.

2.5 INVESTMENT PARAMETERS

2.5.1 Investible funds

For the purposes of this Policy, investible funds are the investment moneys available for investment at any one time and include the ITTO's bank account balance. Included in this balance are any moneys held by the ITTO on behalf of external parties. However, this Policy does not apply to moneys held in trust for third parties where those funds are subject to specific conditions.

The investible funds should match the cash flow needs of ITTO deemed by the Executive Director after preparing ITTO's budget. Once the Executive Director has determined that the cash flow requirements can be met, funds may be invested for the required term. In this regard, it is appropriate for the Executive Director to be conservative (i.e. where possible, investments should not be broken to meet cash flow obligations).

It is the responsibility of the Executive Director to assess the cost of direct investment management by ITTO relative to the return generated. This should be compared with the cost

of investing funds with a reliable capital guaranteed cash fund.

Any such investment decisions are to be undertaken with the concurrence of the IOP.

2.5.2 Authorized investments

Investment may include:

- interest bearing deposits
- commercial paper
- bank accepted/endorsed bank bills
- bank negotiable certificates of deposit
- short term bonds
- floating rate notes

2.5.3 Prohibited investments

This Policy prohibits any investment carried out for speculative purposes. The Investment Oversight Panel may include a prohibited investments list within the investment guidelines and approved lists (established pursuant to section 2.4.3 of this Policy).

The following investments are prohibited by this investment policy:

- derivative based instruments (excluding floating rate notes);
- securitized debt instruments;
- structured products;
- principal only investments or securities that provide potentially nil or negative cash flow;
- standalone securities issued that have underlying futures, options, forward contracts and swaps of any kind;

2.5.4 Portfolio investment parameters and credit requirements

The following table shows the credit ratings and counterparty limits for ITTO:

<i>Short Term Rating (Standard & Poor's) or equivalent</i>	<i>Individual Counterparty Limit</i>	<i>Total Limit</i>
A1+	30%	100%
A1	15%	50%
A2 (Financial Institutions only)	10%	30%
A3 (Financial Institutions only)	5%	10%
Unrated	Nil	Nil

It is noted that for the purposes of this investment portfolio, the percentage limits apply effective from the date of purchase as a percentage of the market value of the portfolio.

Appendix 2 * **Attached*** provides a comprehensive definition of rating definitions for Standard & Poor's, Moody's & Fitch.

2.5.5 Maturity

The maturity structure of the portfolio will reflect a maximum term to maturity of one year and includes an interest rate reset of no longer than six months (185 days).

2.5.6 Liquidity requirement

Given the nature of the funds invested, no more than 20 per cent of the investment portfolio will be held in illiquid securities and at least 10 per cent of the portfolio can be called at no cost or will mature within 0-7 days.

2.5.7 Approved lists

The Investment Oversight Panel shall prepare and maintain the following approved counterparty lists for the investment of funds:

- approved banks;
- approved commercial paper and medium term note issuers;
- approved brokers/dealer and direct issuers for purchase or sale of security with a minimum Standard and Poor's long-term credit rating of A+ (or equivalent); New investment products as they emerge;

A new investment product requires a full risk assessment by management and requires approval by the ITTC.

2.5.8 Breaches

Any breach of this Investment Policy is to be reported to the Executive Director or the Assistant Director for Operations and rectified within 24 hours of the breach occurring. The Investment Oversight Panel will report any such breach to the Council at its next meeting.

The Assistant Director for Operations will investigate the nature and import of the breach and will, if the breach is serious and amounts to an alleged breach under ITTO Staff Regulations and Rules, seek to initiate disciplinary procedures against the staff member responsible for the transaction, in a transparent and equitable manner pursuant to those rules.

Where ITTO holds an investment that is downgraded below the minimum acceptable rating level, as prescribed under regulation for the investment arrangement, ITTO shall within 28 days after the change becomes known, either obtain Executive Director's approval for continuing with the investment arrangement or sell the investment arrangement (including, for example, withdrawing a deposit).

2.5.9 Safekeeping and custody

Each investment transaction will require written confirmation by the broker/dealer/bank. ITTO will hold security documents, or alternatively a third party custodian authorized by the Executive Director and evidenced by safekeeping receipts may hold security documents.

These security documents must be held in a secure manner and must at all times be available for inspection by all authorized parties including the independent external auditor.

2.5.10 Criteria for selection of authorized dealers and brokers

ITTO will maintain a list of authorized financial institutions and securities brokers that the ITTO investment officers may deal with. These financial intermediaries must have a minimum long term rating of at least either A+/A1/A+ from Standard and Poor's, Moody's or Fitch.

All transactions undertaken on behalf of the investment portfolio of ITTO will be executed either by ITTO directly, or through securities brokers registered as Japanese Financial Service Licensees (Japanese Financial Services Agency) with an established sales presence in Japan, or direct issuers that directly issue their own securities which are registered on ITTO's approved list of brokers/dealers and direct issuers.

The Investment Oversight Panel will implement a process to investigate and endorse new brokers, including a requirement for references/testimonials which will assist with the broker selection and then seek Council approval for these processes.

A comprehensive selection criterion for financial advisers and brokers will be implemented including:

- assessment, evaluation and selection using an independent and transparent competitive Bid & Tender Policy;
- credit ratings of the firm;
- market capitalization of their business entity to determine credit worthiness and business sustainability;
- capability to execute transactions verified by testimonials from reputable business clients;
- As a guide, a minimum credit rating of A+ (Standard & Poor's) should be expected of broker counterparties along with provision of annual audited financial statements and securities dealer certification;
- Brokers must be further required to certify that they have read the requirements of ITTA 2006, ITTO Financial Rules and this ITTO Investment Policy;
- ITTO will at all cost refrain from selecting and engaging brokers or financial advisers who are paid through inappropriate commission arrangements.

2.6 INVESTMENT GUIDELINES

Pursuant to section 2.4.3 of this Policy, the Investment Oversight Panel may reduce the maturity limits in this Policy to a shorter period, or prescribe higher ratings through their own internal investment guidelines and approved lists.

Council approval is required for investments with a period of greater than 12 months.

3. REPORTING

3.1 REPORTING

The Assistant Director for Operations will prepare a quarterly report and evaluation of the transactions, investment concentrations, performance and compliance of the investment portfolio. The report is to be provided to the Investment Oversight Panel within 10 days of the period end. The report will include:

- list of securities held at the end of the reporting period by maturity date/call date;
- weighted average yield to maturity of the portfolio;
- percentage of the portfolio held by investment type; and
- performance of the portfolio (relative to appropriate benchmarks and by review of monthly statements, press releases & related media articles).

On a quarterly basis, the Executive Director will provide the Investment Oversight Panel and the Council with a detailed report on the investment portfolio, including a statement of compliance with this Policy and ITTO Financial Rules. The report is to list securities by issue name, maturity date, par and monetary amount invested.

On an annual basis, the Investment Policy will be reviewed and amended where required. Any amendments are to be reviewed by the Investment Oversight Panel and CFA and approved by the Council prior to implementation.

3.2 PERFORMANCE MEASUREMENT

The investment return for the portfolio shall be measured using the market value of the portfolio, including withdrawals and deposits, and total performance of the portfolio compared to the independent expert and independent indices issued by the Bank of Japan.

The review will also monitor the performance of investments advisers during the reporting period.

This is to include changes in the capital value of assets held (where applicable), income from managed investment portfolio assets, proceeds of sales of assets sold and cost of assets acquired.

The market value of the portfolio is to be calculated quarterly.

In defining market value, at least two pricing sources should be included in the valuation of the securities.

APPENDIX I: LIST OF APPROVED INVESTMENTS FOR ITTO

Banks and financial institutions approved by the Council:

- Bank of Tokyo-Mitsubishi UFJ
- Citibank
- Bank of Yokohama
- HSBC
- Daiwa Securities Group

APPENDIX 2 RATING TIER DEFINITIONS

<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>	Credit worthiness
Aaa	AAA	AAA	An obligor has EXTREMELY STRONG capacity to meet its financial commitments.
Aa1	AA+	AA+	An obligor has VERY STRONG capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	An obligor has STRONG capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	An obligor has ADEQUATE capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	An obligor is LESS VULNERABLE in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	An obligor is MORE VULNERABLE than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial
B2	B	B	

<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>	Credit worthiness
B3	B-	B-	commitments.
Caa	CCC	CCC	An obligor is CURRENTLY VULNERABLE, and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.
Ca	CC	CC	An obligor is CURRENTLY HIGHLY-VULNERABLE.
	C	C	The obligor is CURRENTLY HIGHLY-VULNERABLE to nonpayment. May be used where a bankruptcy petition has been filed.
C	D	D	An obligor has failed to pay one or more of its financial obligations (rated or unrated) when it became due.
e, p	pr	Expected	Preliminary ratings may be assigned to obligations pending receipt of final documentation and legal opinions. The final rating may differ from the preliminary rating.
WR			Rating withdrawn for reasons including: debt maturity, calls, puts, conversions, etc., or business reasons (e.g. change in the size of a debt issue), or the issuer defaults. ^[3]
Unsolicited	Unsolicited		This rating was initiated by the ratings agency and not requested by the issuer.
	SD	RD	This rating is assigned when the agency believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner.
NR	NR	NR	No rating has been requested, or there is insufficient information on which to base a rating

Annex 7: Procurement & Tender Manual

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1. PURPOSE AND USE OF THE MANUAL

1. Recognizing that the International Tropical Timber Organization (ITTO) needs to procure goods and services to support its activities at its Headquarters (HQ) and Regional Offices, this Manual provides guidance on procurement policies, procedures and practices to all staff members involved in the procurement and acquisition processes and activities in all such offices and locations.
2. This Manual is a compendium of regulations approved by the Council and the related rules and guidelines published for use by management and staff in performing the procurement function.
3. This Manual provides the legal framework to undertake procurement activities in full compliance with other relevant rules, policies, decisions and practice of the Organization.
4. Staff should rely on the Manual to guide their actions and to carry out their official duties.
5. Equally, these procedures in this Manual are designed to ensure that those seeking to do business with ITTO can be confident that their proposals are considered and assessed in a fair, objective and transparent manner.

2. ORGANIZATIONAL RESPONSIBILITIES

1. Procurement is the responsibility of the Division of Operations which employs staff who are responsible for the procurement function; this unit is headed by the Assistant Director of Operations.

All procurement is carried out under the provisions of International Tropical Timber Agreement 2006 and the ITTO Financial Rules and Rules Relating to Projects (Financial Rules).

The Financial Rules as approved by the Council regulate the Organization's procurement activities and the procurement of goods and/or services by the ITTO shall be undertaken at all times in compliance with these rules, regulations and policies.

2. This Procurement Manual reflects the principle of segregation of responsibilities between requisitioning and procurement entities by specifying their separate and distinct functions within the overall procurement process. At the same time, cooperation between the requisitioning and procurement functions is essential to ensure that, the basic principles expressed under Financial Rules are achieved namely:
 - a. ITTO obtains high quality goods, services and works that meet the applicable specifications;
 - b. Achieves competitive prices and within the time frame required;
 - c. That the procurement process is both equitable and transparent.

3. BEST VALUE FOR MONEY PRINCIPLE

1. The Best Value for Money Principle is an underlying principle which permeates the Financial Rules approved by Council and shall be given due consideration when exercising the procurement functions of ITTO.
2. When procuring goods or services or works all staff involved in procurement activities

must ensure that the optimal outcome has been achieved by considering all factors, such as relevant costs and benefits, risks and resources, etc., over the entirety of the product or service life-cycle.

3. Best Value for Money is defined as the “Optimization of whole-of -life costs and quality needed to meet the user’s requirements, while taking into consideration potential risk factors and resources available”. Its goal is to achieve maximum benefit for the Organization in order to execute the programmes, activities and projects approved by the Council.
4. Accordingly, price alone is not necessarily determinative of Best Value for Money. Procurement under the Best Value for Money principle shall be conducted taking the following factors:
 - a. **Cost-related factors:** The entirety of the cost components that comprise the Total Cost of Ownership (TCO) of the acquired goods, services or works, whether direct or indirect, fixed or variable (e.g., price, ancillary support, such as maintenance, upgrade and storage, supplies and additional operating costs, disposal costs, volume discounts, internal processing costs to support the transaction, etc.;
 - b. **Non-cost-related factors:** Factors or attributes that are related to the Organization’s needs and requirements (e.g., technical merits of the offered goods, services or works, compliance with Specifications, quality, timelines of delivery, competence, reliability and financial capacity of the Vendor, and compliance with contractual terms and conditions). Such factors should be included in the Specifications, TORs.
 - c. **Market environment:** Overall market maturity and availability of sources (e.g., Supplier availability, product availability, market maturity, Supplier sustainability). Such factors can be assessed using Market Research and commercial supply agencies.
 - d. **Competitive, fair, ethical and transparent sourcing** that is conducted consistently and in accordance with best practices and ITTO procurement standards, and within applicable laws.
 - e. **Risk factors:** Any risk that may jeopardize the successful outcome of a procurement and diminish the value that could have been obtained (e.g., financial viability and capacity of the Vendor, legal exposure and liability, geo-political circumstances, price stability, and dependency). All factors that are relevant to the particular procurement need to be considered, and the relative importance of each factor determined on a case by case basis.
5. As far as possible, all costs and benefits should be identified, compared and weighted against end-user need, evaluation criteria and risk factors. While Best Value for Money should be assessed as objectively as possible, professional judgement will be required, as complex needs rarely have one clearly correct solution.
6. The Best Value for Money principle is applicable throughout the acquisition process. The main stages within the process where it is applicable are:
 - a. Planning, funding and definition of requirements;
 - b. Identification of Vendors;
 - c. Development of Source Selection Plan, including Evaluation Criteria and

Weighting

4 PROCUREMENT PROCEDURES

4.1 Purchase Requisitions

1. The requestor shall raise a Purchase Requisition Form either as a hard copy or through the Organization's financial management with complete specification/information. The hard copy of the Purchase Requisition Form is numbered.
2. For purchase of asset, the requestor shall raise a Capital Asset Requisition and Registration Form (CARR). (An Asset is defined as item with an estimated life beyond one year and having costs in excess of US\$ 1,500.).
3. The requestor shall obtain approval from their respective supervisor or other relevant staff with delegated authority to approve as stated in Section 3.1 of ITTO's Financial Delegations, Procurement and Disbursement Manual.
4. For purchase of IT equipment (except IT consumables such as toners, recording media) and software, IT Manager or authorized IT personnel shall verify the purchase on the Purchase Requisition Form.
5. The approved Purchase Requisition Form shall be forwarded to purchaser. For purchase of asset, the approved CARR form will be sent to Finance personnel for issuance of asset number before forwarding to purchaser.
6. The purchaser shall initiate procurement process after receipt of an approved Purchase Requisition Form /CARR.
7. Except where proprietary or sole source items are requested, the name of the supplier indicated in the Purchase Requisition shall only be the suggested supplier.
8. The purchaser shall maintain a current signature file with specimen signatures of individuals authorized to approve Purchase Requisition Form/CARR and has the responsibility of verifying the signature. For the financial management system, the approval workflow matrix is maintained by the Division of Operations.

4.2 Quotes

1. When the estimated total of the item/service to be purchased does not exceed USD 100 then purchases under this category may be made through petty cash.
2. When the estimated value of the item/service to be purchased does not exceed USD\$5,000 no quote is required.
3. When the estimated total price of the item exceeds USD\$5,000 but is not more than USD\$10,000, the Purchaser shall request quotes from at least two suppliers.
4. When the value of the goods to be purchased exceeds USD\$10,000 but is not more than USD\$100,000, quotations shall be obtained from at least three suppliers and then approved through endorsement of the Assistant Director Operations and final approval by the Executive Director.
5. For purchases greater than USD\$100,000, the process of tender will be applied.

6. Emergency purchases of goods/services shall be allowed only if the normal prescribed procedure for procurement would result in an unacceptable delay, irreparable damage or prejudice to a critical Center activity. The Purchase Requisition and Purchase Order shall be prepared and processed immediately after the procurement of goods/services.
7. There will be occasions where there will be an exemption from the requirement for competitive selection. Examples of such occasions are-
 - a. When there is a genuine urgency;
 - b. There are no competitors (sole supplier / contractor situation);
 - c. The service is of specialist or confidential nature and it is reasonable in such circumstances for it to be supplied by one or a limited number of parties. The exemption must be approved by the Executive Director.
8. For purchases of general supplies (such as stationery) and printing services, request for quotations and negotiation on prices shall be carried out annually.
9. The purchaser shall receive quotes via fax, email or mail.
10. The purchaser shall notify the requestor if the price quoted exceeds the authority limit or exceeds 5% of the estimated price. The Purchase Requisition will be sent to the Requestor for discussion with their respective supervisor to decide whether to proceed with the purchase.

4.3 Purchase Orders

1. The purchaser shall prepare the Purchase Order on a prenumbered hard copy or through the financial management system, upon receipt of the approved Purchase Requisition Form hard copy or electronic through the financial management system / Capital Asset Requisition and Registration Form and confirmed quote as well as complete information on the goods/services.
2. For purchases using corporate credit card, the Purchase Order shall be prepared upon the receipt of credit card statement.
3. The purchaser shall send the Purchase Order and related document to the following authorized personnel for approval.
4. For amounts less than USD\$10,000 – Assistant Director Operations or the equivalent position; for amounts greater than USD\$10,000 – Executive Director or the equivalent position
5. After the Purchase Order is approved, the purchaser shall fax or email the Purchase Order to supplier.
6. If there is a change in the description, specification, price or quantity ordered on the Purchase Order after issuance of Purchase Order, a new Purchase Order shall be issued to supersede the previous one. The purchaser shall obtain approval from the authorized personnel stated in for this new Purchase Order.

4.4 Goods Receipt

1. Finance Admin. Asst. (or equivalent position at Regional Offices) shall verify the quantity of goods delivered against documents provided. If the quantity delivered is correct, Finance Admin. Asst. shall acknowledge the receipt of goods by signing on the Delivery Order/Packing List/Delivery Notification.
2. If there is any discrepancy, the Finance Admin. Asst. shall reject the goods and inform the purchaser of actions required, such as return, refund etc.
3. The Finance Admin. Asst. shall notify Requestor on the arrival of goods.
4. The requestor shall inspect and acknowledge receipt of goods by signing on the Delivery Order/Packing List/Delivery Notification.
5. For services, the Admin. Asst. and requestor shall verify the quality of services rendered by supplier after the completion of service and sign on the Delivery Order or related service document.
6. After verification by requestor, and the Admin. Asst. shall forward all related documents to Finance. For HQ and Regional Offices which are using the financial management system, the Admin. Asst. shall post the goods/service receipt in the financial management system before forwarding all related documents to Finance.

5 ACCREDITATION OF SUPPLIERS

1. The Accreditation process shall be implemented on items or services purchased on a continuous or regular basis and in volumes (more than USD5,000 per annum) where reliability of supplier is important to the Center. However, accreditation of supplier is not required for petty cash purchases, one time or irregular purchases of materials, equipment or services.
2. From time to time, a Supplier Accreditation Team (SAT) will be coopted from appropriate staff from within the Division of Operations for specific purposes, such as:
 - a. For the purchase of computer systems;
 - b. To review the supply of a particular good/service;
 - c. Review a supply contract;The panel shall comprise of a cross section of Center's staff to ensure a broad representation. The constitution of the panel is the responsibility of the Assistant Director, Operations.
3. The purchaser and end-user shall pre-qualify suppliers based on the following criteria:
 - a. **Supplier's capabilities:** type of goods/service provided, tenure and size of business, financial status, managerial and technical competence of staff, key management personnel, major customers and industries served, after sale service
 - b. **Quality of goods/services:** meeting the requirements and intended use
 - c. **Term and conditions** such as payment term, flexibility in accommodating special requests
 - d. **Resources and facilities:** in case of requirement for some specialized resources and facilities
 - e. **Others:** payment term, flexibility in accommodating special requests, timeliness in responding to requests, pro-activeness in providing services, regular suppliers with tested commitments to goods/service quality/delivery

4. Supplier shall complete the Supplier Information Sheet and attach essential business documents.
5. The purchaser shall submit the list of pre-qualified suppliers and all related documents to SAT for evaluation and selection.
6. The SAT shall select the suppliers who obtain satisfactory level or above based on the criteria stated in the Supplier Information Sheet.
7. The purchaser will compile the list of accredited suppliers.
8. The accredited supplier may be disqualified for the following reasons, but not limited to:
 - a. Regular failure to submit quotes as agreed or comply with ITTO's procurement guidelines;
 - b. Regular failure to deliver goods/services within the stipulated delivery lead time;
 - c. Regular short delivery of goods or delivery of goods/services not in accordance with agreed specifications;
 - d. Failure to provide satisfactory after sale services;
 - e. Increasing prices of goods/services already indicated in the Purchase Order without proper notification to Center;
 - f. Deliberate act by supplier to offer secret commissions and inducements to any Center staff for purpose of influencing purchasing decisions;
 - g. Supplier found to be owned by same owner (Under multiple trade names) who was previously disqualified with cause;
 - h. Supplier found to be engaged in illegal, fraudulent, corrupt or unethical practices;
 - i. Supplier found to be bankrupt or under receivership.
9. The SAT shall review the accredited suppliers from time to time and make necessary amendments to the list of accredited suppliers.

6 BID & TENDER ADMINISTRATION

6.1 Two-Stage: Two-Envelope bidding procedure

1. At the first stage, Bidders submit two sealed envelopes simultaneously, one containing the Technical Proposal and the other the Price Proposal, enclosed together in an outer single envelope.
2. Only the Technical Proposals are opened at the date and time advised in the Bidding Document, and the Price Proposals remain sealed and are held in custody by the ITTO Secretariat.
3. The Technical Proposals are evaluated and if the ITTO Secretariat requires amendments or changes to the Technical Proposals, such amendments and changes are discussed with the Bidders;
4. The Bidders are allowed to revise or adjust their Technical Proposals to meet the requirements of the ITTO Secretariat;
5. The objective of the exercise is to ensure that all Technical Proposals conform to the same acceptable technical standard and meet the technical solution required by the ITTO Secretariat.

6. Bids of Bidders who are unable or unwilling to bring their Technical Proposals to conform to the acceptable technical standard will be rejected as deficient Bids with ITTO SECRETARIAT's approval.
7. Following ITTO SECRETARIAT approval of the evaluation of Technical Proposals, Bidders are invited, at the second stage, to submit Modified Bid Proposals consisting of Revised Technical Proposals if required and Supplementary Price Proposals based on the technical standard agreed.
8. The original Price Proposals and the Modified Bid Proposals are opened at a date and time advised by the ITTO Secretariat.
9. In setting the date the ITTO Secretariat will allow sufficient time for the Bidders to incorporate the changes in the Revised Technical Proposals that are needed to meet the agreed technical standard and to prepare the Supplementary Price Proposals that reflect these changes.
10. The Price Proposals, Supplementary Price Proposals, and Revised Technical Proposals are evaluated, and following ITTO SECRETARIAT's approval, the Contract is awarded to the Bidder whose Bid is determined to be the lowest evaluated substantially responsive Bid.

6.2 Bid Administration procedures

1. For purchases of goods or service greater than US\$100,000, the bidding process will be applied. The exemption must be approved by both Assistant Director Operations Executive Director.
2. With written approval from the respective Assistant Director or Head for such purchase, the requestor will inform Administration & Operations Manager or equivalent position at Regional Offices.
3. Details of the goods/services required are submitted:
 - a. Full technical specifications, scope of work, details of special conditions;
 - b. Estimated total cost (based on latest information available);
 - c. Proposed bid advertisement format (whenever necessary);
 - d. Anticipated date of delivery of goods/services.
4. It is the basic pre-requisite that this expenditure is budgeted in the current year budget or is an approved deviation from the budget

6.3 The Bid and Award Committee

5. The Committee will consist of the following:
 - a. Assistant Director of Operations – Chairperson;
 - b. Finance Administrative Services Officer – Secretary;
 - c. Assistant Director or Head of the requesting Unit;
 - d. The requestor;
 - e. Other attendees (invited by the Bid and Award Committee based on the nature of purchase);
6. The Bid and Award Committee may invite staff with specialized knowledge to assist in evaluation of the bid proposal.

7. The Bid and Award Committee will request bids from prospective bidders by sending an invitation letter (selective bidding) or advertise in the relevant newspaper/publications (local and/or international) depending on the nature of procurement and circumstances.
8. The decision to undertake selective bidding will be based on sound market intelligence about prospective suppliers and contractors indicating that comparative advantage can be gained by selective bidding.
9. For selective bidding, a preliminary list of prospective bidders shall be carefully evaluated to determine a final list (at least three but not more than five bidders) by Assistant Director Operations and the requestor, taking into account the following qualifications:
 - a. Quality of management;
 - b. Capabilities and facilities available;
 - c. Quality of goods/services;
 - d. Financial stability;
 - e. Competitive status;
 - f. Past performance records with other customers (verified by testimonial);
10. The bidding documents shall furnish all information necessary for prospective bidder to prepare a bid. The content of bid documents may vary with the size and nature of procurement; it should comprise essentially of the following information:
 - a. Letter of invitation;
 - b. Instruction to prospective bidders: provide information on the form, procedures and timing of bidding which includes procedure for clarification, language of bids, form and copies of submission, pricing and currency provisions, securities required, submission and opening of bids, evaluation and award criteria, notification of award and signing of contract;
 - c. Conditions of contract: scope of goods/works/services, guarantees and warranty requirements, indemnities and insurance, penalties and damages, terms and schedule of deliveries and payments, price adjustments, termination and cancellation provisions, applicable law, conflict of interest and ethics requirements, resolution of disputes, administration of contract and other applicable conditions;
 - d. Specifications and Scope of Work:
 - e. For goods – detailed technical characteristics and specification of goods including functions, standards and norms, installation, commissioning and performance requirements, functional guarantee and technical support.
 - f. For work – scope of works, technologies, tests and inspections, drawings and standards.
 - g. For consulting services – scope of assignment, transfer of knowledge or training, requirements on staff and their technical expertise.
 - h. Schedules and Form: output with deliveries, price schedule and other submission sheets.
 - i. Other information to ensure bidders can prepare a competitive price
11. For purchase of financial/administrative management systems where the approach, implementation methodology and rationale of technical aspects are critical to the success of the implementation, two-stage bidding process may apply. For two-stage bidding process, technical bids shall be invited in the first stage and after evaluation, revised technical and price bids shall be invited from qualified bidders of the first stage.
12. The closing date for bid will be dependent on the size and type of purchase, however, the closing date must be set no less than two weeks from the date of

placement of advertisement or the date the invitation letter is sent out.

13. **Extension of Closing Date:** The Assistant Director or Head of the requesting Unit has the authority to extend the closing date of a bid under the following circumstances:
 - a. When the bid documents are received late by bidders;
 - b. When bidders request extension because of specialized work included in the bid documents;
 - c. When the Center amends the bid documents while bidders are in the process of being called.
14. If there is an extension to the closing date, all prospective bidders must be informed through public advertisements and by email.
15. Bid extensions are not to be approved less than one week before the closing dates to ensure that bidders who have submitted bid promptly are not disadvantaged.

6.4 Communication with Bidders

1. It is essential to observe strict formality in all dealings with the prospective bidders once the bid is made public.
2. Enquiries about the bid documents are to be referred to the Secretary of the Bid and Award Committee who may consult the Assistant Director/Head of the requesting Unit.
3. If a bidder finds any error or discrepancy in the bid documents, the Bid and Award Committee and Assistant Director/Head of requesting Unit will decide the next possible course of action (based on the nature of error or discrepancy) which may be:
 - a. Withdraw the documents and re-advertise after making the necessary amendment
 - b. Advise all prospective bidders on the amendments made to the bid documents
4. Once the Center receives the bid documents, there should be no communication with the bidders about their bids.

6.5 Receipt of Bid Documents

1. Sealed bids shall be submitted directly to the Secretary of Bid and Award Committee whereby the sealed bids will be kept under lock and key.
2. The Secretary will record the name of company / organization and the date the bid is received which are then entered into Bids Received Register.

6.6 Opening of Bids

1. After the closing time and date, at least two members of the Bid and Award Committee and the Secretary will open the sealed bids and sign on the documents.
2. The Secretary will record the details of each bid in the Bids Received Register in the presence of the other two members.

3. The Secretary will distribute the copies of bids documents to the Bids and Award Committee.

6.7 Amended, Late and Rejected Bids

1. Amended bids must be submitted before or on closing date and show clearly that it replaces the earlier bid.
2. For a bid which is received after the closing date, the Secretary will open the sealed bid with two members of the Bid and Award Committee, record the details in the Bids Received Register and mark it as late bid.
3. The Bid and Award Committee will discuss late bids and decide on the disposition of these bids.
4. Bids which are incomplete or from a company which has material impediments (e.g. no registered office, no Certificate of Incorporation) will be rejected and the reasons for rejection stated in the Bids Received Register.

6.8 No Bid Received

1. If there are no bids submitted, the Bid and Award Committee will decide on the next course of action.

6.9 Evaluation of Bidders

1. The requestor and Finance Administrative Services Officer shall establish the technical and other evaluation factors as well as criteria and their weighting in advance. These criteria comprise essentially the following:
 - a. Technical conformance with the furnished specifications;
 - b. Ability and competence of bidder;
 - c. Financial status/credit rating/quality of management;
 - d. Relevant experience;
 - e. Past performance with the Center and other major customers;
 - f. Terms of payment;
 - g. Compliance with the delivery requirement;
 - h. Services provided;
 - i. Other relevant factors.
2. A complete tabulation of all the bids shall be made by the Bid and Award Committee.
3. For two-stage bidding process, the technical bid will be evaluated first.
4. After completion of the bid analysis by the Bid and Award Committee, the determination of the award shall be made on the basis of the lowest quote considering criteria stated in 6.9.1 or other pre-set criteria.
5. In some instances, where the appraisal of proposals, recognizing all factors under 6.9.1, may result in awarding the bid on the basis other than the lowest price, approval by a majority of the members of the Bid and Award Committee is required in these circumstances.

6.10 Notification and Award of Contract

1. After the selection by the Bid and Award Committee and final approval by the relevant approver (following the levels of approval authority stated in Section 3.1 i) of

ITTO's Financial Delegations, Procurement and Disbursement Manual, a letter advising the successful bidder will be sent.

2. The requesting unit will initiate the procurement process by issuing a Purchase Order or drafting of a Contract.
3. Clearance from the Center Legal Advisor may be sought before signing of the contract.
4. In the event that the selected supplier does not enter into contract in accordance with the requirements of the tender, the Bid and Award Committee should award the contract to the next ranked company for finalization of contract.

6.11 Contract Management

1. The Secretary of the Bid and Award Committee will keep the original copy of the contract.
2. A copy of the contract will be given to the requesting unit for reference purposes and for contract implementation and administration.

6.12 Evaluation of Performance

1. Users together with the requesting unit will evaluate the performance of the supplier for future reference. The evaluation will be compiled by the Secretariat and the Executive Director will report it to the Council.