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DECISION 4(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;

Noting that the reference to the minimum threshold of the Working Capital Reserve in Decision 2(XXXIV) is superseded by Rule 5.6 in the financial rules as adopted in this Decision;

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 procedures, namely:
 - the Investment Policy;
 - the Charter for the Investment Oversight Panel;
 - the Auditing Standard;
 - the Audit and Financial Statements Reporting Cycle Procedures;
 - the Financial Delegations and Disbursements Procedures; as well as
 - the Procurement and Tender Procedures

as contained in Annex 1 to this Decision;

2. Approve the establishment of the Investment Oversight Panel as soon as practical and ask the Panel to appoint its own Chair on an interim basis until ITTC 53;

3. Approve the implementation of the revised Financial Rules and Rules Relating to Projects of the ITTO and the associated policies and procedures with effect from 1 January 2017 or as soon as practical thereafter;
4. Abolish with immediate effect the Executing Agencies Account established under Decision 3(XXXV);
5. 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;
6. Authorize the Executive Director to utilize an amount not exceeding US\$20,000 from the Working Capital Reserve to meet the expenses related to establishing the Investment Oversight Panel and facilitating its first face-to-face meeting.

* * *

ANNEX



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

Second Edition

November 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.¹ All other uses of the Working Capital Reserve require a Council decision.

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. This reserve is set aside to meet obligations towards the staff members of the Organization arising in the event that the ITTO ceases to exist, such as termination indemnities, repatriation travel and removal costs, and repatriation grants. The amount of this Special Reserve heading shall be decided upon every financial biennium by the

¹ This amount was established in Decision 2 (XXIV) (17 May 2003).

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 Project and Pre-Project documents being submitted to the Council and its Committees, 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 and Disbursements Procedures (Annex 6).
 - (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 polices 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 Delegation and Disbursement Procedures (Annex 6).

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 polices 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 4) 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 by Council, 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 4) 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 2), 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 2) with the advice of the Investment Oversight Panel and the Committee on Finance and Administration.

3. The ITTO Investment Policy (Annex 2) 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 (Annex 3);
- (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

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

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

ITTO 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 establish ITTO's investment policy and guidelines regarding the investment 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

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 AND 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) experts, to the extent possible, one from each ITTO Member Group, 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
- long 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%	30%
A2 (Financial Institutions only)	10%	20%
A3 (Financial Institutions only)	5%	0%
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 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, except as approved by Council, 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 10 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 all members of the Investment Oversight Panel and rectified by the Secretariat within 24 hours of the breach occurring. The Investment Oversight Panel will report any such breach to the Council Chair.

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 and 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 AND PERFORMANCE MEASUREMENT

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 and 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 1: 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 commitments.
B2	B	B	

<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>	Credit worthiness
B3	B-	B-	
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 3

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) experts, to the extent possible, one from each ITTO Member Group, 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 from among the experts appointed by the Council Chair and Vice Chair 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

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 and 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 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

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 Chair of the CFA and ITTO's Informal Advisory Group (IAG) through the Council Chair.

12. CONSIDERATION OF PANEL RECOMMENDATIONS

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 4

ITTO 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 AND 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 and 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 and additional Audit Services are contained in 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 and 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 and 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 AND 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 and 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 5

ITTO Audit and Financial Statements Reporting Cycle Procedures

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1. PRE-AUDIT PLANNING

1.1 DETERMINATION OF AUDIT COVERAGE AND APPROACH

As the audit cycle approaches the Finance and 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 on 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 and 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 (Annex 4) paragraphs 3.1 and 4.5.

1.2 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 (Annex 4) 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 AND 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 (Annex 4) 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 (Annex 4) 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 (Annex 4) paragraphs 4.7- 4.9.
4. Once Council approves the audited financial statements, the Executive Director shall post the full external audit report on ITTO's publicly accessible website.
5. 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 AND 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 (Annex 4) Paragraph 5.1.
2. The process of audit liaison and facilitation is delegated to the Assistant Director of the Division of Operations.

ANNEX 6

ITTO Financial Delegations and Disbursements Procedures

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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

These Financial Delegations and Disbursement Procedures are 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 and 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:
 - o For amounts less than \$50,000, Assistant Director Division of Operations;
 - o For amounts greater than \$50,000 Executive Director;
 - o 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:
 - o International travel for all staff and consultants will be subject to approval by the Executive Director;
 - o 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:
 - o Where less than \$5,000, two signatories consisting of the Finance and Administrative Services Officer and the Assistant Director Division of Operations;
 - o 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);
 - o 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:
 - o Genuine urgency exists;
 - o No competitors (sole supplier situation) subject to CFA endorsement;
 - o 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;
 - o 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 7

ITTO Procurement and Tender Procedures

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1. PURPOSE AND USE OF THE PROCEDURES

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 AND 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 and 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

1. 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);
2. The Bid and Award Committee may invite staff with specialized knowledge to assist in evaluation of the bid proposal.
3. 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.
4. 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.
5. 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);
6. 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
7. 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.
 8. 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.
 9. 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.
 10. If there is an extension to the closing date, all prospective bidders must be informed through public advertisements and by email.
 11. 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

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 and Disbursement Procedures, 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. 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

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.