



**INTERNATIONAL TROPICAL
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7–12 November 2016
Yokohama, Japan

**REPORT OF THE
INTERNATIONAL TROPICAL TIMBER COUNCIL
AT ITS FIFTY-SECOND SESSION**

Yokohama, Japan

7–12 November 2016

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OPENING OF THE SESSION (AGENDA ITEM 1)

1. The Fifty-second Session of the International Tropical Timber Council (ITTC, the Council) was opened by the Chairperson, Ms. Jennifer Conje. She warmly welcomed all participants and thanked the Government of Japan and the City of Yokohama for their hospitality in hosting the session and for their long-standing support of ITTO over the past 30 years. She informed the Council that one of the speakers on the agenda of the opening session, Dr. Manoel Sobral Filho, was unfortunately unable to attend due to ill health. The list of participants attending the Session is contained in Annex 1.
2. The Chairperson noted that ITTO was standing at an important juncture and that its future direction was in the Council's hands. As a result of decisions and actions taken more than two years ago by the previous management, the Organization had experienced a huge loss that threatened its financial health and credibility, and long-time supporters of ITTO were in a highly uncomfortable situation in their own governments, having to explain how such mismanagement of funds could have happened and to justify future engagement with and funding for the Organization.
3. The Chairperson noted that organizations and communities that had relied on ITTO support to implement crucial forest management and conservation projects throughout the tropics had seen their funding suspended; many had had to curtail or close down funded project activities. Students who looked to ITTO for fellowships to further their education did not have that opportunity in 2016, and important trade and forest management studies that would have helped inform policymaking had gone unimplemented. The Chairperson said that she was not pointing out these facts in order to start the session on a sombre note but to emphasize the importance of ITTO. It was easy to criticize and to find fault with organizations, but it was often not until they were gone or unable to fulfil their functions that the vacuum they had filled was recognized and the value they had contributed was realized.
4. The Chairperson said she had had the benefit of personally seeing and hearing some of ITTO's contributions to tropical forests on the ground. She had recently been at an Asia-Pacific Economic Cooperation (APEC) meeting where almost every presenter on timber-tracking systems had noted the assistance of ITTO in their work, and she said she also used the trade statistics collected by ITTO in her own daily work.
5. The Chairperson said that, in the midst of the financial cloud hanging over the Organization, Council members should not lose sight of what the meeting was trying to save. In the past year, a great collaborative effort had been made in this direction, including commissioning an independent investigation to determine the facts of the situation, initial legal actions against some of the individuals or entities involved in the impaired investments, and establishing the Oversight Committee and an expert panel on the revision of ITTO's financial and staff rules and procedures. These bodies had been instrumental in creating important and extensive recommendations for the Council's consideration at this session. In addition, a thorough review and audit of all ITTO's accounts had been undertaken to clearly determine the obligations and liabilities associated with the problem and the resources available for solving it. In that process, several priorities had become clear, including the need to revise and strengthen ITTO internal controls, particularly staff and financial rules, the need to bring ITTO's accounting practices and audit reporting into line with international standards, the importance of holding the entities responsible for the loss accountable for their actions, and charting a path forward that would enable ITTO to resume operations and projects and to fulfil its mandate in the face of the financial impairment.
6. The Chairperson said that the amount of work done in the past months to find solutions was not small and that it had required substantial commitment, personal sacrifices and hard work by many, especially the current ITTO Secretariat. In particular, she acknowledged Dr. Steve Johnson, Officer-in-Charge, for his perseverance and courage and for his leadership of the Organization in the face of these incredible challenges.
7. The Chairperson asked all present members of the Oversight Committee, including the co-chairs, Mr. Rob Busink and Mr. Mad Zaidi Mohd Karli, to stand. The Council gave a round of applause in recognition of the hard work of the Secretariat and the members of the Oversight Committee.
8. The Chairperson thanked all Council members for their cooperation and for their ability to respond to the crisis, in particular by successfully undertaking the voting process for four Council decisions

without meeting. The work authorized under some of those decisions had been crucial in preparing for the Council session and in providing potential solutions to the challenges ahead.

9. The Chairperson noted that the Council needed to make another very important decision – the election of a new Executive Director. She challenged members to look beyond the usual “consumer and producer convex lens”, to listen, and to look for a vision among the candidates that would focus and further develop ITTO’s strengths, including its agility and its ability to connect policy to action on the ground and thereby to create a more effective organization and to rebuild its credibility. Candidates, she hoped, would present their vision of how they intended to create new partnerships and to highlight the importance of tropical forests and sustainable forestry to the environment and the global economy.
10. In concluding, the Chairperson referred to the words of a famous American writer, Ellen Glasgow, who wrote that, “What happens is not as important as how you react to what happens”. This was not to excuse the serious mismanagement or the loss that had occurred, said the Chairperson, nor to brush over the important lessons that had been learned and the issues to be addressed and corrected. Rather, it was to encourage the Council to continue moving forward in a constructive and positive manner and to take important decisions at the session that would help build a more accountable, efficient and effective organization for the future of tropical forests.
11. In his address to the Council, Ambassador Koichi Aiboshi, Assistant Vice-Minister for Global Issues, Ministry of Foreign Affairs, Government of Japan, noted that tropical forests embraced rich ecosystems and made a significant contribution to reducing greenhouse gases by acting as carbon sinks, and that tropical forests were indispensable in keeping the Earth green and clean. Ambassador Aiboshi said that ITTO was the only organization in the world with the aim of promoting sustainable tropical forest management and tropical timber trade and that ITTO had engaged in various activities for the conservation of tropical forests, in cooperation with relevant stakeholders, since its establishment in Yokohama in 1986. He referred to the adoption of the Paris Agreement on climate change in December 2015, which addressed actions for forest conservation and curbing deforestation in developing countries. Ambassador Aiboshi noted that the Paris Agreement had entered into force in the previous week and that Japan was now at the final stage of ratification. In reference to the G7 Ise-shima Summit in June 2016, he said that Japan’s Diet had enacted legislation in 2016 to promote the distribution and use of legally harvested wood products, under which the Government of Japan would implement various policy measures to promote international collaboration to reduce illegal logging abroad and increase international cooperation on the trade of legally harvested logs. Thus, international cooperation on forests and timber continued to be extremely important. Ambassador Aiboshi said that, for ITTO to overcome its current problems, it was crucial that a new Executive Director of the right calibre be selected. To restore trust in the Organization, member countries should consider pursuing those former executives of the Secretariat who had brought about the situation; otherwise, donor countries would have difficulty in seeking the support of their taxpayers for their contributions to ITTO. Ambassador Aiboshi indicated that the delegation of Japan would make its utmost efforts, in collaboration with other member countries, to provide the necessary solutions. He concluded his remarks by expressing his deep appreciation for Dr. Steve Johnson, Officer-in-Charge, and his team in the Secretariat, the members of the Oversight Committee, the City of Yokohama, and all other parties and colleagues for their efforts.
12. Mr. Makoto Sekiyama, Director General of the International Affairs Bureau of the City of Yokohama, welcomed participants to Yokohama and congratulated ITTO on the 30th anniversary of its installation in the city. Mr. Sekiyama noted that a number of international organizations had offices in Yokohama and Japan, but ITTO was the only international organization headquartered in the country. He expressed his gratitude for ITTO’s cooperation in offering environmental courses at public schools, for accepting university students as interns at the Secretariat, and for enabling elementary-school children to visit the Secretariat to learn about ITTO activities. Mr. Sekiyama highlighted the importance of ensuring that the next generation understood the importance of tropical forests, as well as finding a balance between the environment and development. He characterized Yokohama as a diverse city, with the Minato Mirai 21 district in particular integrating a variety of commercial areas, and he said the region had precious environmental resources, such as the Satoyama secondary forest. While taking advantage of such characteristics, Yokohama was dealing not only with environmental issues but also various urban challenges, such as responding to the social advancement of women and an ultra-aging society, and playing a leading role for other cities. Mayor Hayashi had participated in TICAD-VI in Nairobi in 2016, where he had presented Yokohama’s efforts to treat waste, the City’s urban development through energy saving, and the Minato Mirai 21 district. Mr. Sekiyama concluded his remarks by saying that the City of Yokohama wanted to continue cooperation with ITTO, other

international organizations, and citizens and local businesses to develop a sustainable city, conserve tropical forests, and improve the global environment.

13. His Excellency, Mr. Philip Ngolle Ngwese, Minister of Forests and Wildlife of Cameroon, expressed his gratitude to the Government of Japan and the City of Yokohama for hosting the Council session. He emphasized two key items on the meeting's agenda: the election of ITTO's new Executive Director, and the review of the Organization's administrative and financial rules and procedures, in view of its financial difficulties. Mr. Ngolle said it was necessary to face the truth, and that all delegations would need to demonstrate tolerance in a bid to reach consensus on the election of the Executive Director. He said that Cameroon was fully prepared to work relentlessly to this end. Mr. Ngolle commended the interim team for its work over the past two years and said it was now up to the members to live up to their responsibilities. He stressed that Cameroon believed in ITTO and stood by it and also by other international commitments. Mr. Ngolle was pleased to note that Cameroon was taking action in support of the initiative to reduce emissions from deforestation and forest degradation by making REDD+ a participatory and inclusive mechanism. Although Cameroon was still at the preparatory phase of national plans and strategies, with emphasis on capacity building to guarantee the implementation of the initiative, the country had committed, at the 21st Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), held in Paris, to reducing emissions by 32%. Nine actions had been formulated at the national level as part of this determination to contribute: the sustainable development of rural areas; the sustainable management of natural resources; the sustainable management of animal and fishery production; the sustainable enhancement of agricultural productivity; the promotion of alternative energy sources for firewood; the promotion of energy efficiency; the development of renewable energies; the promotion of low carbon-emitting transport modes; and sustainable waste management. The implementation of these actions would require assistance from technical and financial partners, including ITTO. Mr. Ngolle concluded his remarks by underscoring the dire need for ITTO to find a way out of its situation and to break the current deadlock, or risk compromising its achievements in terms of tropical forest conservation and boosting economic development in member countries.
14. The final statement at the opening session was made by the Officer-in-Charge (see Agenda Item 8).

ASCERTAINMENT OF THE QUORUM (AGENDA ITEM 2)

15. The Officer-in-Charge reported that the quorum for the Fifty-second Session of the Council had been met. The list of participants is contained in Document ITTC(LII) Info.2 (Annex I).

ADOPTION OF AGENDA AND ORGANIZATION OF WORK (AGENDA ITEM 3)

16. The Chairperson referred to Document ITTC(LII)/1 Rev.1 and invited comments on the Provisional Agenda.
17. The delegate of Indonesia expressed concern that the previous two sessions of the Council had not succeeded in electing a new Executive Director for the Organization. He said that Indonesia intended to add a new agenda item on the possibility of amending the rules and procedures for electing the Executive Director, but he realized it was already too late to do so because changes to the agenda must be submitted to the Secretariat at least two weeks in advance of the Council. He therefore requested that this issue be placed on the agenda under Item 24, "Other Business".
18. In the absence of objections and further comments, the Provisional Agenda was adopted, with the amendment that the subject raised by the delegate of Indonesia would be taken up under Agenda Item 24, if needed.

REPORT ON MEMBERSHIP OF THE COUNCIL (AGENDA ITEM 4)

19. The Officer-in-Charge informed the Council that the membership of the Organization stood at 73, comprising 38 consumer members and 35 producer members. Referring to Document ITTC(LII)/3, he reported that the Government of Madagascar had ratified the International Tropical Timber Agreement (ITTA), 2006 on 27 October 2016 as a producer member. The Officer-in-Charge noted that Madagascar had been an observer at the negotiations of the ITTA, 2006 and had signed the agreement as soon as it had become available for signature in the UN, but that ratification had taken substantial time. He requested the delegate of Madagascar to stand up, and the Council applauded the new member. The Officer-in-Charge informed the Council that, in accordance with the ITTA, 2006,

Madagascar's initial contribution has been assessed on a pro-rata basis, based on the approved budget for year 2016, with the details reflected in Document ITTC(LII)/3. The approved agenda is attached in Annex 2.

20. The delegate of Madagascar said that it was an honour for Madagascar to be among the members of the Council, and, on behalf of the Government of Madagascar, she asserted the country's engagement with the Organization. She said that Madagascar was counting on ITTO's support to promote the expansion and diversification of the international trade in tropical timber coming from sustainably managed and legally exploited forests and thereby promoting sustainable forest regeneration and sustainable timber production in Madagascar.

REPORT OF THE CREDENTIALS COMMITTEE (AGENDA ITEM 5)

21. Ms. Katharina Kuehmayer (Austria), Chairperson of the Credentials Committee, presented the Report of the Credentials Committee, drawing attention to Document ITTC(LII)/3 (Rev.3). The Committee, composed of Austria, Australia, Benin, Brazil, Côte d'Ivoire, the European Union (EU), Indonesia and the United States of America (USA), examined and accepted the credentials and attendance of 58 countries and the EU at the Fifty-second Session of the Council and Sessions of the Associated Committees.
22. The Credentials Committee also examined the representation of interest and the delegation of voting rights in accordance with Article 11, Paragraph 2, of the ITTA, 2006. The list of member countries delegating their interests and voting rights is shown below.

List of member countries delegating votes

Country	Delegating votes to:
France	Austria
India	Brazil
Belgium	European Union
Bulgaria	
Croatia	
Cyprus	
Czech Republic	
Denmark	
Greece	
Hungary	
Ireland	
Italy	
Lithuania	
Luxembourg	
Poland	
Portugal	
Romania	
Slovenia	
Spain	
U.K.	Netherlands
Latvia	Slovakia
Malta	
Myanmar	Thailand

23. The Committee further examined the voting rights of members with credentials in accordance with Article 19, paragraph 8, and Article 10, paragraph 8, of the ITTA, 2006 on the suspension and redistribution of votes. The Secretariat provided information on the status of contributions of member countries to the administrative budget, as contained in Document CFA(XXXI)/3 Rev.1 dated 7 November 2016 and reports presented orally at a meeting of the Committee on Finance and Administration (CFA) on 8 November 2016. This process led to approval of the final redistribution of votes, as shown on the next page.

**REDISTRIBUTION OF VOTES FOR ELIGIBLE MEMBER COUNTRIES, AS PER ARTICLE 10,
PARAGRAPH 8, OF ITTA, 2006 (AS AT 9 NOVEMBER 2016)**

PRODUCER MEMBERS

Africa	
Cameroon	37
Ghana	37
Madagascar	36
Mali	36
Togo	36
Asia & Pacific	
Cambodia	19
Fiji	14
India (BR)	32
Indonesia	112
Malaysia	114
Myanmar (TH)	63
Papua New Guinea	45
Philippines	17
Thailand	33
Viet Nam	17
Latin America/Caribbean	
Brazil	169
Colombia	34
Costa Rica	18
Guatemala	18
Guyana	22
Mexico	35
Peru	36
Trinidad and Tobago	17
TOTAL:	1000

Note: Producer members with voting rights not present at this Session and votes not delegated:

Mali	36
Trinidad and Tobago	17

(BR) Votes delegated to Brazil
(TH) Votes delegated to Thailand

CONSUMER MEMBERS

Australia	16
China	265
European Union	391
Austria	10
Belgium (EU)	15
Bulgaria (EU)	10
Croatia (EU)	10
Cyprus (EU)	10
Czech Republic (EU)	11
Denmark (EU)	11
Estonia	10
Finland	10
France (AT)	33
Germany	19
Greece (EU)	11
Hungary (EU)	10
Ireland (EU)	14
Italy (EU)	26
Latvia (SV)	10
Lithuania (EU)	10
Luxembourg (EU)	10
Malta (SV)	10
Netherlands	33
Poland (EU)	11
Portugal (EU)	14
Romania (EU)	10
Slovakia	10
Slovenia (EU)	10
Spain (EU)	15
Sweden	11
United Kingdom (NL)	27
Japan	164
New Zealand	11
Norway	10
Rep. of Korea	69
Switzerland	11
United States of America	73
TOTAL:	1,000

(AT) Votes delegated to Austria
(EU) Votes delegated to the European Union
(NL) Votes delegated to the Netherlands
(SV) Votes delegated to Slovakia

24. The Committee requested Council members that had not submitted their credentials in original form to do so as soon as possible. The Committee also encouraged participants not included in their country's credentials to contact their respective governments for proper accreditation.

PROPOSED DISTRIBUTION OF VOTES FOR 2015–2016 BIENNIUM (AGENDA ITEM 6)

25. The Officer-in-Charge informed the Council that votes for the 2016–2017 biennium had been approved at the Fifty-first Session of the Council in Kuala Lumpur, Malaysia, but Madagascar's ratification had resulted in the recalculation of votes, as contained in Document ITTC(LII)/1 Rev.1. Madagascar would have 21 votes, and the votes of the African member countries and several other producers had been adjusted accordingly. The votes of consumer members would not be affected by this change.

ADMISSION OF OBSERVERS (AGENDA ITEM 7)

26. The Chairperson drew the attention of the Council to Document ITTC(LII)/Info.3 and Document ITTC(LII)/Info.6. She reminded observers and members that new guidelines on the conduct of observers had been adopted at the Fifty-first Session of the Council in Kuala Lumpur, Malaysia, and the admission of observers to the Fifty-second Session was dependent on their compliance with those rules of conduct. She requested the Secretariat to provide additional information.
27. The Officer-in-Charge informed the Council that the list contained in Document ITTC(LII)/Info.6 had been posted, as per the provisions of Decision 3(LI). Observers that had registered and were at the Council were: Assumadu Pty Ltd; the African Woman's Network For Community Management of Forest; RECOFTC – The Center for People and Forests; the Asia Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet); the International Christian University; the Japan International Cooperation Agency (JICA); TRAFFIC; and the International Wood Products Association (IWPA). One other observer, Hutan, had provided the information required under Decision 3(LI) but the Secretariat had been unable to circulate that information ahead of time and the information was available from the Secretariat on request. Hutan had attended previous sessions of the Council.
28. In the absence of objections, all observers in compliance with the guidelines according to ITTO rules were admitted as observers to the Fifty-second Session of the Council.

STATEMENT BY THE OFFICER-IN-CHARGE (AGENDA ITEM 8)

29. ITTO Officer-in-Charge, Dr. Steve Johnson, presented his statement at the opening session.
30. The Officer-in-Charge welcomed all participants to Yokohama for the Fifty-second Session of the Council. He thanked the Government of Japan, represented by Ambassador Koichi Aiboshi, Assistant Vice Minister for Global Issues and the Ministry of Foreign Affairs of Japan, and the City of Yokohama, represented by Mr. Makoto Sekiyama, Director General of the International Affairs Bureau, for their tireless efforts in supporting ITTO and for so capably hosting the 2016 Council Session.
31. The Officer-in-Charge welcomed his Excellency, Mr. Philip Ngolle Ngwese, Minister of Forest and Wildlife of Cameroon. He also noted that his good friend and former ITTO Executive Director, Dr. Manoel Sobral Filho, Director of the United Nations Forum on Forests, was unable to attend due to illness.
32. The Officer-in-Charge outlined some of the key challenges at the session, foremost among which was the election of a new Executive Director. He expressed the hope that the election could be concluded at the session, and he repeated his remark made at the previous Council session that ITTO urgently needed an Executive Director who would be seen both within the Organization and internationally to command the support and respect of the entire membership. The Officer-in-Charge said that the new Executive Director would have the opportunity to transform the Organization as it recovered from the financial crisis that had enveloped it in the past year, and also the Secretariat, with several key posts still vacant. The Secretariat was ready to continue assisting the Council in the election process and working tirelessly this week to achieve a positive outcome.
33. The Officer-in-Charge said that, in addition to electing a new Executive Director, the Council's most pressing business at the session would be to address the loss of US\$18.2 million in ITTO funds, which arose due to ill-judged investments entered into by the Organization's previous management and which had plunged the Organization into what undoubtedly was its deepest crisis. The Council had reacted resolutely, with its Oversight Committee monitoring the handling of the crisis and by taking the

unprecedented step of adopting four decisions without meeting earlier in 2016. The implementation of these decisions had resulted in several draft decisions dealing with the impacts of the lost funds and revising relevant staff and financial rules, which would be considered for adoption during the session. These decisions would help put ITTO on the path to recovery, including regaining the trust of donors, who had provided generous funding for ITTO's important work promoting sustainable forest management in the tropics.

34. The Officer-in-Charge said that one of ITTO's main comparative advantages and one of its most attractive features to many members had always been the support it had provided to member countries to implement, at the field level, the policies and guidelines adopted by the Council, with the generous voluntary contributions of donors. While he was pleased that several donors planned to announce new contributions at this session, the Officer-in-Charge regretted to inform the Council that, in addition to the loss of the US\$18.2 million in failed investments, the Organization would, at least in the short term, suffer from a significant overall decrease in the amount of voluntary funding available for its work. Multimillion-dollar contracts ready to be finalized, such as for continuing the ITTO–Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) Programme and to coordinate Phase II of the Global Timber Tracking Network, had been cancelled and the funds redirected to other entities. Some important donors had indicated that it would be impossible to make new voluntary contributions, at least this year.
35. The Officer-in-Charge said it was completely understandable that donors had concerns about ITTO, given what had transpired in the past year, but he hoped that, at this session, all members would be reassured that the Organization and the Secretariat were taking all measures necessary to ensure that this kind of problem would never be repeated, including by strengthening the Organization's governance and financial controls. The Officer-in-Charge considered it essential that all members and particularly donors asked themselves what kind of organization they wanted ITTO to be and whether the field programme, which had been an intrinsic part of the work for the past three decades, should continue. The Organization had always been incredibly responsive to the needs of its members, he said, and this was a great and sometimes underappreciated asset.
36. The Officer-in-Charge noted that the Council would, as usual, receive progress reports on ongoing activities under the ITTO thematic programmes, the biennial work programme (BWP), the collaborative programmes with CITES and the Convention on Biological Diversity (CBD), and developments relevant to tropical forests in the UNFCCC. The Council would also undertake its review of the world timber situation and convene the Annual Market Discussion organized by the Trade Advisory Group (TAG). The timely theme of this year's Annual Market Discussion was free-trade agreements: challenges and opportunities for the tropical timber trade.
37. The Officer-in-Charge concluded by personally thanking the Chairperson for her support over the past year, saying that it had been an honour and a privilege to work with her. In most years, the job of Council Chairperson was not overly taxing, particularly intersessionally, he said, but this year it had taken on all the trappings of a full-time job. The Chairperson's willingness to sacrifice her time and to do whatever was required to solve the many problems facing ITTO, including travelling to Japan at her own initiative in June 2016, had been truly inspiring. The Council and the Secretariat would be challenged by unprecedented issues at the session, but members could take comfort in the knowledge that the dedicated Chairperson was ready to do whatever it took to guide the work and to deal with the issues effectively, with charm and good humour.
38. The Vice-Chairperson introduced the interim Producer Spokesperson, informing the Council that the Producer Caucus had unanimously selected Mrs. Victoire Eheth, Director of Cooperation and Programmes at the Forestry Authority of Cameroon. Mrs. Eheth had been associated with ITTO for the past seven years. The Council members applauded the selection of Mrs. Eheth.

REPORT OF THE INFORMAL ADVISORY GROUP (IAG) – DECISIONS 3(XXII), 5(XXVI), 2(XLIX) AND 2(LI) (AGENDA ITEM 9)

39. The Chairperson presented the report of the 30th meeting of the Informal Advisory Group (IAG), which was convened on Sunday 6 November 2016, as contained in Document ITTC(LII)/2. Chaired by the Council Chairperson, the meeting had been attended by the Vice-Chairperson of the Council, the Chairpersons of the Committees, the Spokesperson of the Consumer Group, the Representative of the Host Government of ITTO headquarters, and the Officer-in-Charge and other senior members of the Secretariat. The full report of the IAG is contained in Annex V.

40. The IAG considered and adopted the following agenda for discussion:
- A. Brief background of the IAG:
 - Decision 2(LI)
 - Report of the IAG at its twenty-ninth meeting on 15 November 2015
 - General observations by the IAG Members
 - B. Matters Related to Article 14 of the ITTA, 2006
 - C. Opening of the Fifty-second Session of the Council
 - D. Status of the Parties to the ITTA, 2006
 - E. Impairment of ITTO Funds
 - F. Extension of the Biennial Work Programme 2015–2016
 - G. Expert Panel (EP) for the Technical Appraisal of Project Proposals
 - H. Fellowship Programme
 - I. Filling Positions of Council Officers/Bodies
 - J. Consideration of Draft Decisions/elements of Decisions Submitted Pursuant to ITTC Decision 7(XXXIII).
 - Projects, Pre-Projects and Activities [Decision 1(LII)]
 - Matters related to Article 14 of the ITTA, 2006 -- *submitted by the Secretariat*
 - Extension of the ITTO Biennial Work Programme 2015-2016 -- *submitted by the Secretariat*
 - Revised ITTO Financial Rules, Audit Standards -- *submitted by the Secretariat*
 - Revised Staff Regulations and Staff Rules of ITTO -- *submitted by the Secretariat*
 - Dealing with Projects and Activities Impacted by the Impairment in ITTO Funds – *submitted by the Secretariat*
 - Further Legal Action Against the Investment Advisor(s) and Against Former Staff Members – *no draft decision submitted.*
 - K. List of possible decisions for the Fifty-second Session of the ITTC and report to the Council
 - L. Other matters
 - Reallocation of US\$1 million from the Working Capital Reserve to the Special Reserve.
41. The IAG considered matters related to Article 14 of the ITTA, 2006, which pertained to the election of the Executive Director. The Chairperson informed the Council that the candidates for the position would only be available until the fourth day of the session. The IAG recommended that, after the list of candidates had been further reduced, the candidates could meet with the caucuses, if requested by the caucuses.
42. The IAG had been informed of the current status of parties to the Organization, including the ratification of the ITTA, 2006 by Madagascar, and it had discussed the impairment of ITTO funds.
43. The Secretariat had brought to the IAG's attention the proposed changes recommended by the Expert Panel on Revision of the ITTO Staff Regulations and Financial Rules established under Decision 1 (LI.1), including the proposed changes to the terms of reference of the IAG. The IAG recommended that, given the workload of the current session, consideration of the proposed changes to the terms of reference for the IAG should be postponed to the Fifty-third Session of the Council.
44. Given the various challenges facing the Organization, the IAG recommended a one-year extension of the BWP 2015–2016 and the presentation of a new BWP for 2018–2019 for the consideration of the Council at its Fifty-third Session.
45. The IAG recommended that, as a temporary measure in light of the extraordinary circumstances, the Expert Panel for the Technical Appraisal of Project Proposals be convened for one meeting in mid-2017. Given the importance of projects to the mandate of the Organization, the IAG recognized that this should not be regarded as a normal situation and that members should be encouraged to continue contributing to the funding of projects, especially in light of the revised ITTO regulations and policies proposed to be put in place.
46. The IAG recommended that the Fellowship Selection Panel meet at the current session, if sufficient funds were made available.
47. The Officer-in-Charge had advised the IAG that there were insufficient funds in the Special Reserve, requiring the transfer of US\$1 million from the Working Capital Account to the Special Reserve to reflect the updated estimates of the funds needed in case of the liquidation of the Organization. This issue would be discussed in the CFA.

ENHANCING COOPERATION BETWEEN ITTO AND CITES – DECISIONS 3(XVI), 7(XXXIV), 2(XXXVII) AND 5(XLVI) (AGENDA ITEM 10)

48. The Officer-in-Charge presented Document ITTC(LII)/4. He indicated that the document had two parts, the first dealing with item 10(a) of the Provisional Agenda (proposals from members for listings of internationally traded tropical tree species). Dr. Johnson said that, at the most recent conference of the parties of CITES in late September/early October 2016 in Johannesburg, South Africa, several new tropical tree species had been added to the CITES appendices, including the entire genus of *Dalbergia*, which was added to CITES Appendix II, and others as reflected in the table on page two of Document ITTC(LII)/4.
49. Dr. Johnson reported that several species of *Bubinga* from Africa had been listed, and *Pterocarpus*, a rosewood look-alike species, and several other species, had been listed in CITES Appendix II. Changes had been made to annotations for agarwood species and some *Bulnesia* species. ITTO had sent Document ITTC(LII)/4 to its members in accordance with Council Decision 3(XVI), which requested the Secretariat to inform the membership when species were proposed for listing in CITES. The Secretariat had provided inputs to the CITES Secretariat, and these were also appended to the document. The ITTO Secretariat was in favour of all listings, with only some reservations on the genus listing of *Dalbergia* (which were removed when a number of range states came on board); the main concerns, said Dr. Johnson, had been to do with the degree of consultation that had taken place.
50. In addressing Item 10(b) of the Provisional Agenda (Report on the Implementation of the ITTO–CITES Programme), Dr. Johnson informed the Council that the ITTO–CITES Programme had been running for many years in two phases; funding for the second phase had amounted to US\$9 million. The European Commission had provided two-thirds of those funds, with the remainder contributed by China, Germany, the Netherlands, Norway, the USA and the private sector, with significant support from the ITTO and CITES secretariats.
51. Dr. Johnson said that the second phase of the ITTO–CITES Programme was drawing to a close, with more than 40 activities implemented since the start of the programme. Country-specific activities had been carried out in all target states – Brazil, Cameroon, China, the Democratic Republic of the Congo, Guatemala, Indonesia, Madagascar (even before it became a member of the Organization), Malaysia and Peru, focusing on the main tree species in CITES Appendix II. As part of provisions in the contract, 20% of the funding provided by the EU through the European Commission was to go to the Thematic Programme on Trade and Market Transparency (TMT); a number of activities, therefore, were funded under the TMT, some of which were presented in the Progress Report on the Thematic Programmes.
52. Dr. Johnson said that a website had been developed for the ITTO–CITES Programme containing a large amount of information produced in the completed activities. Moreover, there had been considerable interest in how countries were making non-detriment findings for CITES Appendix II. All the information made available was helping countries, including those not included in the programme. In addition, a newsletter and various outreach materials (e.g. videos and posters) had been produced, some of which were on display in the foyer.
53. Dr. Johnson said that ITTO liaised continuously with the CITES Secretariat, and the two had a close working relationship focused on successfully completing the second phase of the programme.
54. Dr. Johnson explained that, subsequent to the report presented at the Fifty-first Session of the Council, ITTO had had to deal with fallout from the failed investments made by the previous management and that three activities in the TMT component of the programme had been affected because funding to all ITTO activities had been suspended temporarily. Nevertheless, if the Council was to take the necessary decisions at the present session, it should be possible to complete the three activities, for which only small payments were outstanding.
55. Dr. Johnson reported that the failed investments had led to the cancellation of discussions with the European Commission on a follow-up contract to carry out the work under ITTO. In this respect, he was pleased to announce that his colleague from the CITES Secretariat, Ms. Milena Sosa Schmidt, would report that the work would go ahead with funding channelled through the CITES Secretariat.
56. Dr. Johnson said that the ITTO–CITES Programme was an important example of interagency cooperation, donor cooperation, and cooperation with trade organizations and communities in tropical countries. The ITTO Secretariat hoped that the programme would continue in some form, and ITTO would continue to help countries to implement the provision of CITES for tropical tree species through an activity in the BWP.

Dr. Johnson encouraged donors to continue their support for the programme so that cooperation could continue.

57. Ms. Schmidt, from the CITES Secretariat, expressed the deep thanks of the CITES Secretariat to the donors that made possible the work of the ITTO–CITES Programme, including the EU through the European Commission, the USA, Germany, Norway, the Netherlands, Japan, New Zealand, the private sector and, recently, China. Thanks to these donors, said Ms. Schmidt, the programme had been and continued to be a great success after ten years of intense global teamwork.
58. Ms. Schmidt said that the impact of the programme had been recognized in participating range states, which had improved forest management and trade regulation for listed tree species and increased awareness and cooperation in research and silviculture, as well as scientific compliance. The programme had also promoted the integration of knowledge on sustainable forest management and species conservation management and international trade, providing both ITTO and CITES with a coherent policy framework. The programme had influenced states trading in the target species, which had improved awareness of, and increased worldwide capacity in, managing and regulating international trade in CITES-listed tree species. The global programme's team had learned the importance of clear communication between CITES authorities in countries and with the private sector.
59. Ms. Schmidt noted that one of the most remarkable impacts of the work had been the shifting of the general expectations of range states and importing states that historically had associated CITES with banning trade and which had led to fierce opposition at CITES COPs to proposed new inclusions of tree species in the CITES appendices. Ms. Schmidt said she was glad to have witnessed how those wrong beliefs had evolved into positive support among CITES signatory countries, which were adopting all new listings of tree species after rich and constructive negotiations that now considered CITES to be an effective tool for ensuring that international trade was done in a controlled manner so it did not pose a threat to the survival of natural forests in the wild and in the long term.
60. Ms. Schmidt said she believed that the ITTO–CITES Programme had succeeded and demonstrated that range states could count on the international, technical and financial support that accompanied the inclusion of tree species in CITES. With such support in place, it was possible to move in the right direction.
61. Ms. Schmidt said that, at the coming into force of CITES in 1975, only 18 tree species had been included in the CITES appendices, but the increasing number of tree species listed in CITES posed implementation challenges in all range states. About 300 tree species were listed in Appendix II during CITES COP16 in March 2013 and, most recently, 251 new tree species were included at CITES COP17, held in Johannesburg in September/October 2016. Today, therefore, more than 800 tree species were listed, of which around 650 were used for timber. Whereas Phase I of the ITTO–CITES Programme had dealt with five taxa and 34 species, the next phase would target seven highly valuable tree taxa comprising around 340 species.
62. Ms. Schmidt said that the continuation of the work would be possible with the implementation of a new project titled "Supporting Sustainable Management of Endangered Tree Species and Conservation of the African Elephant", which had been accepted for funding by the European Commission. The project had two components, one on African elephants and the other on tree species, the latter with a budget of EUR 7 million. ITTO members would be invited at annual Council sessions to continue contributing with funding. Ms. Schmidt concluded her remarks by again expressing her gratitude to all donors for their continuous support for the work, and she looked forward to continued collaboration with ITTO, including under any new contract agreed between CITES and the EU through the European Commission.
63. The delegate of the EU highlighted the excellent cooperation between ITTO and CITES and said that the EU considered the programme to be a great success in terms of building partnerships between ITTO and other organizations. The programme had shown that it could deliver tangible results in achieving objectives and supporting producer countries. The delegate of the EU highlighted the example of *Prunus africana*, in which activities financed under the programme had generated sustainable management plans that had allowed Cameroon and the Democratic Republic of the Congo to resume exports of the species to the EU under well-defined conditions. The delegate said that Phase II of the programme was due to expire at the end of 2016 and that the EU was considering supporting Phase III, particularly to assist exporting countries and the implementation of the new rosewood listings adopted at CITES COP17 in South Africa. She noted that, given the financial situation, it was not possible to consider a direct grant to ITTO, and therefore the EU had been developing a project in which the implementing agency would be the CITES Secretariat. She trusted that the new project would enable the continuation of the successful programme and that ITTO

would remain one of the main partners of the programme. She encouraged other members to consider providing financial contributions to Phase III to ensure the continuity of this important partnership.

64. The delegate of China emphasized the importance and value of the ITTO–CITES Programme, which was enhancing the close collaboration between the two organizations in protecting and controlling tropical tree species. China joined others in supporting the programme and would continue to do so in recognition of its importance and value in fostering collaboration between the two organizations, benefiting not only parties to CITES but all tropical countries and all members of ITTO.
65. The delegate of the USA thanked the secretariats of ITTO and CITES for their work on the programme and the update to the Council. She said that, in recent years, timber species had grown in importance in CITES, with increases in timber species listings in CITES appendices, even at the recent CITES COP in Johannesburg. To meet the demands on range states, the USA commended the past important work of the ITTO–CITES Programme, especially on *Prunus africana* but also on ramin in Asia and bigleaf mahogany in Latin America. The assistance provided on non-detriment findings was an important scientific contribution. The programme had also communicated the important outputs of the ITTO–CITES Programme phases I and II through outreach materials and videos that were compelling and available online. The delegate said that the programme was a concrete example of successful interagency work, which highlighted the unique niche ITTO was filling in this arena. The delegate of the USA announced that, at this Council session, the USA was prepared to contribute US\$200,000 to the ITTO–CITES Programme, including US\$5,000 from the United States Forest Service, a first for that agency. As in the past, the funds would be contributed to the ITTO Secretariat because the USA believed that ITTO had the technical and administrative know-how to administer on this topic. The delegate of the USA said that, although the dynamics of the programme had changed in Phase III, the USA would continue to support cooperation between the two secretariats and was looking forward to participating in the advisory board meeting at this Council session and to discussing the impact of moving funds between secretariats and moving forward.
66. The delegate of Colombia thanked the ITTO Secretariat for the report and said that the synergy between the two organizations was crucial. Colombia called for the continuation of all training programmes under this cooperation.
67. The delegate of Mexico congratulated ITTO and CITES for their successful cooperation, particularly for the news that the recent CITES COP had included *Dalbergia* in the CITES Appendix. Demand for species in this genus had increased in recent years because of its high commercial value, characteristics such as a slow growth rate and low seed production, and issues associated with harvesting and use. The delegate proposed improving cooperation between the two organizations and preparing training to assist people in applying and implementing CITES agreements and conventions in tropical timber species and in identifying species.
68. The delegate of Germany said that, as an immediate reaction to the positive outcome of Johannesburg, Germany was considering convening an international expert meeting in May or June 2017. The meeting would focus on the need identified by the delegate of Mexico for capacity building to enable competent authorities to better identify species – especially *Dalbergia*, focusing on the 15 most-traded species of this genus to better enable enforcement and implementation of the recent decisions of the CITES COP.
69. The delegate of Malaysia said that, under the ITTO–CITES Programme, Malaysia had implemented 13 activities from 2008 to 2015 and that the country had clearly recognized the benefit of the programme for improving capacity to implement CITES listings of tropical timber species. The programme had also enhanced knowledge in managing endangered timber species, such as ramin and agarwood. The delegate expressed the hope that further financial support would be forthcoming for studies on timber species, capacity-building activities and technical know-how for developing tools for timber identification.
70. The delegate of Madagascar congratulated the partnership between ITTO and CITES, which was one of the reasons why Madagascar had decided to become a member of ITTO. She said that Madagascar had only one tree species listed in CITES Appendix II but that the country would like to promote the expansion and diversification of international trade in tropical timber and to obtain support for sustainable forest management within the legal context.
71. The delegate of Panama said that collaboration between ITTO and CITES was important for Panama. In the case of *Dalbergia*, these species were very important and significant for Panama and neighbouring countries. Panama had been subject to the excessive harvesting of *Dalbergia*, which the country wanted to avoid in the future. The delegate congratulated ITTO, CITES and those countries, such as the USA, that had committed to supporting the initiative.

72. The Chairperson said it was very clear from the numerous interventions that the programme had been a model of successful partnership between two organizations, as well as one that had delivered tangible results on the ground.

**BIENNIAL REVIEW AND ASSESSMENT OF THE INTERNATIONAL TIMBER SITUATION IN 2015–2016
(AGENDA ITEM 11)**

73. The Chairperson introduced this agenda item and invited the consultant to present the Biennial Review and Assessment of the International Timber Situation 2015–2016.
74. The elements of the Biennial Review and Assessment of the International Timber Situation 2015–2016 were presented by Ms. Frances Maplesden (Consultant). The report is contained in Document ITTC(LII)/5. The presentation focused on:
- The country responses and quality of the 2015 and 2016 Joint Forest Sector Questionnaires (JFSQs).
 - A preliminary look at the analysis of tropical production and trade data, focusing on primary wood products because of time limitations.
75. Ms. Maplesden informed the Council that another presentation, on secondary processed wood products, would be made to the Committee on Economics, Statistics and Markets (CEM) and the Committee on Forest Industry (CFI). She would conclude the current presentation with some of the market drivers likely to influence the tropical trade in the longer term.
76. Ms. Maplesden said that the JFSQ was a joint venture between ITTO, the Food and Agriculture Organization of the United Nations (FAO), the United Nations Economic Commission for Europe (UNECE), and Eurostat, and it formed the basis of the analysis. The JFSQ and other sources of information were used to generate the ITTO statistics database, but the JFSQ was the primary information source and countries were expected to provide data to the Secretariat on an annual basis. For this year, only 43 of 72 member countries (28 consumers and 15 producers) responded to the JFSQ. Of those responses, only ten members provided full information. Ms. Maplesden said that the Secretariat would appreciate an increase in responses before the completion of the final review in mid-2017. She also raised concerns about the quality of the production data, with some data having to be estimated or repeated because there were no alternative sources of information. Forty-three percent of production data received from 2012 to 2016 was not up to date and had been repeated from previous years. For trade data, alternative trade sources were available, such as the UN Commodity Trade Database, which could provide important crosschecks for errors and anomalies, but one issue was an increase in trade in tropical wood products between countries that were unreliable reporters.
77. Ms. Maplesden said that the ITTO statistics database was available on the ITTO website. The Secretariat had put considerable effort into improving the database and the ability to generate better-quality information. In particular, the secondary processed wood products database platform had been upgraded, which would allow better cleaning of the data and make more information available for the review, including estimates for 2016. Also, price trends for primary wood products in the form of price indices for a number of species groupings and products had been re-established, and the Secretariat was working with FAO and the UNECE to improve the accuracy of the standard conversion factors used in the database. A review and revision of conversion factors was crucial for improving data quality; such factors had not been reviewed for at least 30 years, and there had been considerable changes in wood-processing technologies and the nature of tropical wood resources. ITTO was particularly interested in improving information on conversions from weight to volume and roundwood equivalent conversions, and member countries were urged to assist in completing the questionnaire on conversion factors that was sent to members earlier in the year.
78. Moving on to primary wood products, Ms. Maplesden provided observations on production and trade trends for tropical wood products, noting that this was a preliminary analysis based on the information received so far. Although production data were somewhat tentative, most of the global tropical log production was in the Asia-Pacific region, which featured a number of substantial producer countries, including the largest, Indonesia. Other major producers were India, Brazil and Malaysia.
79. The major tropical log flows in 2015 showed that the major log trade was within the Asia-Pacific region, but there was also substantial trade from Africa to Asia. The bulk of tropical log exports were to China and India, with the largest trade flows from Papua New Guinea (PNG) and the Solomon Islands to China and from Malaysia to India. Historically, tropical log exports had been trending downward because of

overexploitation and supply restrictions in producer countries, although there had been a resurgence in 2013 and 2014 in response to sustained demand in China and India. Malaysia's exports had nearly halved in the last decade as supplies had become more restricted, and PNG's exports had grown in response to growing Chinese demand and limited wood processing in PNG. Although Myanmar's log exports had grown to 2013, they had begun to taper off in 2014 following the imposition of log export restrictions earlier that year. Log exports had declined considerably by 2015.

80. Ms. Maplesden said there had been a dramatic demand shift in the last 15 years: the dominant importers to the late 1990s had been Japan and EU countries, but the trade was now focused almost exclusively on China and India, with the more recent addition of Viet Nam. The global economic slowdown in 2009 had affected the trade, but imports had recovered strongly by 2014. Over the period, the decline in unprocessed log imports in developed economies had corresponded with an increase in imports of processed wood products from the more competitive lower-cost producer countries. There had been slowing demand and overstocking in China in 2015 in response to an oversupply of housing and economic policy measures designed to shift economic activity away from investment in manufacturing, which had slowed construction activity.
81. Ms. Maplesden said there had been dramatic growth in China's imports from PNG and the Solomon Islands in the last 15 years and diversification to African supply sources, and there had also been a marked turnaround in imports from the major Southeast Asian suppliers. India's tropical log imports had mainly been from Asian sources, although imports from Myanmar had plunged dramatically in 2015, according to official statistics, with the imposition of a log export ban in the previous year. An interesting development in China's log market had been the dramatic rise in demand for rosewood logs, which had surged over a four-year period to 2014, when rosewood represented 41% of China's tropical log imports by value. Rosewood imports had begun to plunge towards the end of 2014, however, due to slowing demand in the furniture industry, overstocking, and an increase in lower-quality rosewood species in the export mix.
82. The *Dalbergia* genus was listed in Appendix II of CITES in 2016, and official trade in *Dalbergia* species would therefore decline. Prices had been trending upward since the global economic crisis, but the export log price index for West African species had showed a significant drop since 2015, reflecting slowing demand in China and a decline in the proportion of high-value rosewood species in the export mix.
83. Asia-Pacific was the dominant producing region for tropical sawnwood, said Ms. Maplesden, while Latin American production had fallen sharply, largely reflecting a decline in production in Brazil. There had been significant revisions of Brazil's data since 2008, however. Anomalies in the historic data series would need to be ironed out, in consultation with Brazil. The major trade flows for tropical sawnwood showed the dominance of trade within Asia-Pacific, the substantial trade between Thailand and China, and the dominance of China as a major destination market, although there were also a significant number of other important sawnwood markets. In looking at export trends in the last 15 years, about 70% of exports were supplied by Asian producers. Thailand's exports had grown since 2009, while exports were static or declining in many other major supplying countries, with the exception of Lao PDR, which was not an ITTO member country but was now the third-largest tropical exporter.
84. The destinations for tropical sawnwood had changed over time, from largely EU markets, most of which were included in the "rest of the world" category, to China. China's imports had grown dramatically since 2009 due to an increase in log export restrictions in supplier countries and a reduction in China's competitiveness in sawnwood processing compared with some other producer countries. Thailand's sawnwood exports were almost exclusively to China. China's imports were predominantly rubberwood from Thailand, and they followed trends in China's furniture industry. Tropical sawnwood prices had been trending upward since the global economic crisis and had remained fairly high in 2015 and into 2016.
85. Moving on to tropical plywood, Ms. Maplesden said that overall production had been trending slightly downwards. Malaysia and Indonesia were still among the world's largest producers; China was the largest, but production there had been affected by rising labour and raw-material costs and the declining availability of logs of peeler quality. Malaysian and Indonesian production was heavily export-oriented, and the trend reflected declining consumption in Japan, which was the major market. The tropical plywood trade had been restricted to a few major players: Japan was the predominant market, but there were also relatively large flows to the USA and the Republic of Korea; Malaysia and Indonesia dominated exports. Tropical plywood exports had continued to plunge significantly, reflecting reduced access to and rising prices of peeler logs in the tropical plywood industries, which had pushed up production costs, in addition to reduced demand caused by substitution by other products in both structural and appearance grades and uses. More than half of all producer-country production was exported, so the trade was sensitive to

market conditions in importing countries. Japan was still the major tropical plywood importer, although demand was considerably lower than in the 1990s and was generally trending downwards, mostly because of the availability of competitive substitutes such as softwood, plywood and other products.

86. Ms. Maplesden said that China's plywood imports had declined because the country had become the major global plywood producer of both softwood and hardwood plywood. The Japanese plywood import price index showed the volatility of prices and the decline since the end of 2014.
87. Ms. Maplesden finished her presentation by mentioning some important issues and drivers affecting the tropical wood product trade. In terms of the global economic outlook, there had been a general economic slowdown in 2015, which was most pronounced in the emerging economies, with Brazil in particular in crisis, affecting the wood-processing industry. In most producer countries, however, the population, gross domestic product (GDP) and general consumption had all been growing, meaning that a larger proportion of tropical wood production was being diverted to domestic and emerging markets. Forecasts for 2017 and beyond showed a rebound and acceleration in GDP growth in producer countries. There were concerns about a global recession, and the International Monetary Fund's GDP growth forecast for 2016 and beyond had been downgraded for many economies. This would have implications for consumption, housing and construction, and traditional tropical wood markets. In recent years, China had been the driver of global growth and wood product demand, but China's economy had slowed since 2014 and the housing sector had been volatile, which had affected demand for construction materials. There was considerable uncertainty about China's future economic growth and, ultimately, tropical wood product demand. It was important to consider these and many other market demand-and-supply issues in longer-term analyses of the tropical wood product trade.
88. The Vice-Chairperson thanked Ms. Maplesden for her presentation and opened the floor for questions.
89. The delegate of Indonesia thanked the consultant for the report. He suggested that instead of using a single measurement unit, namely cubic metres, the questionnaire for some products could also use weight, because, at least in the case of Indonesia, some timber products could not be measured in cubic metres, for example furniture containing many different wood types. Such a measure would result in more precise data.
90. Ms. Maplesden responded that the JFSQ did not ask for volume figures for furniture but for trade by value; nevertheless, volume data were requested for primary products. To obtain more precise information, she urged countries to fill in the questionnaire on conversion factors, which would probably allow for basic conversions from weight to volume, even for secondary processed wood products. The Secretariat was working on the issue, but, currently, volume figures for secondary processed wood products were not requested.
91. The delegate of Guatemala said that, thanks to ITTO projects in Guatemala, the country had been able to improve its statistics. The outcome of one of the projects, SIFGUA, provided up-to-date information on species by volume and value and was publicly available on the web. SIFGUA also provided real-time information on processing and volumes.
92. The delegate of PNG said that some net importers of logs were large producers and net exporters of plywood. He used the example of China, which had become a major producer and exporter of plywood. At the same time, it was a net importer of logs from PNG, the Solomon Islands and other places. If China bought logs from PNG at the log export value and turned it into plywood, and sold that same log in plywood form, would that result in higher gains for China?
93. Ms. Maplesden responded that there was a relationship between consumption, imports and exports, with ITTO's consumption estimates derived from data on production, imports and exports. She confirmed that there was some added value in the plywood, which was the added value of the process. For this reason, countries were encouraged to produce more added-value products and not just export logs.

MATTERS RELATED TO ARTICLE 14 (AGENDA ITEM 12)

94. The Chair of the Panel on Matters related to Article 14 of the ITTA, Ms. Anne Tyler (New Zealand), presented the report of the panel (Document ITTC(LII)/6). She reported that 33 applications had been received by the deadline, including 19 from producer members, 12 from consumer members and two from non-members. Ms. Tyler said that the panel had adopted a three-stage screening process, which progressively scrutinized applications against the requirements, criteria and job advertisement notice, taking into account the circumstances of the Organization.

95. Ms. Tyler presented the following six candidates, selected by consensus, for the Council's consideration: Ms. Stephanie Caswell (USA); Dr. Gerhard Dieterle (Germany); Ms. Shemala Satkuru (Malaysia); Dr. Putera Parthama (Indonesia); Dr. Torgny Söderman (Sweden); and Dr. Ivan Tomaselli (Brazil).
96. Ms. Tyler said that the panel had not been in a position to interview the candidates or their referees and had worked exclusively on the documentation provided. The panel had also not been in a position to fully consider any matters of conflict of interest, and she strongly encouraged delegates to take the opportunity over the next few days to meet and interview the candidates themselves, both individually and in the caucuses.
97. Ms. Tyler concluded by thanking her Co-Chair, Dr. Freezailah (Malaysia), and all panel members for their constructive and thorough contributions, and the ITTO Secretariat for its support and assistance throughout the process.
98. The Chairperson thanked Ms. Taylor for her report and asked the Consumer and Producer Spokespersons for comments and observations on the process under this agenda item. In the absence of comments on the process, the Chairperson asked the Secretariat to bring in the first candidate.
99. The first candidate to present was Ms. Stephanie Caswell (USA).
100. Ms. Caswell said that, for the past eight years, she had been an independent consultant on global forest issues, working primarily with FAO, ITTO and the UNFF. Before that, she had been a career officer at the US Department of State, serving for several years as director of the office that led and coordinated the development of US policy positions on a wide range of natural-resource and related trade issues, including forests. In that capacity, Ms. Caswell had supervised a large senior staff office and was accountable for internal controls. She had also built coalitions among governments; negotiated bilateral and multilateral agreements; worked with industry, labour and environmental non-governmental organizations; and engaged with a variety of international and regional organizations, including the Rio conventions, the World Bank, the International Coffee Organization, the Montréal Process and the Asia-Pacific Forest Network. Ms. Caswell said she had also worked strategically with many ITTO member governments to create the Congo Basin Forest Partnership, the Global Coalition against Wildlife Trafficking, the International Coral Reef Initiative, the G8 Action Program on Forests, and the UNFF. She had been involved with ITTO as a member of the US delegation, as chair of the Council and as a negotiator of the 1994 and 2006 agreements. With a loss of \$18 million in investments, ITTO was an organization in crisis, said Ms. Caswell, and sacrifices would be needed by all members – producers and consumers alike – as well as by the Secretariat to address what was a shared challenge and to find shared solutions. The current situation also demanded strategic thinking about ITTO's future to avoid or at least mitigate a downward spiral in which project financing had dried up, producers had lost interest and ITTO was unable to fulfil its core mandate. Ms. Caswell proposed three strategies for the Council's consideration: 1) Expanding the project funding base, which was declining even before the current investment crisis. A clear way forward, she said, was for ITTO to become an accredited implementing agency of the Global Environment Facility (GEF), particularly with respect to the crosscutting strategy for sustainable forest management and the Green Climate Fund. As an implementing agency, ITTO would be in a position to finance project proposals from member countries and to help countries develop proposals. 2) Temporarily build up the working capital reserve by asking the Executive Director to limit administrative costs where possible while keeping member assessments at current levels. This would create a reserve surplus that could be allocated to projects through a fair and transparent process established by the Council. 3) Develop more strategic partnerships with trade and civil-society stakeholders, including through TAG and the Civil Society Advisory Group (CSAG).
101. In closing her presentation, Ms. Caswell reminded Council that, in the next two to three years, it would need to decide whether to extend, renegotiate or terminate the ITTA. While the option to extend the agreement for five years was attractive, she suggested that consideration be given to renegotiation because there had been many forest-related developments since 2006, such as the Green Climate Fund, the World Bank's Forest Carbon Partnership Facility and Forest Investment Program, the adoption of the UN Forest Instrument and the 2030 Agenda for Sustainable Development, including Sustainable Development Goal (SDG) 15 on sustainably managing forests, and the entry into force of the Paris Agreement. Negotiating a new ITTA, said Ms. Caswell, offered an opportunity to better position ITTO globally and to help ensure that it benefited from and added value to this wider context. It would also be a chance to look at the structure and modalities of the Organization with a view to enhancing its operational effectiveness.

102. On behalf of the Producer Caucus, the delegate from Papua New Guinea asked the following question: "What will be the first action that you will take if you are elected, given the prevailing financial circumstances facing the Organization, including its project cycle, thematic programmes and Biennial Work Programme?"
103. Ms. Caswell responded that she would take a series of actions, because it would take time to restore the Organization's credibility. Based on the work that had been done by the Oversight Committee and expert panel and the decisions that the Council would take at the present session, she would ask Council members to take the message to their capitals that the Organization did fall down but was working hard to pick itself up. She also considered it useful for ITTO to begin to develop communication products that addressed the contributions of the Organization and tropical forests to the SDGs and the Paris Agreement. She would explore ways to expand the funding base for projects, thematic programmes and the Biennial Work Programme, including becoming an implementing agency for the GEF and the Green Climate Fund.
104. On behalf of the Consumer Caucus, the consumer spokesperson asked the following question: "Given that Article 14.5 of the ITTA states that neither the Executive Director nor any member of the staff shall have any financial interest in the timber industry or trade or associated commercial activities, do you think you could be perceived to have a conflict of interest and, if so, what measures would you take to address it?"
105. Ms. Caswell responded that she did not think she could be perceived in any way to have a conflict of interest, but she would leave that to the members to judge. She said that she had no vested financial interest in the timber industry or in the timber trade or in forest operations of any kind in any country.
106. On behalf of the Producer Caucus, the delegate of Peru asked the following question: "In the past years, we have seen that in the various forest forums at an international level, much emphasis has been given to the institutionalization or implementation of measures which could be considered as limitations or as barriers, technical barriers or operational barriers or political barriers that, to some extent, are making the flow of tropical woods through the markets more difficult towards consumer countries. In this regard, what do you think should be the decisions or the policies and the strategies in the short or medium term so we can overcome this problem?"
107. Ms. Caswell responded that tropical timber production was indeed something that was hard to sell in many consumer countries because people associated it, often quite wrongly, with forest destruction, high grading and other unsustainable and even illegal practices. While that was often incorrect, it was a perception, and ITTO should try to address this. Ms. Caswell said she did not have a silver bullet for doing so, but promoting the multiple benefits provided by tropical production forests was one way, and another was to demonstrate the contributions of tropical production forests to the SDGs – which were the focus of many governments and international organizations. On the market side, she said that ITTO could not dismantle the requirements that consumer governments were putting in place, but it could help by better informing producer members and helping them meet the standards put in place.
108. On behalf of the Consumer Caucus, the Consumer Spokesperson asked the following question: "What do you see as the strengths and weaknesses of the ITTO as it is now and where do you see the Organization in four years' time?"
109. Ms. Caswell responded that, based on the last year, everybody in the audience had a good understanding of the main weaknesses and she would therefore focus on strengths, the main being the ITTO membership, which included basically all governments involved in the tropical timber economy. The policy–project interface was one of the Organization's great strengths, and the fact that ITTO was looking at forests holistically in terms of their economic, social and environmental benefits. The Organization also had the ability to respond to emerging issues very quickly. In four years' time, said Ms. Caswell, she would like to see a vibrant and revitalized organization widely perceived as adding value in the global context and adding value to national programmes and accredited as an implementing agency of the GEF and the Green Climate Fund. She would also like to see voluntary contributions from members flowing back into the Organization and a good balance between policy work on the one hand and thematic and project work on the other. She would also like to see a strong Council with a strong membership, a strong Secretariat and a strong connection with the private sector and civil society.
110. The next candidate to present was Mr. Putera Parthama (Indonesia).
111. Mr. Parthama said that he was a graduate of Michigan State University, USA, and currently the Director General of Sustainable Forest Management at the Ministry of Environment and Forestry of Indonesia. His portfolio was mainly to ensure the sustainable management of 69 million hectares of production forest, and

the job included overseeing more than 500 forest concessions and several hundred primary industry companies. Mr. Parthama said that the world needed ITTO because tropical forests were indispensable for the liveability of the planet and as a means to support the development of many countries. Without an entity like ITTO, he said, the sustainability of tropical forests was in jeopardy. In terms of the sustainable management of tropical forests, ITTO's mandate had not yet been well implemented because a big part of the tropical rainforest estate was not yet under sustainable management. The situation was similar in terms of timber trade and improving livelihoods and much remained to be done to implement the ITTA. Referring to ITTO's problem tree approach, Mr. Parthama said that there could be more than 20 branches of problems. Reversing that into a solution tree would be equally complicated. To simplify the situation, ITTO needed to prioritize a few of the problems. The first of these related to the financial crisis, which would require rebuilding trust in the Organization by improving transparency by informing members about major financial activities, following the recommendations of the Oversight Committee, and strengthening the Organization's whistleblower policy. The Organization also needed to improve its efficiency by not fully following the UN staff regulations, and staff needed reorganization and provided with clearly defined responsibilities for all tasks. In terms of finding alternative funding sources, the process of accreditation as implementing agency for the Green Climate Fund needed to be continued so that the Organization did not depend solely on donor pledges. Inputs to global forums such as the UNFCCC needed to be strengthened, and industry and trade needed more attention. Mr. Parthama said that ITTO needed to demonstrate more tangible impacts for its members. In summary, the future Executive Director of ITTO should lead the way towards the sustainable management of tropical forests and the trade of legally harvested tropical timber in 2025.

112. On behalf of the Producer Caucus, the delegate of Papua New Guinea asked the following question: "What will be the first action that you will take if you are elected to improve the image of the ITTO, given the prevailing financial circumstances facing the Organization including its project cycle, thematic programmes and biennial work programme vis-à-vis Council decisions?"
113. Mr. Parthama responded that, first, transparency and efficiency had to be improved, as mentioned in his presentation. He said he believed that all projects needed to be revisited to ensure more tangible results and to stop the piecemeal approach towards more integrated, programmatic projects leading to tangible impacts on sustainable forest management.
114. On behalf of the Consumer Caucus, the consumer spokesperson asked the following question: "Given that Article 14.5 of the ITTA states that neither the ED nor any member of the staff shall have any financial interest in the timber industry or trade or associated commercial activities, do you think you could be perceived to have a conflict of interest and, if so, what measures would you take to address it?"
115. Mr. Parthama said that he would not need to take any measures because he did not have any conflict of interest; he was not involved in any business of forestry or forest industry.
116. On behalf of the Producer Caucus, the delegate of Peru asked the following question: "In the past years, we have seen that in the various forest forums at an international level, much emphasis has been given to the institutionalization or implementation of measures which could be considered as limitations or as barriers, technical barriers or operational barriers or political barriers that, to some extent, are making the flow of tropical woods through the markets more difficult towards consumer countries. In this regard, what do you think should be the decisions or the policies and the strategies in the short or medium term so we can overcome this problem?"
117. Mr. Parthama responded that, although the market issue was complicated, the situation could be resolved as long as there was mutual cooperation, with mutual benefits for both consumer and producer countries. Certification of legality was a barrier for producer countries, but it was also an imperative step that needed to be taken in order to preserve and sustain tropical forests – otherwise, illegal timber trade would be rampant, destroying natural resources. The solution, said Mr. Parthama, was to improve communication and cooperation between consumer and producer countries. Indonesia had set a good example through its voluntary partnership agreement with the EU; on November 15, Indonesia would be the first country to issue a Forest Law Enforcement, Governance and Trade (FLEGT) licence, showing the mutual benefit of cooperation.
118. On behalf of the Consumer Caucus, the Consumer Spokesperson asked the following question: "What do you see as the strengths and weaknesses of ITTO as it is now and where do you see the Organization in four years' time?"

119. Mr. Parthama responded that ITTO possessed many strengths. It had supported many projects over more than three decades and had 73 members. Hundreds of technologies and other information had been accumulated, which was part of ITTO's strength in attaining its mandates. At the same time, ITTO had failed to some extent to use project outputs to be implemented in countries. Consequently, there was less demonstrable impact, and more tangible indicators of sustainable forest management were needed. Another weakness was that ITTO was totally dependent on contributions and donors. Other funding sources had to be found, and the process to become an implementing agency for global funds needed to be accelerated.
120. The next candidate to present was Dr. Gerhard Dieterle (Germany).
121. Dr. Dieterle said he believed that ITTO had enormous potential and was needed in the international community, but a number of challenges needed to be overcome. This was not only because of the current financial crisis, but also for the undervaluing of the role within the international forest regime of sustainable forest management and forest products. Among those, it was of key importance to rebuild trust and credibility in the Organization and to build further consensus between producer and consumer countries. Furthermore, said Dr. Dieterle, there was a need to strengthen ITTO's role and voice, particularly among international organizations and the Collaborative Partnership on Forests (CPF). There was a need to raise new funds to re-establish financial health. Dr. Dieterle said he would work to make ITTO a thought leader and partner in achieving the triple win of green and inclusive growth, fighting climate change and ensuring biodiversity conservation, because the SDGs and national determined contributions could only be achieved in combination with each other, not in isolation. Dr. Dieterle said he had a clear concept for unlocking new financial resources for scaling up sustainable forest management and sustainable value chains because there was evidence that the productive role of forests was key to achieving the triple win. Promoting the role of productive forests, conservation and trade, the leader of ITTO must have professional excellence and the capacity as a thought leader based on facts. Dr. Dieterle referred to a recent desk study conducted in collaboration with ITTO that analyzed the employment, growth and climate benefits that would accrue in six tropical countries if, by 2040, the increasing supply gap of industrial roundwood, which would be about 6.5 billion cubic metres per year at that time, could be closed through forest restoration, planted forests and sustainable forest management. The results were quite staggering, he said, and spoke for themselves. Productive forests, harvested wood products and wood-based energy were key factors for growth, income and employment because they not only sequestered and stored large quantities of carbon in standing forests but had an even bigger climate mitigation effect as substitutes for non-renewable materials and energy and the long-term storage in products, which was an issue that hasn't been raised in the international debate on forests to date. Without massive investments to meet future demands in industrial roundwood, fibre and wood-based energy, the SDGs and national determined contributions could not be achieved, said Dr. Dieterle. ITTO needed to work hard to make the case for investments in productive forests and value chains, and it needed to seek funding for this through the Green Climate Fund, with bilateral donors and in strong collaboration with the private sector. It was important for ITTO to spearhead innovative incentive systems that stimulate forestry and people-smart, private-sector action in line with biodiversity conservation. In terms of what he could bring to ITTO, Dr. Dieterle said he brought a mix of expertise, innovative capacity and experience. As the World Bank's global forest advisor, he had been directly and indirectly involved with most ITTO producer countries, and he had been based in Indonesia and Togo for extended periods. Moreover, he was co-manager of the Bank's forests and landscape climate programmes in 48 countries, managing about US\$2 billion, including the Forest Carbon Partnership Facility, the BioCarbon Fund, the Forest Investment Program and other funds. In this capacity he was also personally directing and coordinating forest investments in 23 countries in Latin America, Africa and Asia and coordinating a large team of foresters, economists and social and environmental specialists. Dr. Dieterle said he was particularly proud to have raised about US\$1 billion throughout his career, including, globally, the biggest fund for indigenous peoples and local communities. He concluded by saying that, as ITTO Executive Director, he would have two key priorities: to ensure the full recovery of the Organization from the crisis; and to position ITTO as a strategic partner in the international forest regime.
122. On behalf of the Consumer Caucus, the consumer spokesperson asked the following question: "Given that Article 14.5 of the ITTA states that neither the ED nor any member of the staff shall have any financial interest in the timber industry or trade or associated commercial activities, do you think you could be perceived to have a conflict of interest and, if so, what measures would you take to address it?"
123. Dr. Dieterle responded that, to a certain extent, he had already answered the question. As a dedicated staff member of the World Bank, he was subject to total scrutiny in terms of financial interest and had to provide detailed information to the World Bank in terms of the finances, income and ownership of property for himself and his wife. He had done so for the past 15 years and had never had any conflict of interest.

124. On behalf of the Producer Caucus, the delegate of Papua New Guinea asked the following question: "What will be the first action that you will take if you are elected to improve the image of ITTO given the prevailing financial circumstances facing the Organization including its project cycle, thematic programmes and biennial work programme vis-à-vis Council decisions?"
125. Dr. Dieterle responded that he would first listen to the members and to the Secretariat staff in order to fully understand the issues. He would establish close working relationships with all staff members to build a team, as he had done in all his previous positions to build an atmosphere of consensus. He would also develop goals and define results, to which he would commit the staff, with their agreement and including himself. He said the financial recovery of the Organization needed to be managed, and this would require reaching out to the entire membership and seeking additional voluntary contributions. He would also continue the accreditation process for the Green Climate Fund. In addition and as already mentioned in his presentation, he would pursue discussions with potential partners, such as FAO, the World Bank and the Tropical Forest Alliance.
126. On behalf of the Consumer Caucus, the Consumer Spokesperson asked the following question: "What do you see as the strengths and weaknesses of ITTO as it is now and where do you see the Organization in four years' time?"
127. Dr. Dieterle said there was a risk that the gravity of ITTO was too small to have an influence among international organizations; there were very powerful actors in the public domain and, as a small organization, it is difficult to be heard and to make the case. He said that, over the past years, the role of productive forests in trade and value chains had been totally neglected. ITTO could make a difference here and turn this weakness into a strength by making the case and highlighting the importance of harvested wood products, for example in the context of climate change. Dr. Dieterle said that, in four years, his vision was that the Organization would be financially recovered, would have at least three new members, and would have teamed up and be a partner with other organizations. He re-emphasized that ITTO had to tap into climate finance without attempting to become a climate finance organization; sustainable forest management and sustainably harvested forest food products were essential contributors to the mitigation of climate change. When talking about carbon payments, carbon finance and carbon emission reductions, the backbone was sustainable management on the ground, and this would mean growth, climate benefits and biodiversity conservation while creating jobs and sustaining livelihoods.
128. On behalf of the Producer Caucus, the delegate of Peru asked the following question: "In the past years, we have seen that in the various forest forums at an international level, much emphasis has been given to the institutionalization or implementation of measures which could be considered as limitations or as barriers, technical barriers or operational barriers or political barriers that, to some extent, are making the flow of tropical woods through the markets more difficult towards consumer countries. In this regard, what do you think should be the decisions or the policies and the strategies in the short or medium term so we can overcome this problem?"
129. Dr. Dieterle responded that one of the major issues nowadays was that conventionally produced harvested wood products had higher value than sustainably produced products. While it was clear that ITTO could not interfere with the World Trade Organization, it was his feeling, he said, that a lot of ground had been gained in the past years with FLEGT and other similar measures aimed at the sustainable procurement of products. It was necessary to work from the demand side. Demand for sustainable products had to be rewarded, said Dr. Dieterle, and the role of consumers was of key relevance; this was why ITTO was unique because it brought consumers and producers together. If there was no continued demand for sustainable products, producers would lack an incentive to produce sustainably. Many producer countries lacked the capacity and knowledge to fulfil the demands of certification for sustainability or legality because the infrastructure was not there, the legal requirements were not there and the institutional framework – even in the government – was not there to incentivize this. So there was a need to work creatively to create such incentive mechanisms. ITTO could support the implementation of incentives on the ground where technical assistance and support was required.
130. The next candidate to present was Ms. Shemala Satkuru (Malaysia).
131. Ms. Satkuru said it was a great honour and privilege for her to be shortlisted for the second time in three years as a candidate for the Executive Director position. It was necessary to look at the current situation, take stock of the last three decades and the positive improvements and achievements, and look at the history of where the Organization was and what lay ahead. She said that the Organization was not just hurt, it was maimed, and that there was a need to reflect on the Organization, what it had done, and what

needed to be done so that history would not judge the Organization in the future. The Organization required strong leadership, she said, because it had been in limbo for three years. The second priority was to increase emergency funding for the Organization. In her view, what was needed was to mount an emergency rescue mission. Another priority was to regain trust and confidence, not only within the Council but also in the future work of the Organization as a means of attracting new donors and partners to the Organization. Linked to this priority would be regaining and enhancing the prominence of ITTO as an international organization, with the sustainable management of tropical forests and the trade in sustainably produced tropical timber and wood products at its core. Ms. Satkuru said that the reality was that it would take time, effort, resilience, strength and courage from all members and staff members to rebuild the Organization from where it was now. She noted that the concept of sustainable forest management was well established but that less than 10% of the world's forests were certified and, of that 10%, less than 2% was tropical forest. Although much had been done to save tropical forests, and this would continue, sustainable management was crucial because tropical forests were a source of revenue for a number of countries. The implementation of sustainable forest management needed to be enhanced on the ground, and this required stepping up efforts, not just from the forest sector and national governments but also in collaboration and coordination with the private sector because, without sustainable forestry, there would be no sustainable tropical timber trade. Ms. Satkuru said that the consumption of certified tropical timber and wood products and legally verified products needed to be increased as a stepping-stone towards sustainable timber products. It was a strength of ITTO and sustainable forest management, she said, that they were built on the three pillars of sustainability, meaning that there was a need to be environmentally, socially and, equally importantly, economically viable. Increasing consumption would increase revenues and promote sustainable communities. Although ITTO had already done much work in this regard, it needed to work more in collaboration with and to hold continuous dialogues with the public and private sectors, increase involvement with government bodies, non-governmental organizations and civil-society organizations, and hook up with international agendas.

132. Ms. Satkuru said that ITTO had lost US\$18.2 million. Nevertheless, three advanced economies had raised US\$5 billion for the Green Climate Fund, which was linked in many ways to the forestry agenda in terms of carbon sequestration and storage. The use of wood in buildings was fashionable in both developed and developing economies. ITTO needed to capitalize on this by promoting a circular economy, in which revenue would be invested in sustainable forest management. The world also faced food challenges and population growth challenges, and forestry played a significant role in all these agendas; forests related to at least 12 of the 17 recently agreed SDGs. Other key players included the retail sector and private foundations. ITTO needed to work on shifting the widespread perception that tropical timber promoted deforestation to a more positive line that using sustainably produced timber and wood products from sustainably managed tropical forests enhanced sustainable forest management.
133. On behalf of the Consumer Caucus, the Consumer Spokesperson asked the following question: "Given that Article 14.5 of the ITTA states that neither the ED nor any member of the staff shall have any financial interest in the timber industry or trade or associated commercial activities, do you think you could be perceived to have a conflict of interest and, if so, what measures would you take to address it?"
134. Ms. Satkuru responded that she believed she did not have a conflict of interest because she was not engaged in the business of buying or selling timber or wood products. As an employee of the Malaysian Timber Council she represented the interests of the Malaysian timber industry in terms of enhancing the export and acceptance of sustainably produced Malaysian timber products in advanced economies that demanded such products. Her position as vice-chair of the Programme for the Endorsement of Forest Certification was voluntary and no remuneration was paid, with compensation limited to expenses for flights and accommodation.
135. On behalf of the Producer Caucus, the delegate of Papua New Guinea asked the following question: "What will be the first action that you will take if you are elected to improve the image of ITTO, given the prevailing financial circumstances facing the Organization, including its project cycle, thematic programmes and biennial work programme, vis-à-vis Council decisions?"
136. Ms. Satkuru said that her very first action would be to strengthen the Organization internally to be able to withstand the pressure and challenges it would face for at least the next three years. The second action would be to immediately secure urgent funding to ensure the undisturbed continuation of the project cycles on a priority basis, meaning that projects that had already spent substantial amounts of funds should be seen as a priority for completion, provided they had a good chance of success. In tandem with that, she would continue to deliver all the regular services that Council members expected from the Organization, and she would start quietly communicating the measures and steps taken in order to regain composure, which would enhance the credibility of the Organization over time.

137. On behalf of the Consumer Caucus, the Consumer Spokesperson asked the following question: "What do you see as the strengths and weaknesses of ITTO as it is now and where do you see the Organization in four years' time?"
138. Ms. Satkuru said that she had already covered a lot on this issue in her presentation. She said that ITTO had a fantastic story to tell and that the strength of the Organization lay in its core functions and the fact that it was a consensus-based partnership. She said one weakness was the need to increase the pool of people who appreciated the good work done by the Organization. The Organization also needs to improve its monitoring and governance; internal auditing should be considered, which would improve accountability and transparency. In four years' time, said Ms. Satkuru, given the improvements mentioned and the guidelines that Council still needed to endorse, the Organization would be standing again on a strong footing, provided that the new Executive Director had the necessary strength, courage, resilience, commitment and dedication to see it through.
139. On behalf of the Producer Caucus, the delegate of Peru asked the following question: "In the past years, we have seen that in the various forest forums at an international level, much emphasis has been given to the institutionalization or implementation of measures which could be considered as limitations or as barriers, technical barriers or operational barriers or political barriers that, to some extent, are making the flow of tropical woods through the markets more difficult towards consumer countries. In this regard, what do you think should be the decisions or the policies and the strategies in the short or medium term so we can overcome this problem?"
140. Ms. Satkuru responded that this question had been the focus of a significant part of her career for the past 22 years. There had been several opportunities and issues with market access and tremendous progress was being made. The issue needed communication, advocacy and continuous dialogue. Effective advocacy should involve factual arguments that people could not refute. For ITTO, Ms. Satkuru advised hiring professional marketing people, provided the availability of sufficient financial resources, and improved collaboration with parallel organizations, such as timber federations, associations and partnerships, in both advanced and developing economies. ITTO could work in partnership by attending international conferences, meetings, exhibitions and trade fairs. Such partnerships would allow the sharing of both costs and benefits.
141. The next candidate to present was Mr. Torgny Söderman (Sweden).
142. Mr. Söderman said that, as a young man, he had spent four years travelling the world, when he had started to become a doer, learning Japanese, Spanish and Portuguese. He had gained other experiences, including significant private-sector and management experience in difficult situations, international development experience, and public-sector management experience. As an associate professor of forest economics, he also had technical knowledge of forestry and expertise in finance and accounting.
143. Mr. Söderman said that his industrial experience started as a project accountant and auditor in the construction of a refinery. He had worked as chief financial officer for a plywood company, where he had been responsible for finance, accounting and human resources. After that, he had become the director of a senior high school that had had leadership problems. After three years and his intervention, the school, which had 120 staff and 1200 students, had been ranked number seven in Sweden, according to the Swedish Ministry of Finance. Following that, he had served as a senior management expert and lecturer in forest economics at a university in Ethiopia. At the start of the project there had been about 30 students; at its conclusion, there was a fully-fledged faculty of forestry and natural resources, including an MSc programme, with a budget of US\$7 million.
144. Mr. Söderman said he had been called back to Sweden to become head of the school of forest management at the Swedish University of Agricultural Sciences, where he had served 12 years as head and associate professor in forest economics and business administration. In that role he had put the school back on track in budgetary terms and raised US\$5 million for preparatory education, which was offered to new students, and for staff development. Under his leadership, the school had started courses in forest certification and trade and the marketing of wood products.
145. Mr. Söderman said that the key to running a successful organization was working together, forming teams and ensuring sufficient funding. He would promote projects focusing on plantation forestry and wood processing so that producer countries could increase export revenues and create job opportunities. He would also like to see more private-sector involvement to bring in know-how and additional funding. He concluded by saying that he believed ITTO needed a doer like him who could address challenging problems and implement cost efficiency, was able to mobilize stakeholders, would be creative in finding

new ways of financing, could implement change processes, was good in finance and accounting, and who firmly believed in the mandate of the Organization.

146. On behalf of the Producer Caucus, the delegate of Papua New Guinea asked the following question: "What will be the first action that you will take if you are elected to improve the image of ITTO given the prevailing financial circumstances facing the Organization, including its project cycle, thematic programmes and biennial work programme vis-à-vis Council decisions?"
147. Mr. Söderman responded that, before anything else, the economic or financial problems of the Organization had to be settled. Once that was done, the Organization could build trust with donors and producer countries.
148. On behalf of the Consumer Caucus, the Consumer Spokesperson asked the following question: "Given that Article 14.5 of the ITTA states that neither the ED nor any member of the staff shall have any financial interest in the timber industry or trade or associated commercial activities, do you think you could be perceived to have a conflict of interest and, if so, what measures would you take to address it?"
149. Mr. Söderman responded that he was presently working at a university and that he had no interest whatsoever in the trade and business for his private sake; thus, he could guarantee there was no conflict.
150. On behalf of the Producer Caucus, the delegate of Peru asked the following question: "In the past years, we have seen that in the various forest forums at an international level, much emphasis has been given to the institutionalization or implementation of measures which could be considered as limitations or as barriers, technical barriers or operational barriers or political barriers that, to some extent, are making the flow of tropical woods through the markets more difficult towards consumer countries. In this regard, what do you think should be the decisions or the policies and the strategies in the short or medium term so we can overcome this problem?"
151. Mr. Söderman responded that most consumer markets were becoming sensitive to the origin of products and whether they were certified or not. He said that sustainability and certification were the best solution for building trust in the market and improving the situation.
152. On behalf of the Consumer Caucus, the Consumer Spokesperson asked the following question: "What do you see as the strengths and weaknesses of ITTO as it is now and where do you see the Organization in four years' time?"
153. Mr. Söderman responded that the strength of ITTO was its mandate and the great work it had done in the past. What was unfortunate were the economic problems, which hopefully would be resolved soon. Once that had happened and the Organization had regained the trust of donors, things should be smoother. He said that sustainable forest management projects were of high value and that he hoped to see new projects on wood processing and plantations. He also said he envisioned stronger ties with the private sector and an increase in certified products on the world market.
154. The next presenter was Dr. Ivan Tomaselli (Brazil).
155. Dr. Tomaselli said that everybody in the room expected to have an efficient and competitive organization to promote the trade of sustainable tropical forest products and that everybody agreed it was important to help members improve their knowledge, develop policies and facilitate the implementation of sustainable forest management.
156. Dr. Tomaselli said he had a degree in forestry and an MSc from the Federal University of Parana, Brazil. He completed his PhD at the University of Melbourne, Australia, in 1977 and a postdoctoral programme at the University of Hamburg, Germany, in 1980. In 1981, at the age of 30, he had become a full professor at the Federal University of Parana. He supervised several MSc and PhD programmes and wrote more than 250 papers, published in Brazil and internationally, on a broad range of research and technical work, most of it relevant to tropical forests. He had also been the head of the postgraduate course, coordinated the wood engineering course, and was an advisor for the National Research Council. He had been the director of the Forest Research Foundation of Parana, and he had coordinated the Forest Development Programme in Niassa in Mozambique in the 1980s. Dr. Tomaselli said that he was now the president of a consulting, engineering and management company, which was a leading company in Latin America with around 500 employees that had developed over 5,000 projects for clients in more than 30 countries. Were he to be elected as the ITTO Executive Director, he said, he would resign from this company.

157. Dr. Tomaselli said that, over the past 30 years, he had had the privilege of gaining considerable experience and knowledge of ITTO in various functions, including as a technical advisor for the Brazilian delegation, a member of expert panels, in project evaluations, as a consultant in a range of projects, and as coordinator of ITTO-funded projects.
158. Regarding the difficulties the Organization was facing, Dr. Tomaselli said that the role of Executive Director would be very important in the next years to improve efficiency; there needed to be a plan of change, he said, which had to be based on a strategic assessment of the situation, the identification of needs and expectations, and options for change to maximize impacts. The impact of the Organization needed to be increased through discussions with members, the definition of priority areas of work, and consideration of the thematic programmes. Relevant problems needed to be identified and projects needed to be proposed that would have more impact on trade and the implementation of sustainable forest management. Dr. Tomaselli said that increasing the impact of projects and activities was fundamental to improving the efficiency of the Organization. He would also improve the efficiency and compliance of the Secretariat based on an assessment of its structure, work and management skills, rules, knowledge, experience and other aspects. In terms of funding, the donors' views and expectations needed to be understood and alternative funding sources identified, including other consumers, the private sector, other international organizations, and producers. The relationship between climate change and forests also opened up new opportunities, he said. The work on diversifying the funding base would require significant effort as well as imagination and innovation.
159. Dr. Tomaselli concluded by saying that an increase in the impact of projects and activities and ensuring an efficient secretariat would make ITTO competitive and assure donors that the Organization would be effective in implementing projects they were financing. Although other issues may need to be tackled, a good way to promote change in the short term would be to introduce innovations and improve the efficiency of the Organization.
160. On behalf of the Consumer Caucus, the Consumer Spokesperson asked the following question: "Given that Article 14.5 of the ITTA states that neither the ED nor any member of the staff shall have any financial interest in the timber industry or trade or associated commercial activities, do you think you could be perceived to have a conflict of interest and, if so, what measures would you take to address it?"
161. Dr. Tomaselli responded that he had presented his background and knowledge, including his recent involvement in consulting and engineering and management work at a private company, but that he did not see a conflict of interest. He said he was pleased with what he had learned in managing projects and organizations in the private sector and that this expertise would be important in changing ITTO in the future.
162. On behalf of the Producer Caucus, the delegate of Papua New Guinea asked the following question: "What will be the first action that you will take if you are elected to improve the image of the ITTO, given the prevailing financial circumstances facing the Organization, including its project cycle, thematic programmes and biennial work programme, vis-à-vis Council decisions?"
163. Dr. Tomaselli responded that he would need time to assess the situation and define a plan to improve the efficiency of the Organization. He said he was aware that ITTO had problems in terms of implementing the thematic programmes, including that some programmes had received limited or no funding, which needed to be addressed. He said he would carry out an assessment of the Secretariat and, together with the members, propose ways to increase the impact of the Organization's work. He would work with donors to identify their priorities and increase funding to achieve the aims of the agreement.
164. On behalf of the Consumer Caucus, the Consumer Spokesperson asked the following question: "What do you see as the strengths and weaknesses of ITTO as it is now and where do you see the Organization in four years' time?"
165. Dr. Tomaselli said he preferred not to talk about the past, but that initial speeches during this Council session had mentioned a problem of compliance and some weaknesses in terms of managing the Organization. In terms of strengths, the Organization was competitive and could implement projects at a low transaction cost compared with other organizations, and this advantage could be explored as a way of bringing in more funds and thereby developing projects that member countries wanted to implement to achieve sustainable forest management and increase the trade of tropical forest products.
166. On behalf of the Producer Caucus, the delegate of Peru asked the following question: "In the past years, we have seen that in the various forest forums at an international level, much emphasis has been given to

the institutionalization or implementation of measures which could be considered as limitations or as barriers, technical barriers or operational barriers or political barriers that, to some extent, are making the flow of tropical woods through the markets more difficult towards consumer countries. In this regard, what do you think should be the decisions or the policies and the strategies in the short or medium term so we can overcome this problem?"

167. Dr. Tomaselli responded that, in order to promote trade and increase sales of tropical forest products, member countries needed to work together. However, the example of the thematic programmes mentioned in his presentation had shown that very little has been proposed by countries in the Trade and Market Transparency Thematic Programme and the Industry Development and Efficiency Thematic Programme. He said it was also possible to work with the private sector in this regard, involving country members, but that it was not just about the prices of products but also improving the image and competitiveness of tropical forest products. The promotion of trade should be a priority for ITTO.
168. The Chairperson thanked all speakers. She said the Council had now heard from all candidates about their credentials, accomplishments and visions for the Organization, all of which, in their own right, were impressive. She encouraged members to take advantage of the presence of the candidates, all of whom could be approached in the hallways or during coffee breaks to answer questions.
169. The session was closed and reconvened the following day.
170. The Producer Spokesperson said the Producer Caucus had met in the morning and had come to the conclusion that the appointment of the Executive Director should be based on consensus. To achieve this, the producers were suggesting that time be given, at least until the following day.
171. The delegate of the USA thanked the Producer Spokesperson for the comment and echoed the intention and hope that this session would be able to come to a consensus. She called for a special vote in order to have the process move forward as productively and quickly as possible.
172. The Chairperson said that, according to the rules of procedure and in order for the voting procedure to start, a motion for a special vote from the floor had to be seconded by another delegation.
173. The delegate of the EU said that the EU would like to join the USA in calling for a special vote.
174. The Chairperson said that, according to the rules of procedure, a special vote had been called, and it had been seconded by another delegation. Therefore, the voting procedure would start.
175. The delegate of Brazil said that, despite the rules of procedure, he would like to draw the attention of members to the fact that members, especially producer members, were not yet represented and might still be arriving, and that some votes were being transferred and some payments were being processed. He asked the plenary and particularly the EU and the USA to consider this and to postpone the start of the voting until the next day.
176. The delegate of Japan said that, given the time constraints of the session, which would tackle many complicated and difficult issues, a vote should be made as early as possible and, in that sense, he echoed the call for a vote.
177. The delegate of the EU added that the delegate of Spain had delegated that country's votes to the EU in writing because she could not be present during this session.
178. The Chairperson noted that there were differing opinions on some regulations governing when there was no consensus in terms of voting or calling for special vote. She asked the United Nations Conference on Trade and Development (UNCTAD) legal advisor to clarify the rules.
179. The UNCTAD legal advisor, Mr. Carlos Moreno, explained that, in this case, the Council needed to take a simple majority vote first on whether or not to have a special vote.
180. The delegate of Brazil asked whether it was necessary to first discuss the profile of the future Executive Director before going to a vote.
181. The delegate of Togo said that, while there was indeed some pressure in terms of time, both caucuses had stated their determination to reach a consensus and, despite the procedures, he was not sure whether an immediate vote would be of good service. He said that, when talking about consensus, everybody

should be ready to make some concessions and that each caucus should discuss what kind of concession that would be. He suggested that more time be allowed overnight for consultations and for each caucus to return the next day with possible pathways and practical proposals.

182. The Producer Spokesperson said that the proposal made by the delegate of Togo reflected the proposal of the Producer Caucus and that she sought the postponement of voting until the next day.
183. The Chairperson said she wanted to alert members that even having this conversation after a vote had been called for was showing leniency on her part. She said she would take the interventions of Panama and then Australia and if, after that, there was a signal from the Consumer Caucus that it would like to change their position, she would consider that. Otherwise, she would go straight into the procedure of a simple majority vote to determine whether a vote should be taken on the candidates.
184. The delegate of Panama requested that the voting procedure be postponed until the next day so that Panama would have the opportunity to participate in that vote.
185. The delegate of Australia acknowledged the arguments made by various delegates and asked whether anybody would run a bath without checking the temperature of the water. How would you know, she asked, whether the water was hot or cold? It would be difficult to talk concessions when one did not even know if the bathtub was full of water.
186. The Consumer Spokesperson said there was no indication that the consumers wished to change their position and that, following the sentiment of the delegate of Australia, a vote taken at this stage was seen as a tool to help fuel discussions and to know the options. Therefore, it would be a tool to help reach consensus.
187. The Chairperson requested the Secretariat to explain the voting procedure.
188. The Officer-in-Charge said that, first of all, a trial for a simple majority vote would be conducted to explain the system. He said a simple majority vote required a majority of the votes held by members present and voting to be cast in favour of the question at hand. In this case, the question at hand was whether to proceed to a special vote on the election of an Executive Director. He explained that the report of the Credentials Committee showed the total votes. For the Producer Caucus, a total of 901 votes would be counted for the purpose of the simple majority vote. In order for the motion to pass, it would require 451 votes. On the consumer side, a total of 985 votes would be counted for the purpose of a simple majority vote, and 493 votes would be required for the motion to pass. For a simple majority vote to pass on the question at issue, a majority of the votes held by members present and voting in each caucus needed to be cast in favour of that question, so a majority was required in both caucuses in favour of the question at issue.
189. The Secretariat explained the voting procedure and noted that, in principle, all votes in ITTO were open votes unless a member or members requested a secret vote. A trial vote was conducted and the results were explained by the Secretariat.
190. Before proceeding to the actual vote, the Chairperson asked whether there were any questions on the voting procedure or the results. She also asked whether there was any motion for the vote to be secret or open, with open being the default. In the absence of any flags, the Chairperson said that the vote would be open.

First simple distributed majority vote (8 November 2016)

	Name	Group	No. of Votes
Choice 1	Yes	Producer	399 / 884 = 45.1%
		Consumer	985 / 985 = 100.0%
Choice 2	No	Producer	485 / 884 = 54.9%
		Consumer	0 / 985 = 0.0%

Note: one eligible producer member holding 17 votes abstained / did not vote.

Result: **no decision**

191. The Secretariat reported that, by ITTO's rules, the simple majority vote did not pass, and Council would not move to a special vote.

192. The Chairperson reminded members that it was their responsibility to submit their credentials in a timely manner because, in case of voting, Council would always go by the latest report of the Credentials Committee.
193. The Chairperson adjourned the discussion on this agenda item.
194. When discussion on this item resumed the following day, the Consumer Spokesperson said that, although the Consumer Caucus remained firm in its position to have a vote in a reasonable time frame in the morning, it would like to hear from the Producer Caucus on its deliberations earlier that morning.
195. The Producer Spokesperson confirmed that the Producer Caucus had met in the morning for discussions on this agenda item, and it had been unanimously agreed that it would be a good idea to move to a vote immediately.
196. The Consumer Spokesperson supported the proposal to move to a vote.
197. The Chairperson said that the Producer Spokesperson, representing the Producer Caucus, had called for a vote, and the Consumer Spokesperson, representing the Consumer Caucus, had seconded. Therefore, in accordance with the rules of procedure, the process for a special vote would start. The Chairperson requested that the Secretariat explain the procedure for a special vote.
198. The Officer-in-Charge said that a trial of a special vote would be conducted to explain the system. He said a special vote required at least two-thirds of the votes cast by producer members present and voting and at least 60% of the votes cast by consumer members present, with voting counted separately, on the condition that the votes were cast by at least half the producer members present and voting and at least half the consumer members present and voting. In other words, a special vote had a two-step threshold: first, it needed at least half the countries present and voting to vote in favour of one candidate and, second, the votes of at least half the countries that voted for that candidate must meet the respective thresholds of each caucus, which was two-thirds of the votes of the producers and 60% of the votes of the consumers. The Officer-in-Charge said that the voting machines were showing a list of six names, of which members could select one. While the vote was open, members could change their selection as they wished. He reminded delegates that the most recently approved report of the credentials committee provided details of eligible countries and votes that could be cast. The report of the credentials committee showed that two producer countries with votes – Mali and Trinidad and Tobago – were not represented and their votes had not been allocated to another delegation, accounting for a total of 53 votes. The producers would therefore start with a total of 947 votes, of which two-thirds or 632 votes were needed to pass. The consumers would start with a total of 1000 votes because all votes had been either allocated or the countries were present, and 60% or 600 votes were needed to pass.
199. The Officer-in-Charge reminded the Council that, in principle, all votes in ITTO were open ballots, unless one or more members requested a secret ballot. A trial vote was conducted and the Secretariat explained the results. At the request of the Republic of Korea, the special vote was conducted by secret ballot.

First special vote (9 November 2016)

	Name	Group	No. of Countries	No. of Votes
Choice 1	Ms. Stephanie Caswell	Producer	0 / 21 = 0.0%	0 / 947 = 0.0%
		Consumer	2 / 35 = 5.7%	237 / 1000 = 23.7%
Choice 2	Mr. Gerhard Dieterle	Producer	8 / 21 = 38.1%	257 / 947 = 27.1%
		Consumer	32 / 35 = 91.4%	694 / 1000 = 69.4%
Choice 3	Mr. Putera Parthama	Producer	6 / 21 = 28.6%	243 / 947 = 25.7%
		Consumer	1 / 35 = 2.9%	69 / 1000 = 6.9%
Choice 4	Ms. Sheamala Satkuru	Producer	3 / 21 = 14.3%	190 / 947 = 20.1%
		Consumer	0 / 35 = 0.0%	0 / 1000 = 0.0%
Choice 5	Mr. Torgny Soderman	Producer	0 / 21 = 0.0%	0 / 947 = 0.0%
		Consumer	0 / 35 = 0.0%	0 / 1000 = 0.0%
Choice 6	Mr. Ivan Tomaselli	Producer	4 / 21 = 19.0%	257 / 947 = 27.1%
		Consumer	0 / 35 = 0.0%	0 / 1000 = 0.0%

Result: no decision

200. The Secretariat reported that the results of the voting indicated that none of the candidates had achieved the necessary number of votes and members required for Council to reach a decision in accordance with the ITTA, 2006. Therefore, there was no decision.
201. At the request of Brazil and supported by the Consumer Spokesperson, the Chairperson adjourned the discussion on this agenda item.
202. When discussion on this item resumed the following day, the Chairperson opened the floor for members to suggest ways forward so that the Council could elect an Executive Director at the session.
203. The Producer Spokesperson reported that the Producer Caucus was well aware of the challenges facing the Organization and was ready to support the candidate best suited to meet those challenges. She noted that the principle of rotation was important and proposed that a working group be established to review the Libreville decision regarding the candidature for the position of Executive Director and to review the negative impacts of that decision.
204. The Chairperson sought clarification from the Producer Spokesperson on what was meant by the negative impacts of the Libreville decision because, in her understanding, the Libreville decision simply charted the process of the election of the Executive Director, as well as the requirements.
205. The Producer Spokesperson explained that the Producer Caucus was of the opinion that, in Libreville, a "gentleman's agreement" that had previously existed between consumers and producers had been broken. The Producer Caucus would argue, she said, that the Council had failed to grasp the significance of the change in Libreville and would therefore propose to revisit the decision taken there.
206. The Consumer Spokesperson sought more clarification on the proposal, including the timing of the working group and whether it was intended that it start at this session or work intersessionally.
207. After brief consultations among members of the Producer Caucus, the Producer Spokesperson informed the Council that the producers proposed that the working group would work intersessionally. Considering the situation, she said the Producer Caucus was ready for another vote.
208. The Consumer Spokesperson agreed to a vote but requested an opportunity to check with the Consumer Caucus on whether further clarification was required on the proposal for the working group to be convened.
209. The Chairperson clarified that, although the Producer Caucus had indicated its readiness for a vote, it had not called for a vote. She suspended the session for 15 minutes to allow consultations in each caucus.
210. After the break, the Consumer Spokesperson said there was acknowledgement that the principle of rotation was important to the producers and that the consumers were happy to review that matter after the session, provided that rotation was not conditional on the vote or its outcome or on the election of the Executive Director at the present session. After emphasizing that the consumers would continue to seek the most qualified person for the position, she called for a vote.
211. The Chairperson said it was her understanding that there was consensus to have a working group intersessionally with the caveats that had been mentioned by the Consumer Spokesperson. She noted that the establishment of such a working group would have financial implications and would require a decision.
212. The Producer Spokesperson said that the producers suggested that a decision on the rotation system be taken and adopted before going to a vote.
213. The Chairperson sought clarification from the Producer Spokesperson, because before the consultation of the caucuses, the proposal had been that the working group to discuss the issue of rotation would be held intersessionally. She asked whether this had changed or whether the new proposal was rather that the principle of rotation needed to be agreed before a vote, because this differed from the original proposal.
214. The Producer Spokesperson confirmed that the proposal of the producers was to adopt the decision regarding rotation before proceeding to a vote.
215. The Consumer Spokesperson said that the consumers were unable to agree to a decision concerning rotation at this moment and reiterated that they had called for a vote.

216. The Chairperson said that, following the call for a vote from the consumers and not having consensus from the producers, a simple majority vote would be conducted on whether to go for a special vote. The vote would be by open ballot unless any delegation objected to that.

Second simple distributed majority vote (10 November 2016)

	Name	Group	No. of Votes		
Choice 1	Yes	Producer	420	/ 947	= 44.4%
		Consumer	1000	/ 1000	= 100.0%
Choice 2	No	Producer	527	/ 947	= 55.6%
		Consumer	0	/ 1000	= 0.0%

Result: no decision

217. The Secretariat explained the results and that, by ITTO's rules, the simple majority vote did not pass, and Council would not move to a special vote.
218. The Chairperson adjourned the discussion on this agenda item.
219. When discussion on this item resumed the following day, the Chairperson gave the floor to the Consumer Spokesperson.
220. The Consumer Spokesperson reminded delegates that the most important task at hand was to elect an Executive Director. She said that, on the previous day and in the evening, members had worked to take into account the different expressed needs in a spirit of compromise, understanding the need for partnership and rotation among consumers and producers. She noted that the principle of rotation could be included in the appointment decision and that using one decision instead of two would avoid the problems of sequencing and complicating the issue. She informed the Council that this work was captured in a non-paper, which had been circulated to all members earlier that morning.
221. The Chairperson gave the floor to the Producer Spokesperson.
222. The Producer Spokesperson highlighted the spirit of cooperation between the two caucuses in the process of selecting the Executive Director and informed delegates that the Producer Caucus had agreed to appoint an Executive Director at this session of the Council and that this would require a special vote. She said that the Producer Caucus was in favour of rotation at two levels: within the caucuses, and between the two caucuses. She called for the setting up of a working group to study the practical implementation of such rotation, which should be established during the session and could meet intersessionally.
223. The delegate of Brazil said that, for his delegation, the discussion of rotation and other discussions about the future governance of ITTO was a fundamental issue. He noted that those discussions could be constructive and could help the Organization in its recovery and strengthening but that members needed time to reflect and to discuss with their capitols. He sought clarification, from a legal point of view, on the principle of rotation mentioned in the perambulatory text of the non-paper because this principle was not defined in the ITTA, 2006.
224. The delegate of Cameroon noted that, because the principle of rotation was not established in the constitution of the Organization, the Producer Caucus suggested two things: first, that the Executive Director be elected during this session, and second, given that the principle of rotation would have a number of consequences, that a decision be taken to establish a working group that would work intersessionally to help define the different aspects of rotation.
225. The delegate of Brazil said that his delegation was in line with the proposal made by the delegate of Cameroon but that the reference to the principle of rotation in the non-paper needed definition.
226. The Consumer Spokesperson reiterated that the priority of the Consumer Caucus was to elect an Executive Director and that other matters could be discussed after that.
227. The Chairperson said it was her impression that, although progress had been made, there was also a deepening in the divide on the way forward. She compared the situation with a ship going through a storm and the importance of weathering the storm together, with the ship being the Organization and the crew

being the members. She requested members to ask whether any hard-line positions were blocking the way forward for the ship to get safely home.

228. The delegate of Peru expressed optimism that members were coming closer to a compromise. He noted that all delegations had come to the session with the mandate from their governments to end the current situation and that all delegations had expressed their wish to leave the meeting with a new Executive Director elected, which required compromise and flexibility. He said that notable progress had been made in agreeing to set up a working group to discuss the issue of rotation. Although no agreement had been reached on the details of rotation, the concept or principle had been discussed at earlier sessions, including in Kuala Lumpur in 2015. Delegations understood what was meant by rotation, and it had been accepted that rotation was a principle that could be introduced without major difficulties in future procedures.
229. The delegate of Cameroon said it was important to move forward on selecting an Executive Director and to establish a working group to work on the details of what the principle of rotation implies.
230. The delegate of the USA thanked producer members for indicating their desire to elect an Executive Director at the session. She confirmed that her delegation was open to the idea of establishing a working group to discuss rotation intersessionally, but that it should not bog down the election of the Executive Director. She pointed out that this was the third session attempting to elect an Executive Director. The first had ended in failure and, in the meantime, the financial impairment had come to light. The USA had expressed its support for the Organization, pointing out its value in the face of negative press and had continued giving voluntary contributions – the only donor to do so – including at this session, to maintain core operations, activities, fellowships and projects. The USA had also dedicated substantial human and financial resources to resolving the issues of the financial shortfall and staff/financial rules because it believed in the Organization. If the Council session were to end without an Executive Director, it would be a disaster in light of perceptions in the capitol and in terms of supporting the USA's continued involvement.
231. The delegate of PNG said he was ready to abide by the suggestions made and that his delegation was ready to take a decision.
232. The delegate of Togo said that he was not pleased to observe that the Consumer Caucus had indicated its agreement with the principle of rotation but at the same time had not agreed to establish a working group to discuss what such rotation might imply. He suggested that a drafting group be established with the task of preparing two decisions: one on the creation of a working group to examine the issue of rotation, and the second to appoint an Executive Director. The two had to go together. That was the compromise.
233. The Chairperson appealed to all members to share their opinions because this was the most important item on the Council agenda. She opened the floor for further comments.
234. The delegate of Malaysia assured the Council that his delegation was ready to work with all other delegations, and he expressed strong support for the proposals made by the delegates of Cameroon and PNG. He acknowledged with gratitude the financial contributions made by the USA at this session. He said that the Organization was founded on the principle of cooperation between producers and consumers and that Malaysia continued to believe that the Organization had enormous potential to contribute to tropical forestry and to meet the objectives enshrined in the ITTA, 2006. He said that, despite the best efforts of producer countries, continued support, understanding and assistance was needed from consumer countries, particularly the donor community; thus, the new Executive Director needed to be able to inspire and restore donor confidence. The delegate of Malaysia appealed to other donors to follow the example of the USA and continue their financial support, which was fundamental to the Organization's continued progress. He appealed to all delegations to show flexibility so that progress could be made, and he expressed his full support for the principle of rotation, not only between producers and consumers but also within the Producer Caucus between the three tropical regions.
235. The delegate of New Zealand said that, as she had listened to the speakers and the deliberations in her caucus and also when talking to people outside the plenary, it was clear to her that everyone had the same objective and wanted to elect an Executive Director. There was also agreement, she said, on the principle of partnership and that rotation could be seen as an expression of that partnership. She emphasized that there was a spirit of willingness around the creation of a working group, and she appealed to members to think about the quickest pathway forward.
236. The delegate of the EU said that there appeared to be eagerness for a vote, and she called for a vote.

237. The delegate of Brazil requested clarification on the procedure because this agenda item was originally scheduled for the afternoon. The current session had been called for by the Chairperson particularly to obtain clarification on proposals made by the Consumer Group. He considered that no vote could be held at this time.
238. The Chairperson said that members had the right to call for a vote at any time and, if it was seconded, there would be a vote.
239. The delegate of Malaysia strongly supported the proposal of the EU.
240. The Chairperson clarified to the delegate of Brazil that changes in the schedule of sessions were common practice in the Council, and such changes were the reason for the daily meetings of the Chairperson's Bureau. The practice had been established to ensure the Council's responsiveness to changing events.
241. The Chairperson reminded members that there had been a call for a special vote, which required a consensus. In accordance with the rules of procedure, she would not take interventions unless it was a point of order.
242. The delegate of Brazil thanked the Chairperson for the clarification and confirmed that Brazil was ready to go for a vote.
243. The Chair of the Credentials Committee said that she had just received a copy of a letter from the Embassy of Colombia in Tokyo, dated 11 November 2017 and addressed to the International Tropical Timber Council, authorizing the delegation of Brazil to cast Colombia's votes. She said she had not been able to consult with the members of the Credentials Committee and was seeking advice from the Chairperson on how to deal with this issue.
244. The Chairperson responded that it was her understanding that the Credentials Committee had not had the opportunity to incorporate this letter into the current distribution of votes because it had just arrived. She noted that, at the beginning of the Council session, she had been firm on having members submit their credentials in a timely manner. Nevertheless, she said, the Council, as the governing body of the Organization, had the right to either accept or reject Colombia's request to have its votes allocated to Brazil. She requested that members raise their flags if they had any objections; otherwise, the votes of Colombia would be counted.
245. The delegate of PNG cautioned that he knew of several countries that had been careful not to delegate their votes to countries with candidates.
246. The delegate of Australia urged members to consider that whatever the Council decided on the submission of credentials at this time would set the rules for the next two days.
247. The Chairperson noted that she had heard warnings and concerns but no objections to the counting of Colombia's votes. She gave members another chance to raise objections.
248. In the absence of any objections, the Chairperson said that the Council had decided that Colombia's votes would be taken into account and would be cast by Brazil.
249. The Chairperson said that, in accordance with the rules of procedure, a special vote on the Executive Director had been called, and it had been seconded by another delegation. Because there was consensus in the room, the voting procedure would start. The vote would be by open ballot unless any delegation objected to that.

Second special vote (11 November 2016)

	Name	Group	No. of Countries	No. of Votes
Choice 1	Ms. Stephanie Caswell	Producer	0 / 20 = 0.0%	0 / 925 = 0.0%
		Consumer	2 / 35 = 5.7%	237 / 1000 = 23.7%
Choice 2	Mr. Gerhard Dieterle	Producer	14 / 20 = 70.0%	542 / 925 = 58.6%
		Consumer	33 / 35 = 94.3%	763 / 1000 = 76.3%
Choice 3	Mr. Putera Parthama	Producer	3 / 20 = 15.0%	148 / 925 = 16.0%
		Consumer	0 / 35 = 0.0%	0 / 1000 = 0.0%
Choice 4	Ms. Sheamala Satkuru	Producer	0 / 20 = 0.0%	0 / 925 = 0.0%
		Consumer	0 / 35 = 0.0%	0 / 1000 = 0.0%
Choice 5	Mr. Torgny Soderman	Producer	0 / 20 = 0.0%	0 / 925 = 0.0%
		Consumer	0 / 35 = 0.0%	0 / 1000 = 0.0%
Choice 6	Mr. Ivan Tomaselli	Producer	3 / 20 = 15.0%	235 / 925 = 25.4%
		Consumer	0 / 35 = 0.0%	0 / 1000 = 0.0%

Note: one eligible producer member holding 22 votes abstained / did not vote

Result: no decision

250. The Secretariat reported that the results of the voting indicated that none of the candidates had achieved the necessary number of votes and members required for the Council to reach a decision in accordance with the ITTA, 2006. Therefore, there was no decision.
251. The Chairperson said that members still needed to find a way forward on the decision to establish a working group on the issue of rotation. She encouraged members to consult between caucuses in the hallways and between sessions and, if a consensus was achieved on a potential decision, it should be forwarded for discussion in the Chairperson's Open-ended Drafting Group.
252. In the absence of further interventions, the Chairperson adjourned discussion on this agenda item.
253. When discussion on this agenda item resumed, the delegate of Peru explained that, following the session earlier in the day, a contact group co-chaired by the delegate of New Zealand and himself and composed of seven consumer members and seven producer members had met to discuss the issue of rotation. He said the discussion had been very constructive and there had been a great deal of goodwill. The group had prepared a report for the consideration of the Council and further discussion.
254. On behalf of the contact group, the delegate of New Zealand read the text of the draft report, as follows: "We consider the group in which we are currently working should be recognized as a contact group of goodwill between both producers and consumers, in order to advise the Chair on a subject related to rotation into the election of the Executive Director. We consider that the concept of rotation is, in some ways, already being used in various procedures of the ITTO. For example, in the election of the chair of the Council, chairs of the committees, expert panels, etc. In view of the fact that we're facing a complicated situation regarding the election of the new Executive Director over the past three years, it is necessary to think of innovative solutions, to sort out the impasse in which we find ourselves. In this consideration we think that rotation could be the right way to seek an immediate solution for this problem. However, the concept and procedures of rotation must be more clearly defined and elaborated to be used as part of the institutional rules in the future. We call on both the producer and consumer delegates here to take up the solution during the session and at the same time establish a working group intersessionally, to define and elaborate the details of the practical and legal conditions under which we could introduce a formal procedure of rotation for the election of the Executive Director. We propose a draft Council decision, and on this basis we believe that the election of the Executive Director could be done now."
255. Following the statement, the Chairperson opened the floor for reactions from members.
256. The delegate of Brazil requested clarification on how the document would be adopted, incorporated or used during the session because the contact group had not agreed on the content of the document. He proposed to name the document "Report of the Co-Chairs of the Contact Group".
257. The Chairperson noted that the report was crafted like a statement and sought clarification on the intention of the contact group in terms of the use of the statement.

258. The delegate of Cameroon congratulated the contact group for the report and said that his delegation was in general agreement with its content. He said that the rotation principle was key and that a draft decision mentioned in the report might address the concern raised by the delegate of Brazil.
259. The delegate of Peru confirmed that the report was a joint statement or declaration. It should be considered as an outcome of both caucuses agreeing that the Council was facing a serious situation and that rotation could offer a solution. The contact group was not a working group but, rather, a goodwill group that had attempted to come up with a joint compromise and to offer an innovative strategy and solution to the problem of the election of the Executive Director on this occasion – and perhaps even in the future if included in the regulations. Matters of detail, procedures to be followed and how to apply the rotation principle could be worked out between sessions.
260. The delegate of the USA said that her delegation greatly appreciated the spirit in the contact group and that the ultimate outcome of the group was to draft a decision that would capture this and put it into motion.
261. Building on the comment of the USA, the Chairperson recommended that the contact group work on a draft decision, as mentioned in the statement.
262. The delegate of New Zealand confirmed that there had been several suggestions from members of the contact group for the start of the decision. The contact group has been unable to finalize a joint proposal because of time constraints, but the group could continue work to put such suggestions together into one proposal.
263. The delegate of Brazil commented that his delegation would like to move forward and that it would be happy to accept the document as it was, provided that the title was changed to “Report of the Co-Chairs of the Contact Group” instead of “Report of the Contact Group”. He supported the proposal that the contact group continue consultations and come back to the Council with a draft decision.
264. The delegate of Cameroon said that the report could have any name, but that it was important to consider two issues: the election of an Executive Director and the creation of a working group on the issue of rotation, and these needed to be reflected in the draft decision.
265. The delegate of Peru said that although the final draft document was made by the co-chairs of the contact group, it reflected the discussions of the entire group and therefore it should be considered a statement of the entire group.
266. The delegate of Cameroon added that the co-chairs had been mandated by the group to put the text together and that the text perfectly reflected what was discussed by the group. It should therefore be considered as a report or statement of the contact group.
267. The delegate of Brazil said he was asking for a simple change in the name of the document so there would be no doubt in the future that this document would not pre-judge any future discussions. More important, as a matter of principle, Brazil could not accept responsibility for a document that was not written with its participation. He agreed that the elements of the report were discussed but that it was the co-chairs’ interpretation of what had happened in the contact group.
268. The Chairperson noted that, rather than discussing a document or statement that would not hold any binding decision on the Council or the Organization, it was more important to get the elements that had been discussed by the contact group into a Council decision and the text of that into a Council decision. She suggested that the report be titled “Co-Chairs’ Summary of the Work of the Contact Group”.
269. The delegate of Togo said the document needed further discussion. The last paragraph of the French translation was incorrect because it said that the contact group proposed that a decision be taken but not that the contact group put forward a decision. He also questioned whether it was advisable to propose a single decision and suggested two separate decisions: one appointing the Executive Director and the second to enable the Council to break the stalemate.
270. The Chairperson repeated her proposal that the document be titled “Co-Chairs’ Summary of the Work of the Contact Group”, and she suggested that it be reflected in the report of the Council session.
271. The delegate of New Zealand confirmed that the consumers were in agreement with the Chairperson’s proposal.

272. In the absence of further interventions, the Chairperson adjourned discussion on this agenda item.
273. When discussion on this item resumed the following day, the delegate of the Netherlands, in his capacity as Chair of the CFA, reminded the Council that a component of discussions on the revision of the staff regulations and rules of the Organization was a code of conduct for the Executive Director, which would be submitted as a draft decision for consideration by the Council. This draft, he said, should be considered and referred to in any decision on the appointment of an Executive Director.
274. The Chairperson requested that the code of conduct reviewed by the CFA be given to the Secretariat so it could be appended as an annex to the decision on the appointment of the Executive Director.
275. The delegate of Indonesia said that Indonesia, one of the major tropical forest countries, always maintained the spirit of multilateral cooperation, including in attaining sustainable forest management and a fair timber trade. Indonesia, therefore, had never failed to support the existence of ITTO. It was for this reason that, at the 50th Session of the Council in November 2014, Indonesia had taken a pragmatic, bold and drastic move of supporting an Executive Director from the Consumer Caucus, despite the risk of isolation. Although the move was not acceptable to some fellow producer countries, a few other producers had been in the same boat. When some producers reminded him in the corridors of putting the interest of the Organization above anything else, his response had been that no one was in a position to teach Indonesia about the importance of cooperation and the value of compromising, or about putting aside the national ego for the sake of the Organization. Indonesia was still upholding and practising these principles and this spirit, standing ready to sacrifice the national interest to better serve the interests of the Organization.
276. The delegate of Indonesia said it was the intention of Indonesia to have an Executive Director. He repeated his suggestion from the first day of the session that delegates review Paragraph 14 of the ITTA in order to make it more feasible to elect an Executive Director. He said it was imperative for Indonesia to be heard when talking about tropical forests and tropical timber because, for Indonesia, tropical forests constituted national capital for development and a national resource to be used for the benefit of the country's 250 million citizens. It was very important to Indonesia, therefore, that ITTO was retained because it was established to expand and diversify the trade of tropical timber from sustainably managed tropical forests. Expanding and diversifying trade must be equal in importance to sustainable management. The delegate of Indonesia invited all Council members to support Indonesia in electing an Executive Director at this session by consensus, with the condition that ITTO never deviated from its mandate and treated tropical forests as economic capital that must be sustainably managed. He announced that, for the sake of the Organization, for the sake of tropical forests, Indonesia, under no pressure from anywhere, withdrew its candidacy, and he invited all members of the Council to agree by consensus to select Dr. Gerhard Dieterle as the next ITTO Executive Director. He ended his intervention by expressing his highest gratitude to countries that had fought for and supported Indonesia, namely Cambodia, the Republic of Korea, the Philippines, PNG, Thailand and Viet Nam, as well as Brazil, Colombia and India. He congratulated the new Executive Director elect, Dr. Gerhard Dieterle.
277. The Chairperson thanked Indonesia for its very eloquent explanation of its position and its spirit of cooperation and goodwill. In the absence of any objections, she noted that, by consensus, the Council had elected Dr. Gerhard Dieterle as the Organization's new Executive Director. She asked Dr. Dieterle to enter the room.
278. The Chairperson said that it had been a very difficult journey to select the Executive Director and that the issue had weighed heavily on the morale of the Council and the Organization. She was now happy to report that the ITTO ship had landed on the shore.
279. Addressing Dr. Dieterle, the Chairperson said that, in the USA, there was a saying that "the third time is the charm", and, in this case, it was. She thanked Dr. Dieterle for his perseverance throughout the entire process. On behalf of the Council, she congratulated him on his upcoming appointment and gave him the floor to say a few words.
280. The Executive Director elect, Dr. Gerhard Dieterle, addressed the Council as follows:
"Madam Chair, distinguished delegates, dear staff of ITTO, ladies and gentlemen and dear friends, I'm honoured for the trust you all have invested into my candidacy, and it is with joy that I accept your nomination as the new Executive Director for ITTO. Thank you very much. The Organization is at a crossroads and I have seen a wonderful energy among all you delegates and the Secretariat to look forward and to leave the past behind. I will make every effort to continue with you on this path and to make ITTO strong again. That sounds so familiar for the US, I guess. There is hard work in front of us, and we

need to work together at all levels within the ITTO and within many partners so that we can succeed. I need your full support during the years of my elected terms, but today, it is not a time to talk about this. This is the moment for saying thank you. Please let me start to express my real admiration for the wonderful work and morale the team around Steve Johnson has shown at the time of uncertainty and turbulence. I think every new leader of this Organization can count himself of herself pretty privileged to work with such a wonderful team. Thank you to you all. I will listen carefully to your advice and your judgement. Let me come to another point, which I highlighted already in my presentation. We are a global community and our role is observing and increasing global connectivity. To say it directly, we are sitting in the same boat, most visibly in the context of climate change, the global exchange of goods and services, but also the refugee crisis and so on. I therefore would like to express my deep appreciation and gratitude to you, that you have come together at the Council to solve the challenges of ITTO's future. I thank each and every delegation for their efforts to reach a decision today on this important matter. As I said already in my presentation earlier, I will invest every effort to nurture this partnership between producers and consumers, to listen, and to be a good counterpart to you all. With this, I think ITTO can grow and regain financial health again. At this point in time, I do not want to miss the opportunity to thank my competitors for their fairness and positive attitude. I have highest respect for their professional and personal excellence, and I learned a lot from them during the long days in the corridors. These ties are precious to me. With this, I would like to thank you all."

281. The Chairperson opened the floor for interventions.

282. The delegate of Malaysia made the following intervention:

"Thank you, Madam Chair. Let me thank you, Madam Chair, for giving me the privilege to be the first speaker to take the floor after this historic and momentous decision by Council. Let me, without any hesitation, express my sincere and heartfelt appreciation and admiration for Putra Parthama, for his statement and ultimate sacrifice to withdraw as a candidate for the position of Executive Director. Words cannot express Malaysia's appreciation and gratitude to you, Putra Parthama. Thank you very much. Let me also express our heartfelt congratulations to Gerhard Dieterle for being appointed as the next and the fourth Executive Director of our beloved organization. This is the second time that the Executive Director has been appointed by acclamation. It is part of ITTO's history. I must also not fail to thank Dr. Steven Johnson, the Officer-in-Charge, who has in the last few years shouldered the heavy responsibility to run this organization without any form of compensation. I would like to suggest that I think Council should consider to give something as a tribute and to acknowledge his contribution in the most exemplary manner to this organization during the difficult few years. Madam Chair, ladies and gentlemen, we failed in Kuala Lumpur to appoint our Executive Director, but somehow I had the intuitive feeling that we shall succeed in Yokohama, our headquarters, under the female leadership of a lady Chairperson. Extrapolating the same sentiments: I also hope that in the very short term ITTO will break the glass ceiling and we shall have a female lady Executive Director to lead this organization. Madam Chair, you drew the energy of our difficult journey, of a ship. The ship was leaky, but it has now been repaired and indeed refurbished. It is now sailing in a calm sea. The storm has abated and the ship is now heading into a harbour, where there's hope, progress and an exciting future for our organization. Madam Chair, to me, this decision by Council reflects the maturity of our organization. What is so important to me is that there is solidarity in this organization between all members, between the two caucuses. This is not a victory for any caucus. It is not the defeat for any caucus. It is a victory for the Organization. Indeed, most significantly, it is victory for the tropical forests for which we are united to protect and preserve and promote the sustainable management on which sustainable trade will be dependent upon. As the Executive Director elect has said, now begins the hard work, but I'm meekly optimistic that, under his leadership, his wide networking, and with a solid knowledge and experience in forestry in tropical countries, he will be able to overcome the challenges that we are confronted with. Ladies and gentlemen, tropical forestry and tropical trade is facing many challenges. Some even question, is there a future for tropical timber and, if there is a future, where does that future lie? I believe that there is an exciting future for tropical timber and ITTO is in a unique position to achieve such a future, and this depends very much on the solidarity of all members in our organization, irrespective whether you are from the Producer Caucus or from the Consumer Caucus. The producer countries are committed to implement SFM, and we must also note the wave of green consumerism spreading around the world, where consumers are demanding for sustainable timber, certified timber or timber verified for legality. Success depends very much on cooperation between consumers and producers, and this way, our organization stands and we are in a unique position to do so as we are united in our efforts to achieve the objectives of the ITTA. Ladies and gentlemen, let me conclude here, and once again, to thank all of you, members of the Council, and let us continue to strengthen our cooperation so that this organization can grow from strength to strength. Thank you, ladies and gentlemen."

283. The delegate of Brazil made the following intervention:

“Thank you, Madam Chair. Let me first of all, on behalf of Brazil, congratulate Dr. Gerhard Dieterle for his appointment as Executive Director of this organization. Brazil, within the spirit of this renewed partnership between producer and consumers, countries, members, Brazil decided to follow the consensus. More importantly, we appreciate that a decision on the Executive Director was already taken here in Yokohama. Of course I have to stress, coming from a country that has always positioned itself in a very coherent way in favour of having this organization led by a producer member, we have to say it's our obligation, with the choice of a consumer member Executive Director, the Organization enters a new phase. Of course, we look at that with fresh eyes and we have to renew our mentality, and so on and so forth, but I have to say, this is uncharted territory. Let's not claim we know what's going to happen. Let's build the spirit of partnership. I think we have also to enrich in this organization not only the spirit of partnership among producer and consumer countries but also enrich the idea of plurality. There is a plurality of countries, among producers, among consumers, different concerns, different interests and different objectives. I think it is important that an Executive Director take these on board. I'm sure the newly appointed Executive Director will take all those dimensions, concerns coming from plurality on board, and he will help us to make this organization a more member-driven organization. Allow me to say against all the comments that were made about the future of this organization, which is facing a crisis, the organization is already, in our view, in the process of recovery. Many people would point to the crisis, but we also see a recovery there, and it's well put in place thanks to the role and to the work of the provisional Secretariat, led by Dr. Steven Johnson. I would like to thank him, his team, for all the work they have done over these two years. Allow me to say he started the recovery in a way. The first phase of the recovery was put into place under his leadership. Brazil thanks you a lot in this regard, and I'm sure all the members thank you a lot in this regard, but I would like to stress very clearly, this was the first stage of recovery of this organization. Now we are entering a second stage, which comes with the decisions we are taking at this Council. Allow me to highlight the decisions on the management, the financing, the investments, and so on and so forth, and also the creation of a working group to discuss rotation in this organization. Many best practices I think were already introduced by Steven Johnson and his team. New standards were approved by this Council. I am sure Gerhard Dieterle will take this work with him, it will strengthen this work. I wish him all the best leading this organization, its secretariat, working with the members, and I am sure you will have a fantastic time in this very privileged place, which is Japan. Thank you very much.”

284. The delegate of Cameroon made the following intervention:

“Thank you, Madam Chair. I promised you I would smile at the end of the session, and I see that we are all smiling and I am glad to see that. Madam Chair, dear colleagues, dear friends, it is indeed a pleasure for me to take the floor here at two levels, not only as a delegate of Cameroon but as well as the acting Spokesperson of the Producer Group. As you pointed out, Madam Chair, our Spokesperson, because she had to leave, has gone away early this morning and she asked me if I could replace her as Spokesperson of the Producer Group, which I gladly accepted, which is why, with your permission, I would like to say a few words, first as the Spokesperson of the Producer Group. I would like to say that I would like to turn to my colleague and friend from Indonesia and say to him thank you very much. Thank you for the decision he took, which is what we've always wanted, which is to strengthen our organization and to leave the session with a new Executive Director, and I am glad about this and I congratulate our friend and our colleague from Indonesia on having made that decision. Second, I would like to congratulate our new Executive Director. I was saying to him 'luta continua': that is, the fight continues. I was saying that behind the scenes, and we are glad to have a new Executive Director who has the necessary qualities and capacity to continue to make our organization into one which is lively, strong, dedicated to protecting and promoting the interests of the producer countries. Furthermore, I would also like to turn to my dear friend Steve, whom I know for a while, to congratulate him and his team on the fantastic job that they have done over the last two years. I am sure that the very foundations of our organization put in place by Steve and his team and Gerhard are ready to get us off the ground. Now, as a delegate from Cameroon, I have told you that Yaoundé has already been informed of the election of our new Executive Director and, Madam Chair, I would like to also congratulate you on your tenacity. You did not give up, you kept hope going until we got a new Executive Director, and I would like to congratulate you on that, thank you. Cameroon is ready and willing to lend its cooperation to the new Executive Director and I would like to wish you, dear Gerhard, success in your new endeavour. Thank you.”

285. The delegate of the EU made the following intervention:

“Ladies and gentlemen, dear friends, on behalf of the European Union and its member states, I would like to congratulate Gerhard Dieterle, our new Executive Director. We would like to thank the candidates for their strength and courage in a process which has been very tiring, very trying, and I would like to also turn to Dr. Parthama and thank him for his trust and his friendship. We would like to thank, from the bottom of our hearts, all the delegations present here in Yokohama, as well as those in the various capitols and who have worked with the constraints of time difference and all of those present here behind the scenes. We

would also like to thank our Chair and also particularly Steve Johnson, whose devotion and dedication is endless, and the entire team of the Secretariat. Thank you to all of you. Ladies and gentlemen, while we try to bring the International Tropical Timber Organization back on track, we, the Climate Change Team, are getting together on the 15th of November and we will have celebrated the first licence of the FLEGT between the EU and Indonesia, and, at that very same moment, we hope we can reach an agreement on a partnership between Viet Nam in Hanoi. Various things are underway in Africa, Malaysia, Thailand and Laos. The European Commissioner will be in Beijing at the end of November, again to talk about cooperation on timber. I hope I can spend more time in Latin America and Central America. This is a very crucial period where we need economic, social, environmental benefits of our forests and by aligning ourselves with the Sustainable Development Goals. Thank you very much indeed.”

286. The delegate of Costa Rica made the following intervention:

“On behalf of Costa Rica, we, too, would like to congratulate Gerhard for having been elected the new Executive Director of the Organization, and of course we can guarantee that we will be there to support him and assist him in overcoming the very difficult situation that ITTO is in at the moment. We will support his efforts fully. I would like to thank Steve Johnson and the Secretariat for the very difficult times that they have had to navigate and they have done what they could in these very difficult times to push the Organization forward and to help us out. My minister is taking part at the COP meetings in Marrakech at the moment, but I've informed him of the good news. I think that the time has now come to roll up our sleeves and work together to strengthen this organization, which is so dear to our hearts. Thank you Steve, thank you everyone, and congratulations once again to the new Executive Director.”

287. The delegate of the USA made the following intervention:

“Yesterday here in Yokohama we had a sombre day, it was cold and cloudy and rainy, yet we worked productively all through the night and this morning we awoke to see a majestic Mount Fuji shining on the horizon on a clear day, with our hope that this was a sign from the universe that we would indeed make progress at our meeting today. The election of an Executive Director demonstrates the ability of our entire membership to come together and on our most critical decisions at this point in time to determine the future of this organization and its continuation as a vibrant, strong, leading institution that benefits our tropical forests and people. We would like to congratulate Dr. Dieterle and we look forward to working with you and, as always, all of our partners among the ITTO members and in the Secretariat. In this light we would also like to recognize and offer our heartfelt thanks to Ms. Jennifer Conje and to Mr. Steven Johnson, who held the ship afloat during all of these turbulent months. We know it is not clear sailing ahead for the Organization, but as Brazil and others have mentioned, we have set the ship on the right path and we look forward to being partners in a journey with all of you. Thank you.

288. The delegate of Japan made the following intervention:

“I would like to add my voice to the previous speakers in congratulating Dr. Dieterle being selected as the new Executive Director. I fully appreciate the experience of partnership among the members which brought about this conclusion. This could of course send out a positive message to the outside world, especially at this moment when this organization is in a very difficult moment. As the host country of the ITTO headquarters we are happy to assist and work with the new Executive Director and I also hope his stay in my country during his term will be a very pleasant one. Before concluding, again I would – like the previous speakers – express my sincere gratitude to the dedication of Dr. Steven Johnson, who most devotedly dealt with the difficult situation all this while. I believe if we did not have him as an Officer-in-Charge we could have not come to where we are now. I would again like to congratulate the new Executive Director, Dr. Dieterle, and hope that the Secretariat, under his leadership, well assisted by Dr. Johnson, would find a good path for the Organization. Thank you very much, Madam Chair.”

289. The delegate of China made the following intervention:

“After three long years we have our ED now. The successful selection of a new ED by consensus shows ITTO as a family, it is more than a partnership. It shows that ITTO is a family of unity and solidarity. Therefore the Chinese delegation would like to express our heartfelt gratitude to all members of ITTO, particularly those members, namely Indonesia, Brazil, Malaysia, United States, and Sweden for offering the best candidates to this job. We also like to take this opportunity to thank Mr. Steve Johnson and his team for everything they have done in these difficult two transitional years. We also give our warmest congratulations to Gerhard for his successful election as ITTO Executive Director. We all know that ITTO is now in a crisis. ITTO has a lot of things to do. We have a bigger role in achieving the year 2030 global Sustainable Development Goals and also the Bali Partnership. If I remember correctly, as it is true, the United States President Kennedy once said, ‘In Chinese, crisis is composed of two characters, danger and opportunities’. Today, the successful election of a new ED by consensus shows and demonstrates that ITTO is now in the process of getting rid of the danger and seize the opportunity to restore confidence among its members and international communities. Thank you, Madam Chair.”

290. The delegate of Indonesia made the following intervention:

“Indonesia wishes to express our appreciation, because I didn’t do that the first time I took the floor. We express our appreciation to the Secretariat. Under our de facto Executive Director for the last three years, Dr. Steven Johnson, we really appreciate the work done by the Secretariat, helping the Organization stay alive in the very difficult moments. I of course also express our appreciation to you, Madam Chairperson, for the very able, excellent leadership you have demonstrated during these sessions. Thank you also for the analogy about the boat in the storm, we will remember that. Actually we think that when you said your finding for a sail to help the boat ashore and actually you are part of the sail of the boat. I also would like to thank our Spokesperson from Cameroon. If during the Caucus meeting we gave you hard times and Indonesia hopes Indonesia was not one of those who gave you hard time. Actually that is not because of something bad, it is a reflection of our concern to have the best output of these sessions. The Indonesian delegation wish to inform the Council that the Indonesian Ministry of Environment and Forestry will organize an International Conference on Mangrove Ecosystems from the 18th to 21st April next year in Bali, which is well known for tourism but also well known for mangrove conservation. This mangrove conference will be organized ITTO-BWP 2015-2016 Activity 10. We would like to express our deep appreciation to the donors, mainly the Government of Japan and USA, for making this important conference possible in Indonesia. The Mangrove Conference will discuss policies and best practices in the restoration, conservation, management and sustainable use of mangrove ecosystems toward keeping sustainable forest management in the context of the 2030 Agenda on Sustainable Development: SDG 14, that is, Life Below Water, and SDG 15, Life on Land. In addition, I believe this conference will also cover SDG 5, Gender Equality of Life or Life of Woman, as many women in coastal regions in Indonesia are working for their family livelihood through mangrove. The Indonesia Ministry of Environment and Forestry will work closely with the ITTO Secretariat and partners, including the Government of Japan and USA, for the division and successful organization of the mangrove conference. Madam Chairperson, distinguished delegates, the Indonesian delegation, wishes to invite all ITTO members to Bali for the mangrove conference next April. Being a Balinese myself, I really would emphasize this one, so we are expecting everyone will come to Bali. Our delegation is eager to invite in particular those who have worked so hard at this session, the Chairperson, as well as chairs of the four committees. Although we could not provide you with first-class air ticket, but we will guarantee you are most relaxed and comfortable in Bali after your incredible work day and night in Yokohama. Please come to a place where working is as much fun as lying on the beach and surfing. The Indonesian delegation looks forward to the pleasure of welcoming many of you in Bali next April.”

291. The delegate of Papua New Guinea made the following intervention:

“Very briefly, on behalf of our delegation, our country, and the ‘P’ of the Asia Pacific, we would like to associate ourselves to every commendable statement that has been made thus far. But we do have to also express ourselves. First and foremost, to the newly elected ED, congratulations. We know you have everything it takes to take over the leadership of this sinking ship, which now today has been set afloat. As you do, PNG too looks forward to your leadership and we will support you as you lead the ITTO forward. In particular, in the light of your vast experience and taking into account your experience in management and of various things in international fora, in particular UNFCCC for us, which plays an important role in mitigating effects of climate change. PNG hopes that these experiences will open new windows for cooperation with members of the Council and other international bodies and within ITTO. Secondly, we want to commend and congratulate our dear friend and partner and the bridge to the Pacific, Indonesia, particularly in the person of Dr. Putera, for your wisdom in withdrawing in such a very dignified, honourable way, putting the Organization ahead of our region. Steve, I only met you twice, but boy you are strong, boy, you are brave, boy, you are resourceful. Thank you very much for holding us together for the last three years. In Kuala Lumpur last year, I just did not know what hit us. Maybe it was the boat that was sinking, but thank you for holding it afloat and giving it to Dieterle. We have been happy to be part of this process, never mind the pain that we went through. It’s no longer painful. It’s now like icing on the cake. We go back happy and prepared to file a very positive report on this outcome as well as the way forward for this organization. Chair-lady, you are so cool. When we started off I thought you were a tiger, but I’m convinced as of today you are cool, collected, patient, and truly a deliverer. Arigato gozaimashita.”

292. The delegate of New Zealand made the following intervention:

“As Consumer Spokesperson, I take the opportunity to congratulate Gerhard Dieterle on his appointment. We thank the Chair and Vice Chair for this session, who were the rudder through these stormy seas. We thank the Officer-in-Charge and the Secretariat for their work, which has been above and beyond the call of duty. I thank the two caucuses who have worked together to achieve this outcome. As Spokesperson, I say I have enjoyed working with you all. Although there have been some tense moments, also at times we have laughed, but above all we have talked, we have shared, and I hope this can continue. I echo Malaysia’s excellent comments and I think I speak for all our caucus when I say that this is not a defeat for any one person, caucus, member or candidate. It is a success for the partnership of this organization. We

also thank all the candidates, which all brought great ideas and displayed commitment to the Organization. We look forward to working together with the producers and the partners to take this organization forward and to further the global sustainable timber trade for the benefit of all members. Thank you, all.”

293. The representative of CSAG made the following intervention:

“If I may, with the indulgence of Council, distinguished Chairs, honourable Minister, Executive Director designate, distinguished delegates, ladies and gentlemen. First and foremost, CSAG would like to thank the Government of Japan and the City of Yokohama and ITTO for hosting this event. We would also definitely like to wish congratulations to Dr. Gerhard Dieterle, the new Executive Director designate of ITTO. We had very strong candidates for the Executive Director position, over the last two sessions basically, and we hope all the candidates will continue to be supportive of the Organization by contributing their ideas, enthusiasm and motivation to continue to strengthen this august body. We urge all the members to come together in support of the new Executive Director. We look forward to working with Dr. Dieterle, his team, and Council, on various issues that CSAG members are interested in, namely, sustainable forestry; legal transparent and equitable timber trade; gender; tenure; community forest enterprise development; and other social forestry aspects, especially for indigenous peoples and local communities, including women. However, we will also like to express some disappointment with the selection process of the ED. The selection has taken three years and we feel it is very detrimental to the reputation and operations of the Organization. We continue to also urge Council to develop a proper procedure mechanism for the selection of an ED in the future, as carried out by the private sector and other organizations, as Council cannot afford to be bogged down with politics and negotiations on the leadership of the Organization each time an election has to be carried out. CSAG continues to encourage Council to be open to the acceptance of all observers from the civil society as the Organization strives to be open, transparent, and engaging with stakeholders. CSAG urges ITTO to work with the CSAG side, to continue to develop an ITTO-CSAG strategic framework for collaboration to ensure the successful implementation of the ITTO Strategic Action Plan, programmes and projects. CSAG is encouraged to note the signing of an MOU between ITTO and a CSAG member, TRAFFIC, at the sidelines of the CITES Conference of the Parties recently. This is a step that can be taken, either collectively with the CSAG, or with individual members of CSAG. We look forward to working with a new Executive Director and taking an active role with Council and the Secretariat to ensure the success of ITTO. Thank you for your continued support and substantive deliberations. Thank you.”

294. The representative of CITES made the following intervention:

“Speaking on behalf on CITES and CBD as well, we would like to deeply congratulate Dr. Gerhard Dieterle for becoming the new Executive Director of this great organization. I have to say, from the CITES front, that I have a little bit of a selfish wish that, at this meeting, this issue would be resolved and that is just because I really wanted to recover Steve back daily on the ITTO-CITES cooperation work that we do. Steve has always been a pleasure to work with and I am very proud to work with him, but I was really missing him this year a lot, since of course he was really very caught up with very important other matters that I think he did a great job, despite the fact that I am not so involved of course and I am just a simple witness. So congratulations to everybody, and I really think that you should be proud of yourselves, all of you, because we have witnessed how difficult these negotiations have been. I have been waiting for this, this is the third Council I have been waiting for this, so we were all waiting for this and being very patient. I will not make this long, I was telling my colleague from CBD that at the CITES last Conference of the Parties we suffered a little bit with the closure because we had so many closing statements that it took two hours and a half of statements to close the final plenary session, so I am not going to try to get there here. So thank you very much, and welcome, Dr. Gerhard Dieterle.”

295. The representative of the UNFF made the following intervention:

“I would like to take this opportunity to thank and congratulate Dr. Dieterle on behalf of Dr. Sobral, the Director of UNFF Secretariat. He would have loved to be here to give his congratulations, but as you know, he was not able to make it. I would also like to thank Dr. Steve Johnson for his support during the last two years, there is quite the strong cooperation between ITTO and the UNFF Secretariat. I would also like to express my gratitude to all of you, I have learned so much being here and see the spirit of cooperation and I hope you bring the same spirit to the UNFF Secretariat. Thank you so much.”

296. The Chairperson thanked everybody for the interventions and adjourned this agenda item.

PROGRESS REPORT ON THE IMPLEMENTATION OF THE ITTO BIENNIAL WORK PROGRAMME 2015–2016 (AGENDA ITEM 13)

297. The ITTO Secretariat (Dr. Gerhard Breulmann) presented a progress report on the implementation of the ITTO BWP, as contained in Document ITTC(LII)/7 Rev.1. The BWP 2015–2016, as approved in Council

Decision 2(L), included 51 activities, comprising 30 activities seeking voluntary contributions, six activities funded from core operational costs, and 15 administrative and financial activities with no direct cost implications.

298. Of the 30 activities seeking voluntary contributions, four (13.3%) had received full funding, 15 activities (50%) had received partial funding, and eleven (37%) had received no funding.
299. In total, the BWP was seeking US\$7.7 million, of which US\$3.6 million (46.4%) had been pledged, with the funding received under Strategic Priority 2 for ITTO–CITES collaboration in the amount of US\$1.73 million accounting for approximately half that amount.
300. A number of reports on the implementation of funded individual activities had been presented to the Council or the associated committees at the Fifty-first Session of the Council in Kuala Lumpur, Malaysia, including on gender (Activity 2); regional officers versus regional offices (Activity 51); and participation in the International Wildland Fire Conference (Activity 14b). In addition, Activity 10 (ITTO–CITES collaboration) and Activity 28 (ITTO Fellowship Programme) were reported separately under agenda items 10 and 18, respectively.
301. Dr. Breulmann highlighted the implementation status of the following activities:
- Publication of three editions of the *Tropical Forest Update* (TFU) in 2016 and the release of the ITTO TFU application for mobile devices.
 - The convening of the Annual Market Discussion, in collaboration with the Trade Advisory Group, at the Fifty-second Session of the Council.
 - Publication of 21 issues of the Market Information Service in 2016, with two issues suspended in July/August 2016.
 - The convening of the ITTO/FAO joint regional workshop on forest product statistics for the Caribbean region, Saint Augustine, Trinidad and Tobago, on 12–14 April 2016.
 - Support for the participation of TAG and the CSAG in the Fifty-second Session of the Council.
 - Participation in the CPF and the UNFF.
 - Enhanced cooperation between ITTO and the World Customs Organization (implemented by TRAFFIC).
302. In summary, all activities that had received full or partial funding under the BWP were being implemented, but ongoing activities funded through voluntary contributions had been affected by the impairment of ITTO funds. The total amount affected was approximately US\$1.35 million. Pending the decision(s) of the Council, a number of activities were expected to go ahead (e.g. Independent Market Monitoring; cooperation between ITTO and the World Customs Organization; and other activities).
303. The delegate of the EU congratulated the Secretariat on the work that had been done and asked for clarification on whether the Council would simply take note of that work or would also consider extending the BWP for another year.
304. The Chairperson said there were various elements in the BWP, some Council-wide and others not specific to any committee. At the same time, all the technical committees had been discussing the BWP. She said it was up to members to either weigh in now with suggestions or to continue discussions in the technical committees.
305. The delegate of the EU thanked the Chairperson and said that her intention was to point out to all committees that, for the EU, it was inevitable that the BWP would continue for a year and that the EU would welcome this because, apart from anything else, it would bring the budget cycle of the BWP and the administrative budget into the same two-year leap time period, which would allow for a more coherent view of ITTO. At the same time, she was conscious that a decision would need to be taken on guidelines on what to do about the financial shortfall. She thought that, to guide the Secretariat, decisions on the guidelines and the BWP would need to indicate that work to complete ongoing projects would take priority over work to start new projects under any new work programme. In this respect, the delegate of the EU would be interested to receive the views of producer countries, individually or collectively, on the matter.
306. The Chairperson thanked the EU for the comments and also for the reminder. She said she had overlooked seeking reactions on the IAG's recommendation that the current BWP be extended for one year given the financial impairment. She opened the floor to members for reactions to the EU's question on prioritizing ongoing projects versus starting new activities.

307. The delegate of Indonesia supported the proposal of the EU to prioritize the completion of ongoing activities over the initialization of new projects, but with the condition that ongoing projects and activities needed to be checked to ensure they were still relevant.
308. The Chairperson said this was a very important point and that language could be put into the draft decision to prioritize ongoing activities, with the caveat mentioned by Indonesia.
309. The delegate of Brazil noted that Item 20 of the BWP was mostly related to the communication of ITTO activities and the promotion of its brand, and that it was his understanding that those kinds of activity should be financed not by voluntary contributions but by the regular budget, in accordance with ITTO rules. In case the BWP was to be extended, this item should be funded by ITTO's regular budget.
310. The Officer-in-Charge said that there was another outreach-related activity in the BWP, Activity 19, and that a large activity was funded from the core activities of the administrative budget to do regular outreach work. Item 20 was a new activity inserted into the BWP for the first time to try to improve ITTO's brand-name positioning and marketing. He said that, at this meeting, the CFA would be looking again at the budget for 2017, and this issue could be raised there. In summary, donors could pledge additional funds voluntarily, as laid out in the BWP, or the Council could take a decision to include the activity as part of core activities in the 2017 budget.
311. The delegate of the USA said a couple of other core activities seemed important for the Organization, including Activity 17, the ITTO Market Information Service (MIS), and Item 22, the Biennial Review and Assessment of the World Timber Situation. Both these activities had been instrumental for members as well as for stakeholders outside ITTO in terms of tracking markets in the international tropical timber trade. The USA would like to see those activities continue.
312. The delegate of Switzerland said that all activities indicated as being funded by the core activities budget of the administrative budget would continue without impact. The slight disruption in the production of the MIS and the biennial review in 2016 was because many members had been late in paying their administrative budget dues. As long as members paid their administrative budget dues, the core activities would continue.

PROGRESS REPORT ON THE IMPLEMENTATION OF THE ITTO THEMATIC PROGRAMMES (AGENDA ITEM 14)

313. The ITTO Secretariat (Dr. Gerhard Breulmann) presented a progress report on the implementation of the ITTO Thematic Programmes, as contained in Document ITTC(LII)/8.
314. Under the Thematic Programmes, a total of 79 projects had been approved for funding, comprising 29 projects under TFLET, 31 under REDDES, five under CFME and 14 under TMT. The Thematic Programme on IDE had received no pledges, so there were no projects under that programme.
315. Of the 79 projects approved, 51 had been completed, including seven projects in 2016. Twenty-two projects were ongoing, two projects were pending agreement or had not received the first funding instalment, and four approved projects had become sunset, comprising three from Thailand and one from Gabon.
316. All ongoing projects that had not received their final instalments, and projects pending agreement or which had not received their first instalments, had been affected by the impairment and were on hold. In addition and depending on decisions taken at this session, the unspent funds that would normally have been available for Thematic Programme projects might be affected by the impairment, including US\$508,000 under TFLET, US\$191,000 under REDDES, and US\$141,000 under CFME.
317. Dr. Breulmann highlighted the achievements of the following projects and their contributions to the achievement of the objectives of the respective thematic programmes:
- TFL-PD 003/09 Rev.2 (M): "Improving governance and transparency of timber harvests and trade in Cameroon" (Cameroon);
 - TFL-PD 024/10 Rev.3 (M): "Improvement of forest law enforcement at the national level to promote forest governance in Guatemala" (Guatemala);
 - RED-PD 037/11 Rev.2 (F): "Reducing forest degradation and emissions through sustainable management (SFM) in peninsular Malaysia" (Malaysia);

- RED-PD 038/11 Rev.3 (F): “Capacity building for REDD+ activities in the context of sustainable forest management” (Myanmar);
- RED-PD 045/11 Rev.2 (M): “Environmental assessment and economic valuation of ecosystem services provided by coastal forests (mangrove forests, flood forests, rain forests and scrub forests on dunes) and their agricultural replacement systems on the central coastal plain of Veracruz, Mexico” (Mexico);
- TMT-SPD 020/15 (M): “Support for ANAFOR for optimum operation of the database management of *Pericopsis elata* (assamela) in Cameroon” (Cameroon);
- TMT-SPD 023/15 Rev.1 (M): “Supporting SMEs and importers of tropical timber for better understanding of CITES and the need to comply with CITES rules in China” (China);
- TMT-SPD 012/12 Rev.1 (M): “Improving intra-African trade and market transparency in timber and timber products” (Ghana);
- TMT-SPD 022/15 Rev.2 (M): “Establishment of a fully documented reference sample collection and identification system for all CITES-listed *Dalbergia* species and a feasibility study for *Diospyros* and look-alike species” (Guatemala, Madagascar and Switzerland); and
- TMT-SPD 014/13 Rev.1 (M): “Enhancing the sustainable management and commercial utilization of the CITES-listed species *Cedrela odorata* (red cedar) in Guyana” (Guyana).

318. Dr. Breulmann said that the projects affected by the impairment of funds comprised six projects under TFLET, two under REDDES and five under TMT. The five projects under TMT were expected to be fully funded and completed once the final payment under the contract with the European Commission for Phase II of the ITTO–CITES Programme had been received. The total amount of thematic programme funds affected by the impairment was US\$1.74 million, minus any funding received for the five projects under the TMT Thematic Programme.

319. The Officer-in-Charge informed the Council that confirmation had been received from the European Commission that the final payment under the contract would be made when the final report had been submitted. Consequently, it could be confirmed that the five projects under the TMT would be completed.

DEVELOPMENTS IN THE UNFCCC REGARDING FORESTS AND THEIR POTENTIAL IMPLICATIONS FOR TROPICAL FORESTS AND THE WORLD TROPICAL TIMBER ECONOMY – DECISIONS 2(XXXIX) AND 1(XLI) (AGENDA ITEM 15)

320. The ITTO Secretariat (Dr. Hwan Ok Ma) presented a report under this agenda item, as contained in Document (LII)/9.

321. Dr. Ma said that a major focus of his presentation would be on forest-related provisions in the Paris Agreement and on an ITTO event at COP22. He said the Paris Agreement had entered into force on the previous Friday, with ratification by 87 parties to the UNFCCC. He had checked the status this morning and, as of now, ratification had increased to more than 100, and the new head of the UNFCCC had interpreted the speed at which the agreement was adopted as a powerful signal of hope.

322. Dr. Ma said the Paris Agreement had 29 articles, with Article 5 focusing on forests and land. Article 5 was composed of two paragraphs, with paragraph 1 stating that all parties should take action to conserve and enhance sinks and reservoirs of greenhouse gases, including forests. The second paragraph encouraged all parties to take action to implement and support REDD+ and a joint mitigation–adaptation approach. Although Article 5 was short, it was considered a great success for the forest sector, and REDD+ was formally recognized in the Paris Agreement as a standalone article.

323. In terms of transparency, Article 13 made provision for tracking progress, including in terms of actions and finance. This was recognized as an important part of the Paris Agreement, said Dr. Ma, and many parties had already submitted and disclosed this information to the UNFCCC. In the case of Brazil, the reduction target was to reduce GHG emissions by 37% below 2005 levels by 2025. Brazil also intended to strengthen and enforce the implementation of the forest code at the federal, state and municipal levels. In addition, by 2030, Brazil intended to have zero illegal deforestation and to have restored 12 million hectares of forests for multiple benefits.

324. A framework had been developed at COP19 in Warsaw for REDD+ results-based payments. The framework consisted of four basic elements: the establishment of national REDD+ strategies; the establishment of national forest monitoring systems; the establishment of safeguards and safeguard information systems; and the construction of reliable emission reference levels. More than 60 countries were working on the preparation of REDD+ activities based on these four elements.

325. A cornerstone of results-based payments for REDD+ were the reference data for REDD+, said Dr. Ma. So far, eleven ITTO producer countries had submitted their reference data, and six technical assessments had been completed successfully: those of Brazil, Colombia, Ecuador, Guyana, Malaysia and Mexico. For the Congo, Costa Rica, Indonesia, Peru and Viet Nam, the technical assessments of reference levels would be finished by the end of November 2016.
326. Dr. Ma said he believed that the production of reference levels was at an early stage and was proceeding through learning by doing. There would likely be an increasing need to enhance capacity to construct reliable reference data.
327. He informed Council that COP22 was starting on 17 November in Marrakesh, Morocco, and that ITTO would organize an official side-event there titled, "Enabling results-based payments for REDD+ in tropical forests: lessons from reference setting". ITTO would also have an exhibition booth at COP22.
328. Dr. Ma reported that the early entry into force of the Paris Agreement would trigger its operational provision. The Green Climate Fund had a work plan to develop the modalities for the initial operationalization of REDD+ results-based finance, which would be considered at the 15th Meeting of the Green Climate Fund Board, to be held in Samoa in December 2016.
329. The delegate of the EU welcomed the report of the ITTO Secretariat and said it was extremely important to have regular updates on this critical issue.
330. The delegate of China thanked Dr. Ma for the presentation and informed the Council that he had personally been involved in negotiating Article 5 of the Paris Agreement; setting up a specific article on forests and REDD+ highlighted the importance of forests in the climate change regime. He said forests played a very important role in China's intended nationally determined contribution (INDC). According to China's report submitted to the UNFCCC Secretariat, forests were one of the four key areas in which China intended to contribute to climate change. He believed that forestry could play a very important role in the nationally determined contributions of ITTO member countries. He said he looked forward to good cooperation between ITTO and the UNFCCC and the very positive role that ITTO could play in helping member countries in these areas.
331. The delegate of PNG thanked Dr. Ma for the update and said that PNG had been a leading proponent of REDD+ under the UNFCCC, in 2005 jointly tabling with Costa Rica an agenda item on reducing emissions from deforestation in developing countries and approaches to stimulate action. Since 2010, PNG had been implementing REDD+ readiness activities, including the development of a national forest monitoring system, a forest reference emission level, a safeguard system, and a national REDD+ strategy, as well as raising awareness among a diverse range of stakeholders, including landowners, common ministries, civil-society organizations, non-governmental organizations, and the private sector. At COP22, for the first time, PNG would be presenting two key components of its national REDD+ architecture to the international community. The first was PNG's proposed initial national forest reference level, which would be submitted to the UNFCCC Secretariat for technical assessment in early 2017. The second was an outline of PNG's national REDD+ strategy and forest degradation, and details of the scope and scale at which PNG would implement REDD+. PNG was aware that some ITTO member countries were already benefiting from REDD+ and financing for results-based actions, and it would be useful to hear from them on their experiences in planning such results-based support and payments.
332. The delegate of Indonesia said it was his understanding that this Council session coincided with the COP in Marrakesh but that he was sure that ITTO had decided the dates for this Council session much earlier than the UNFCCC. The UNFCCC was much bigger than ITTO and was therefore in a position to take such decisions with only a few months' notice. Referring to the presentation, he noted that Indonesia had submitted its REDD+ reference level, which was now under assessment regarding methodology. He informed the Council that Indonesia had launched its national registry system.
333. The delegate of Indonesia said that the Green Climate Fund was very important because the members considered it an alternative potential revenue source for the Organization. He wondered whether there had been developments in the process for ITTO to register as an implementing agency for the fund. He further said that ITTO was closely related to climate change, particularly REDD+, and Indonesia greatly appreciated that ITTO was organizing a side-event in Marrakesh and was honoured to be represented among the panellists in that event.
334. The delegate of Indonesia asked whether it was possible for ITTO to play a bigger role in the climate change process, particularly because of REDD+, and whether ITTO was in a position to provide more

input. He asked how the outputs of the side-event and other ITTO activities in the climate change process could better and more substantially contribute to the process itself to elevate the Organization's contributions, also in other international fora.

335. Dr. Ma said ITTO contributions could be enhanced in many ways, particularly regarding sharing outcomes and experiences in international fora. ITTO had a strong thematic programme on REDD+ (known as REDDES), and, early next year, it was planned to collate and summarize best practices in the field and to share these with interested parties. ITTO was also continuously promoting specific aspects such as governance, restoration and forest law enforcement.
336. Dr. Johnson added that, in regard to the Green Climate Fund, ITTO had started the process of accreditation and that was why, at the previous Council session, environmental and social safeguards, and gender guidelines, had been considered. He said ITTO was still working on these, and it may have been a good thing that ITTO had not been quite ready to proceed with accreditation, given what had transpired at ITTO in recent times. Dr. Johnson suggested that the Council consider approving the environmental and social safeguards and gender guidelines in the next year so the Organization could carry forward its application for accreditation to the Green Climate Fund. In terms of increasing inputs into the UNFCCC process and having more influence, he said ITTO could try to participate at a higher level but that the size of those meetings was a factor, and many of the plenaries were closed to observers such as ITTO. One thing that would help increase ITTO's ability to influence and be represented at such meetings was funding. The BWP contained an activity for this work but it had become depleted, even before the impairment. ITTO's side-event, therefore, was being cobbled together from various other resources. Dr. Johnson said that, should the Council agree that this was an important focus area for ITTO, such prioritization should ideally be reflected in the funding decisions made.
337. The delegate of Costa Rica reminded members that, at the COP in Montreal in 2005, PNG and Costa Rica had indicated the possibility that forests should also be part of actions in response to the challenge of global warming, because the two countries believed that action on climate change mitigation was difficult unless forests were included as a main actor. Article 5 of the Paris Agreement addressed forests and payments for output, and Article 9 addressed the need for financial flows from developed countries to protect tropical forests and to cooperate on actions to be implemented in developing countries with tropical forests. The delegate of Costa Rica said his country was convinced that ITTO had to a very important role to play in the Green Climate Fund and in strengthening producer countries with tropical forests. In this respect he said the Council could not leave the present session without a new Executive Director, which was a basic requirement for gaining access to the Green Climate Fund and its resources for tropical forests, which were so urgently needed.
338. The Chairperson thanked the delegate of Costa Rica for this reminder on the importance of the election of the new ITTO Executive Director.
339. The delegate of the USA said the continued engagement of ITTO was important for the UNFCCC and its related work under the convention. She said ITTO had a particular added value in being able to provide technical support to countries and to provide feedback based on the direct implementation of experiences. The USA believed that several approaches had already been determined and used effectively in ITTO, including the REDDES Thematic Programme. The lessons learned in the review of the TFLET and REDDES thematic programmes showed that ITTO provided the strongest value added in increasing institutional and community capacity, improving the recognition of ecosystem services and focusing on livelihoods. She encouraged ITTO to continue to engage on these aspects.
340. The delegate of the USA said the USA appreciated the interest expressed by ITTO members in increasing ITTO's inputs and participation in the UNFCCC. The CPF, she said, was an extremely important channel and mechanism by which ITTO could do this, and she encouraged continued participation in the CPF as a priority for the Secretariat and the Organization. She said there were opportunities to learn from the UNFCCC process. As noted by the Secretariat in reminding members of the discussions that had taken place on environmental and social safeguards and guidelines for gender mainstreaming, she said, those activities were being driven largely by a desire to participate in and to access climate funding and would also benefit the entire project cycle and all projects implemented by the Organization. The delegate of the USA said that her country saw this as a positive outcome of participating and engaging in climate-related activities. She said the USA would continue to support the work of the Secretariat, and she reiterated support for engagement with the CPF as a priority for the Secretariat.

**ITTO/CBD COLLABORATIVE INITIATIVE TO CONSERVE TROPICAL FORESTS – DECISION 6(XLVI)
(AGENDA ITEM 16)**

341. The Secretariat (Mr. Takeshi Goto) presented a report under this agenda item, as contained in Document (LII)/10. He informed the Council that his presentation would be followed by a statement by Ms. Catalina Santamaria of the CBD Secretariat.
342. Mr. Goto said that ITTO and the CBD Secretariat had signed a memorandum of understanding (MOU) in March 2010 to strengthen collaboration between the two organizations, in commemoration of the United Nations Decade on Biodiversity (2011–2020) and the International Year of Forests in 2011. One of the major activities under the MOU was the ITTO–CBD Collaborative Initiative for Tropical Forest Biodiversity, the objective of which was to enhance biodiversity conservation and use in tropical forests through the implementation of ITTO projects. The outputs of the initiative included enhancing local capacity for biodiversity conservation and the use of production forests; improving the conservation and management of protected areas; safeguarding tropical forest biodiversity in forest interventions, including field operations and policy development and implementation; and improving the livelihoods of local and indigenous communities. The main focus of this activity was to achieve such outcomes through sustainable forest management, which was a comprehensive concept that included biodiversity conservation. Another focus was on both production and protection forests, for example through the implementation of the ITTO biodiversity guidelines and other related guidelines.
343. Mr. Goto said the budget of this initiative had been estimated at around US\$15 million for the initial period of four years and that by now, eleven projects had been implemented and more than US\$15 million had been mobilized, so the target had been achieved. The donors, including Japan, Switzerland, the USA, Belgium, the Republic of Korea and the Japan Lumber Importers Association had contributed US\$12.5 million and the rest had been provided by project executing agencies. Mr. Goto thanked all donors for their generous contributions.
344. The MOU had been renewed in October 2014 at CBD COP12 in the Republic of Korea for the period 2015–2020. Under the MOU, ten projects were operational and one pre-project had been completed. Two projects were in Africa, five were in the Asia-Pacific and three were in Latin America and the Caribbean. Two projects were pending agreement due to the suspension of instrumental funds this year. Major components of projects included livelihood improvement, transboundary conservation, capacity development, surveys and studies, and mangrove conservation and restoration.
345. Mr. Goto said that significant progress had been made in the initiative with the implementation of eleven projects involving 22 ITTO producer countries. The achievements were highly visible and contributed to the CBD's Strategic Plan for Biodiversity 2011–2020, in particular the achievement of the Aichi biodiversity targets 5, 7, 11 and 15. Moreover, the Regional Conference on Biodiversity Conservation in Tropical Forests of the Greater Mekong Subregion had been convened in Siem Reap, Cambodia, in March 2016, with more than 100 experts from 19 organizations based in nine countries participating and sharing lessons learned from transboundary conservation projects and activities.
346. Mr. Goto noted that, in September 2016, the United Nations General Assembly had adopted the 2030 Agenda for Sustainable Development, including 17 SDGs and associated targets. SDG15 and 12 associated targets specifically addressed biodiversity and forests, and the international community, including ITTO and the CBD Secretariat, had been requested to take bold and transformative action. Mr. Goto called for continued support for this initiative, including financial contributions. He also informed the Council that the ITTO Secretariat, the CBD Secretariat and Birdlife International were planning a joint side-event at the 13th meeting of the CBD COP on 8 December 2016.
347. Ms. Santamaria from the CBD Secretariat said that the working relationship between the CBD and ITTO had been consolidated through the implementation of the ITTO–CBD Collaborative Initiative for Tropical Forest Biodiversity, which was adopted in 2010. Since then, the joint initiative had mobilized significant resources from various donors and had leveraged political interest and technical capacity to adopt an inclusive and integrated approach to biodiversity conservation and sustainable use in the planning and the implementation of projects by focusing on the common objectives of the ITTO Strategic Action Plan 2013–2018 and the implementation of the Strategic Plan for Biodiversity 2011–2020, particularly the forest-related Aichi biodiversity targets. The initiative and its projects had helped foster cross-sectoral cooperation between biodiversity and forestry experts, investing in local actions and local capital.
348. Ms. Santamaria made special reference to three flagship projects. The project on the management of the Emerald Triangle Protected Forests Complex to promote cooperation for transboundary biodiversity

conservation involving Thailand, Cambodia and Lao PDR had generated an array of outputs, including management plans that integrate research results and species and ecological processes. It had strengthened stakeholder capacity to undertake monitoring on biodiversity criteria and empowered local communities to improve their livelihoods while reducing dependence on protected area resources. Through collective efforts, a common vision had been developed for the long-term management of the Emerald Triangle Protected Forests Complex. She said that the importance of this transboundary project could not be overstated in a region where few intact forests remained to enable large endangered mammals to exist.

349. Ms. Santamaria said the second project, on the integrated management of natural resources and biodiversity in the Tacaná Volcano and its range of influence in Mexico and Guatemala, presented another stellar example of a project contributing to the improvement of livelihoods in the two countries through the conservation and sustainable use of local natural resources. This project had defined pilot areas for restoration and conservation in the Tacaná Volcano border region in a participatory manner and identified and established local production and economic initiatives, enhancing local livelihoods. It had updated technical and legal frameworks for integrated management. Moreover, local communities, municipal councils and public agencies were involved in bilateral cooperation. The importance of cross-sectoral coordination at the national level was well understood, and knowledge exchange between the two countries was occurring with regards to the implementation of several Aichi targets (5, 7, 14, 15 and 18). The third project, implemented by the Amazon Cooperation Treaty Organization, addressed the comprehensive and sustainable management of forests for environmentally responsible forest management and biodiversity conservation in the Amazon. This project was facilitating knowledge exchange and replicating experiences in sustainable forest management models in the context of conservation among the countries of the Amazon Basin. The project had received significant engagement from member countries through the nomination of national coordinators and country management teams as well as the recruitment of consultants to gather examples of best practices at the national scale and to identify regional centres of excellence for capacity building activities using the project outputs.
350. Ms. Santamaria said that the involvement of the CBD Secretariat in this initiative and the projects it supports was coherent with the CBD's wider expanded programme of work on forests. As part of the implementation of the Forest Ecosystem Restoration Initiative, which was being implemented by the CBD Secretariat and funded by the Korea Forest Service, there was a concrete opportunity to further enhance collaboration on the ground, test existing guidelines and tools, build national interinstitutional networks, and provide technical support for the development of options and means for biodiversity conservation and sustainable use in tropical forests.
351. Ms. Santamaria thanked the ITTO Secretariat for its continued collaboration and commitment to tropical biodiversity conservation and sustainable use and all donors and supporters of the initiative for their contributions.
352. The delegate of the Republic of Korea said that the Korean government highly appreciated the roles of ITTO and the CBD, as well as the financial support of donor countries and the efforts of implementation countries. With the aim of achieving the Aichi targets and implementing the Strategic Plan for Biodiversity 2011–2020, the Republic of Korea had launched the Forest Ecosystem Restoration Initiative with the CBD Secretariat in 2014. The Republic of Korea also planned to expand cooperation with the CBD and ITTO.
353. The delegate of Indonesia said that the ITTO-CBD initiative had resulted in significant achievements. She informed the Council that a regional workshop on biodiversity conservation in the Asian region was planned as part of the initiative but had been suspended for financial reasons. Progress reports on projects in the ITTO-CBD initiative would be presented to the CRF.
354. The delegate of Mexico invited donors to continue supporting this initiative and informed all members that CBD COP13 would take place in Cancun, Mexico, in December. The Strategic Plan for Biodiversity 2011-2020 and the Aichi targets were very important to Mexico, he said. Mexico had its own programme and had incorporated it into sectoral policies, emphasizing not only forest harvest and forest use but also other initiatives, such as agricultural, forest, fisheries and tourism initiatives. He invited all members to come to Cancun in December.

IMPAIRMENT OF ITTO FUNDS – DECISIONS 4(LI), 1(LI.1), 2(LI.1), 3(LI.1) AND 4(LI.1) (AGENDA ITEM 17)

355. The Chairperson introduced Agenda Item 17. Recalling the attention of members to the IAG report, she highlighted that this agenda item, as well as the Executive Director selection process, would be revisited each day of the Council, taking into consideration the progress made under each item. She explained that

the issue on the impairment of funds had many aspects, which was reflected in the breakdown of the agenda item into three sub-items: 17(a), the revision of the ITTO financial rules and procedures, audit standards and staff rules and regulations; 17(b) impacts on projects and ameliorative measures; and 17(c) legal implications.

356. Mr. Rob Busink, Chair of the Oversight Committee, provided an overview of the work of that committee in the past year and indicated that the report would be discussed extensively in the CFI. He thanked all members of the Oversight Committee for their hard work, noting that, without their dedication, the work would not have been possible. He thanked the Chairperson and the Secretariat for their support.
357. Mr. Busink said that a preliminary report had been produced in early February 2016, followed by a final report in April 2016 accompanied by a letter by the Chairperson highlighting the main conclusions based on an independent investigation. In addition, an addendum to the final report had become necessary and had been produced after it became clear in May that the second investment of approximately US\$12 million had also gone wrong and been lost and therefore that the Organization faced a total loss of US\$18.2 million. Several decisions needed to be taken without meeting, including Decision 2(LI.1) on the extension of the mandate of the Oversight Committee to enable it to provide further ongoing advice and guidance to the Secretariat. Mr. Busink requested Mr. Jorge Malleux to present the impacts on projects and ameliorative measures.
358. Mr. Malleux (Peru) said that this part of the report and the recommendations had been prepared with Mr. Luke Thompson (USA) and the Chairperson, with very efficient support from the Secretariat. It was based on numerous conversations and teleconferences and very intensive and detailed analysis.
359. Mr. Malleux said the document included guidelines to reduce the impacts of the impairment on activities and projects and that a huge effort had been made in trying to find solutions within the financial structure of the Organization to cover the deficit of US\$18.2 million. As a result of that effort and with the help of the Secretariat, it had been concluded that it was possible to cover approximately US\$14 million using resources from the Working Capital Reserve, the Bali Partnership Fund, unearmarked funds, the Thematic Programme pooled account, and other accounts. Although this would solve the problem in part, a balance of US\$4 million remained to be covered. Mr. Malleux noted that the guidelines would be examined in the CFA and the Council and that a joint effort would be needed by producers and consumers; moreover, adjustments would need to be made to the biennial programme and to projects, including those that had been financed but which had not yet been launched.
360. Mr. Malleux said it was essential to take a realistic approach. A proportionate cut would be required across ongoing and future projects if not all funds could be compensated. He emphasized that resolving the issue would entail an effort from both producers and consumers because, on the one hand, there was a need to contribute more resources and, on the other, executing agencies might have to accept reductions in their budgets.
361. Mr. Thompson commended Mr. Malleux for his summary of the draft decision for adjusting the financial shortfall. He said it was the directive of the extended mandate of the Oversight Committee to develop strategies for prioritizing projects and managing the impacts of the loss of project funds. This had been done through a thoughtful, deliberate process and at a very high level, seeking to find a fair and actionable strategy to address the financial shortfall in a practical way that preserved, to the maximum extent possible, project functions and deliverables as well as organizational activities while closing the gap between existing ITTO commitments and the available resources. This could be accomplished in several ways, as explained by Mr. Malleux, including: 1) by streamlining and finding savings through efficiencies in administration at the Secretariat level and in the implementation of the projects; 2) by consulting with donors on the potential to reinvest returned funds and/or to contribute new funding; 3) by requesting the Council to allocate limited organizational funding under its discretion to address this funding shortfall; and 4) by assessing a proportional cut across all ITTO projects and activities to close remaining funding gaps after all previously mentioned measures had been taken.
362. Mr. Thompson noted that, in this way, the impact of the loss would not be borne disproportionately by any project or activity and that it would enable ITTO to move forward from this session, having laid to rest uncertainties surrounding the status of its accounts, allowing recipient countries to understand the status and direction of their projects, and assuring donors that past investments would continue to be productive.
363. Mr. Thompson considered that this was the first step towards correcting the ITTO accounts, restoring the confidence of donors and setting the path for recovery and future growth for all members. On behalf of the Oversight Committee, he welcomed a thorough discussion of this important draft decision in the CFA. He

invited all members to approach him or any other member of the Oversight Committee throughout the week with any questions.

364. Ms. McFadden O'Neill (USA) presented an overview of the report of the Expert Panel on the Revision of the ITTO Staff Regulations and Financial Rules established under Decision 1(LI.1). She said the panel had been convened to address weaknesses in the financial rules and related staff regulations, and rules that governed ITTO that had contributed to or created the opportunity for the substantial financial losses experienced by the Organization. She said the panel had worked productively and collaboratively with the two consultants, Mr. David Brooks (USA) and Mr. Douglas Dunstan (Australia), who had been tasked with reviewing all existing rules and regulations, relevant Council decisions, and CFA reports and decisions and with proposing amendments and revisions to relevant rules and regulations, focusing, among other things, on the adherence to best practice in international accounting and auditing standards; appropriate engagement between Council and the auditors; recommendations for streamlining financial rules; development of clear rules governing investments; clarifying the nature of the special reserve fund; appropriate controls for the disbursement of funds; and revisions to relevant staff regulations and rules.
365. Ms. McFadden O'Neill said that the panel had reviewed the report of the consultants before convening on 12–14 October and that the review had been guided by the panel's mandate to review the consultants' proposals with the aim of taking corrective actions and preventative measures that would renew the confidence of members, donors and the public in the financial management of the Organization. The panel's discussions had been informed by existing best practice and international accounting, financial management and auditing standards as well as by a comparative analysis of staff regulations across a wide range of international organizations.
366. In the review of the consultants' proposals for amending staff regulations and rules, the panel had focused on those sections of the regulations that governed higher standards of ethical conduct, email use, clear definitions of gross negligence and serious misconduct, and as well as on clarifying disciplinary procedures and termination rules and adding stronger protection for whistle-blowers.
367. Ms. McFadden O'Neill reported that the panel had spent considerable time reviewing proposed changes to the financial rules, including a number of new annexes that outline explicit and detailed policies addressing investment and audit standards and the preparation of manuals describing all aspects of financial procedure. Most notably, the revisions to the financial rules focused on simplifying and streamlining accounts.
368. The panel recognized the importance of keeping the Council well informed in order to fulfil its oversight responsibility and the need for clearly articulated expectations of the independent auditors, especially the obligation to always keep members well informed about the financial health of the Organization and of any attempt by management to deviate or interfere with the operational independence of the auditor. Among the more innovative changes to the financial rules were the proposed charter for the investment oversight panel, and the investment policy.
369. Ms. McFadden O'Neill said that the panel had found that both the charter and the policy drafts prepared by the consultants were very thorough, and it had found that similar language was promoted by standard-setting organizations like the Certified Financial Analyst Association and in the regulations and rules of other international organizations, most notably the World Intellectual Property Rights Organization and the Inter-American Institute for Cooperation and Agriculture.
370. In terms of adopting an investment policy, the panel, after considerable debate, had agreed that having such a policy and an investment panel in place would serve as protection against potentially incompetent or reckless management in the future. Lastly, the panel had reviewed proposed edits to the terms of reference of the CFA and the IAG and had agreed with the consultants' proposed changes, which were intended to strengthen the IAG's role in providing oversight and governance between Council sessions.
371. Ms. McFadden O'Neill drew the attention of members to the fact that one of the consultants, Mr. David Brooks, was present at the Council session and available for consultations. She said detailed discussions on this matter would continue in the CFA.
372. The Chairperson said it was important that the work that had been done and the efforts that had been undertaken in the past few months were well understood by the outside world, and by the public. The Organization was taking concrete, constructive steps in the right direction, and the decisions the Council might take would be instrumental in getting that message out.

373. The Chairperson requested the Secretariat to report on legal implications.
374. The Officer-in-Charge reported that the main legal measure taken to date was the launching of a lawsuit against the investment advisor who had sold the products to ITTO. This focused specifically on the advisor's representation of the LM Managed Performance Fund, which was the first fund sold to ITTO and in which US\$6 million of the Organization's money had been invested. ITTO had retained a law firm in Tokyo, Chuo Sogo Law Office, which had recommended that the lawsuit be restricted to the initial investment because the second investment of US\$12 million had been made after the first investment had gone bad and therefore the involved staff members had been aware of the risks. The Officer-in-Charge informed the Council that although putting together the court case against the investment advisor had taken time, it was now ongoing and the first court dates had been set. In addition, through the Japanese courts, ITTO had put a freeze on the investment advisor's bank account, up to a maximum amount consistent with the deposit. The freeze required the payment of a deposit equivalent to US\$30,000, which would be returned to ITTO should ITTO win the court case.
375. The Officer-in-Charge said that, in early May 2016, when it had become clear that the Ardent Fund in which the previous management had invested a total of US\$12 million was going into liquidation, ITTO had consulted with a number of lawyers globally and was directed to a team of lawyers in Barbados where Ardent had originally been domiciled. On the basis that ITTO was by far the largest single investor in the Ardent Fund, ITTO had been advised that the best course of action to protect ITTO interests would be to appoint its own trustee to look after the liquidation process. When ITTO had applied to the court in Barbados, however, the liquidators of the Ardent Fund appointed by the fund managers had objected to that process. They had commenced a rival court proceeding in the Cayman Islands, where the liquidation of the Ardent Fund was being handled, and they had succeeded in receiving a court order from the Cayman Islands blocking ITTO from having its own liquidator, with the reasoning that one investor having its own liquidator over the assets of the fund might prejudice the interests of other investors. Subsequent to that ruling, ITTO had received a bill in the amount of US\$97,000 from the Ardent Fund liquidators and their lawyers for the expenses incurred in blocking ITTO from having its own trustee. To date, the Secretariat, under the leadership of the Officer-in-Charge, had refused to pay that amount, firstly objecting to the amount of the bill and secondly, under the threat of the liquidators to send lawyers to Japan to claim the funds from ITTO in Japan, by quoting ITTO's immunity from prosecution or the seizure of assets under its headquarters agreement. The draft decision contained in the Oversight Committee report included a recommendation on this issue for discussion and decision by the Council. The report included language and recommendations on the possibility of additional legal action against the investment advisor and former staff members.

ITTO FELLOWSHIP PROGRAMME – DECISION 4(XXVII) (AGENDA ITEM 18)

Progress Report on the ITTO Fellowship Programme

376. The ITTO Secretariat (Ms. Kumiko Tanaka) presented a progress report on the ITTO Fellowship Programme, referring to Document ITTC(LII)/12. Ms. Tanaka informed the Council that, due to the impairment of funds, the Fellowship Programme had been suspended, and no applications had been received in the 2016 autumn cycle. Nevertheless, all pending obligations from previous awards had been met.
377. A survey had been conducted in summer 2016, following up on a survey conducted in 2010k with the aim of examining the impacts of ITTO fellowships in enhancing human capacities with a view to promoting the sustainable management of tropical forests and the sustainable use of tropical timber and forest resources in ITTO member countries.
378. The results of the second survey confirmed the excellent quality of the Fellowship Programme and the contributions it had made to human capacity development in ITTO producer member countries. The online survey questionnaire, containing 45 questions, had been sent to 220 fellows who had received fellowships between 2010 and 2014; 155 fellows from 28 countries had responded, and the results could be summarized as follows:
- 82% of respondents reported having made a large or very large contribution to promoting reforestation and forest conservation in their home countries;
 - 88% of respondents indicated that they had been able to improve their productivity and the performance of their home institution by developing new programmes or innovative ways of working;
 - 85% of respondents held a PhD or Master's degree in forestry or a related discipline;

- more than one-third of respondents said their fellowship activities had supported the achievement of their degrees;
- more than 60% of respondents had achieved a job position or job promotion immediately after completing their fellowships;
- 73% of respondents indicated that their position or promotion had been strongly related to the new skills or knowledge they had gained from the fellowship;
- 65% of respondents had published scientific papers, books or national reports based on the results of their fellowship activity; and
- 94% of respondents indicated that they had returned home after completing their fellowship activities (6% had remained in the country in which they carried out their fellowship activities or had gone to other countries).

379. Ms. Tanaka said the responses to the survey showed clearly the excellent quality of the programme and that the benefits went far beyond the beneficiaries' individual achievements, especially in terms of knowledge-sharing. She said the programme had made a significant contribution to human resource development and the strengthening of professional expertise in producer member countries. Almost all fellows had been able to contribute to sustainable forest management in their home countries. Ms. Tanaka thanked all donors who had supported the programme over the years and the USA for its pledge of US\$60,000 announced at this session.
380. The delegate of the USA thanked the Secretariat for the update on the Fellowship Programme. She said that the USA would continue to support the programme because it was important to continue building capacity among new generations of professionals as a way of ensuring the sustainable management of forests into the future.
381. The delegate of Benin thanked all donors to the Fellowship Programme. He said that, as a former beneficiary of the programme, he could confirm that the programme was very useful and that it enabled awardees to conduct important works at a very low cost. He pleaded to donors to continue their support for the programme.

ANNUAL REPORT FOR 2015 (AGENDA ITEM 19)

382. The Secretariat (Mr. Ramon Carrillo) presented the 2015 ITTO Annual Report. The report included the following items: a message from the Officer-in-Charge; a timeline of key achievements of the Organization; the Fifty-first Session of the International Tropical Timber Council and Associated Sessions of the Committees; field results of projects completed in 2015; and field results of the thematic programmes completed in 2015. The annual report also highlighted activities conducted under the CEM, CFI and CRF; the thematic programmes; the Fellowship Programme; ITTO's involvement in international cooperation and collaboration; knowledge management; publication and outreach; financial highlights; and member states and votes.
383. The report indicated that the funding made available at the 51st session of the Council, which was US\$3.7 million, was used to fund four activities in the BWP 2015–2016 as well as a project to assist in the promotion of intra-African trade in tropical timber and timber products and the Freezailah Fellowship Fund. Mr. Carrillo concluded by reporting that, as of the end of 2015, the Organization had 72 members, of which 34 were producers and 38 were consumers; Croatia and Thailand had joined the Organization during 2015.
384. The delegate of the USA thanked the Secretariat for the presentation and said that the annual report clearly illustrated the breadth of activities, projects, fellowships and information materials produced by ITTO on tropical forests. She congratulated the editors for the quality of the photographs and the layout, which she considered rather stunning. She said the annual report was a good item to help in marketing the Organization, and it was interesting to see that ITTO was moving into new communication avenues, such as videos and the YouTube channel, becoming modern in that sense in order to reach other donors and stakeholders.
385. The delegate of Guyana joined the USA in thanking the Secretariat for the informative report, and he thanked all donors for their generous support for Guyana's projects on forest industry and CITES. He said Guyana committed to continuing to work in compliance with ITTO's general guidelines.
386. The delegate of Panama congratulated the Secretariat on its excellent report and expressed hope that the achievements mentioned in the report for 2015 would continue to be achievements in the future. He said it

was important to strengthen the Organization and to continue publishing information on sustainable forest management.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (AGENDA ITEM 20)

a) Pledges to the Special Account (Thematic Programme Sub-Account and Project Sub-Account) and the Bali Partnership Fund

387. The Chairperson invited members and observers to announce any new contributions they might wish to pledge to the Special Account and the Bali Partnership Fund.
388. The delegate of the USA said that, in a show of confidence for ITTO's technical and administrative abilities, the importance of its BWP, and global priorities such as agroforestry, gender capacity and forest landscape restoration, the USA would make the following contributions to ITTO:
- US\$20,000 to the BWP to make requested revisions to and finalize the ITTO guidelines on gender equity;
 - US\$20,000 to co-finance, with Japan, the African regional workshop on the ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests, hosted by Benin;
 - US\$10,000 for further criteria and indicators workshops;
 - US\$205,000 to the ITTO Secretariat for the ITTO–CITES Programme;
 - US\$100,000 for the Mangrove Forest Ecosystem Workshop, hosted by Indonesia;
 - US\$40,000 for CSAG and TAG stakeholder engagement;
 - US\$10,000 for ITTO involvement in the CPF;
 - US\$60,000 to the ITTO Fellowship Programme;
 - US\$4,000 to the ITTO and World Customs Organization cooperation; and
 - US\$380,000 for multiple member country projects for new ITTO project work.
389. The delegate of the USA said the USA viewed these priorities as a way of advancing the Organization through its meaningful interaction with other global forest bodies and stakeholders and the on-the-ground testing of guidelines.
390. The delegate of the Republic of Korea informed the Council that the Korea Forest Service had signed a corporate MOU with the ITTO Secretariat to enhance cooperation between the two entities in the sustainable management and conservation of tropical forests. To strengthen cooperation, the Korea Forest Service would second a senior officer to the ITTO Secretariat for a period of about three years. The Republic of Korea believed that the MOU reflected the importance the country assigned not only to the sustainable management of tropical forests and trade of tropical timber but also to the role of ITTO in this area. The delegate of the Republic of Korea expressed that hope that the MOU would serve as a stepping-stone for ITTO in finding a new way forward despite its difficult situation.
391. The delegate of Japan said that, when the financial loss of US\$6 million had come to light at the previous Council session, Japan had refrained from making new pledges. In the course of events, however, Japan had pledged about US\$2.6 million in March 2016 for projects awaiting implementation. The pledge had become possible following the release of the preliminary report of the Oversight Committee, which had provided guidance for remedying the loss of US\$6 million. Shortly after that, however, information had been received on the loss of an additional US\$12 million, which had been truly shocking. Given this new situation, the Japanese delegation would now have to be sure that decisions on corrective and remedial measures made by this Council would be duly taken and that the necessary measures would be implemented appropriately. Only after that would Japan go through a consultation process to resume its pledges for future projects. The delegate of Japan said that such a process was expected to take some time because it would need to give confidence to the Japanese government that no problems remained in making contributions to ITTO in the eyes of taxpayers. Consequently, for the time being, Japan was not in a position to make new pledges. He added that Japan was ready to reallocate any remaining balances derived from completed projects to ongoing projects to which Japan had pledged in the past to help address the shortfall to the maximum extent possible, in accordance with a draft decision to be adopted at this session. He urged other donors to follow suit rather than seeking refunds of any remaining balances.
392. The delegate of the EU said that the EU was in a similar situation to Japan and that, until the crisis was overcome, the EU was unable to make further pledges to the Organization under the EU's aid programmes. She said the EU has done its best to work through the CITES Secretariat and FAO to keep the work with ITTO going and that it was vital to take the decision to be discussed in the CFA on the

guidelines for dealing with the financial shortfall. She welcomed the pledges made by the Republic of Korea and the USA as being exactly what the Organization needed as votes of confidence in the Organization.

b) Report of the Panel on Sub-Account B of the Bali Partnership Fund

393. Mr. Rob Busink (Netherlands), Chairperson of the CFA, presented the report of the Panel on Sub- Account B of the Bali Partnership Fund, as contained in ITTC(LII)/14. He said that, at its 22nd meeting, the panel had been informed that, as of 11 November 2016, the total funds available in the Bali Partnership Fund were approximately US\$700,000 in Sub-Account B and approximately US\$2.1 million in the un-earmarked fund. Bearing in mind the loss of investments that had been discussed during this session of the Council and the pending draft decision on guidelines for addressing ITTO's financial shortfall to be adopted at this session, the panel had decided to recommend to the Council that the entire balance in Sub-account B and the un-earmarked fund, amounting to a total of approximately US\$2.8 million, should be made available to deal with the issue of the impairment of funds.
394. The Chairperson thanked Mr. Busink and the panel for the report and, in the absence of any interventions, closed this agenda item.

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES (AGENDA ITEM 21)

395. The full reports of the Committees are contained in Annex IV

Committee on Reforestation and Forest Management

396. Dr. Mohammed Nurudeen Iddrisu (Ghana), the CRF Chairperson, presented the report of the 50th session of the CRF, as contained in Document CRF(L)/6. He said the CRF had reviewed the work of ten completed projects, all of which had contributed to the achievement of ITTO objectives in the area of reforestation and forest management by assisting ITTO member countries to strengthen their policies and help put them into practice.
397. Under the agenda item on new projects and pre-projects, Dr. Iddrisu reported that the Committee had recommended the approval of five projects and two pre-projects submitted by Benin, Ghana, Mali, Indonesia and India.
398. Regarding the ex-post evaluation of completed projects, presented at the Joint Session of the Committees, the CRF had taken note of the recommendations of the ex-post evaluation of completed projects on teak in Myanmar, which had been conducted collaboratively by ITTO and IUFRO.
399. Dr. Iddrisu informed the Council that the CRF had had productive deliberations on policy work, including the adoption of the Guidelines for Environmental and Social Risk and Impact Assessment in ITTO Projects, subject to any amendments proposed by members at this Council session. The CRF recommended the implementation of a pilot phase for the wider application of the guidelines and the amendment of the ITTO project manuals and guidelines, as appropriate. Regarding the revision of gender guidelines, the CRF recommended incorporating the comments received at the 51st session of the Council with the engagement of an international consultant. The revised draft guidelines should be made available to members for comment and adoption after the integration of members' comments.
400. Dr. Iddrisu reported that Ms. Marjukka Mähönen (Finland) had been elected CRF Chairperson for 2017 and that Mr. Dumbis Kaip (PNG) had been elected Vice-Chairperson. He congratulated Mr. Takeshi Goto, ITTO Assistant Director of the Reforestation and Forest Management, on his retirement in early 2017 after six years of outstanding and dedicated service for the Organization.

Committee on Economics, Statistics and Markets

401. Ms. Alicia Grimes (USA), CEM Chairperson, presented the Committee's report, as contained in document CEM-CFI (L)/4. The CEM had met three times jointly with CFI and had had fruitful deliberations. The Committee had noted the work carried out in four completed projects aimed at the sustainable management of African forests, the improvement of forest management practices by enhancing forest law enforcement and governance in PNG, the development of a species identification and timber-tracking system with DNA fingerprints and stable isotopes in several African countries, and the establishment of national forest statistics and an information management system in Benin.

402. In its deliberations on policy matters, the CEM had discussed market access in relation to the development of free-trade agreements and ITTO producers; received an update on the status of forest and timber certification in producing countries; reviewed the ITTO Biennial Review and Assessment of the World Timber Situation; and considered how to strengthen the participation of the private sector in the work of ITTO, with inputs from TAG.
403. Ms. Grimes reported that the Committee had decided to continue discussions on these four policy issues at its next session, including a focus on market barriers affecting small and medium-sized enterprises. The Committee had also recommended to the Council three projects listed as pending finance for immediate financing: one on African wood; one on agroforestry in the Chimbo River basin of Ecuador; and one on forest statistics in Cameroon.
404. Ms. Grimes congratulated Mr. Jorge Malleux (Peru) for his election as CEM Chairperson for 2017 and Mr. Bjorn Merkel (Sweden) for his election as CEM Vice-Chairperson.

Committee on Forest Industry

405. Ms. Akiko Nakano (Japan), CFI Chairperson, presented the CFI's report, as contained in document CEM-CFI(L)/4. The Committee had met three times jointly with CEM during the session. It had noted the work carried out in three completed projects in Brazil, Guyana and Peru aimed at supporting added value, promoting the performance of the wood-processing sector, and increasing the productivity of the timber industry. The Committee had also noted a completed project implemented by the Secretariat on the development of intra-African trade and the further processing of timber and timber products.
406. The Committee had agreed to declare completed several projects assisting member countries to undertake project identification and formulation. The Committee had also recommended that the Council consider terminating a project on reviving forestry education in Liberia, recognizing the long delay in the submission of the project's final report.
407. In its deliberations on policy work under the BWP 2015–2016, the Committee had considered an activity on the demonstration and adoption of credit schemes for small and medium-sized forest enterprises in Indonesia. The Committee had taken note of the importance of developing a knowledge base on credit schemes for small and medium-sized forest enterprises, as well as the importance of applying and scaling these up in different regions. The Committee had considered five projects pending finance for implementation.
408. Ms. Nakano congratulated Mr. Achille Orphée Lokossou (Benin) for his appointment as CFI Chairperson for 2017.

Committee on Finance and Administration

409. Mr. Rob Busink, CFA Chairperson, presented the CFA's report, as contained in document CFA(XXXI)/8, noting that it was a draft document because the Committee had only just completed its deliberations.
410. Mr. Busink reported that the work of the Committee had been productive and had included revisions of the ITTO Financial Rules and Procedures, the Audit Standards and the Staff Regulations and Rules.
411. Mr. Busink reported that the Committee had made the following recommendations to the Council:
- to adopt the Report of the Independent Public Accountants on the Accountants of the Organizations for Financial Year 2014, as contained in Document CFA(XXX)/6 Rev.1;
 - to adopt the Report of the Independent Public Accountants on the Accounts of the Organization for Financial Year 2015, as contained in Document CFA(XXXI)/6;
 - to approve the appointment of BDO Toyo & Co. Limited to audit the accounts of the Organization for financial year 2016, as an exceptional extension of the appointment, provided that the quality and scope of the audit was in compliance with the revised financial rules and that there was no increase in the bid already made to the Organization;
 - to approve the transfer of US\$350,000 from the Working Capital Reserve to increase the amount of the Special Reserve Fund to US\$1.85 million; and
 - to examine and take action to secure the needed resources to achieve the objectives of the Organization.

412. Mr. Busink congratulated Mr. Mad Zaidi Mohd. Karli (Malaysia) on his election as CFA Chair for 2017 and Mr. Luke Thompson (USA) for his election as Vice-chair.
413. The Chairperson extended special thanks to Mr. Busink for taking on an extraordinary amount of work in his Committee and for his chairing of the Oversight Committee in the past year, which had been crucial in getting the Organization to the current point.

ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON OF THE COUNCIL FOR 2017 (AGENDA ITEM 22)

414. The Consumer Spokesperson proposed the election, by acclamation, of Mr. Taby Agyarko (Ghana) as incoming Chairperson of the Council.
415. There was no nomination by the Producer Spokesperson for the Vice-Chairperson of the Council. Following the completion of the Council Session, Mr. Zhang Zhongtian was proposed as a result of consultations within the Consumer Caucus. Mr. Zhang will be formally endorsed as the 2017 Vice-Chairperson of Council at the beginning of the 53rd Council Session.
416. Mr. Taby Agyarko, Vice-Chairperson of the Council, said he was honoured to be entrusted as the Chairperson for the upcoming year, also on behalf of his country, Ghana, and that he was looking forward to working with all members in guiding the Organization during his term of office. He expressed his deep-felt gratitude to the outgoing Chairperson, Ms. Jennifer Conje, for her guidance and support. He recalled that, at the start of this session, the Council had been challenged by the financial impairment and, for the third time, by the election of a new Executive Director. Fortunately, in the true spirit of togetherness and partnership, the Council had now appointed Dr. Gerhard Dieterle. The Council had also put in place long-lasting measures to address the financial crisis and to improve accountability, transparency and the image of the Organization as a whole. The Organization, therefore, could now focus on important issues, such as ensuring the effective implementation of Council decisions and establishing measures to continually enhance the image of the Organization and restore donor confidence.
417. In closing his address, Mr. Agyarko requested that members pay tribute to one of ITTO's fallen heroes, Dr. Ricardo Umali of the Philippines, highlighting Dr. Umali's contributions to the Organization in various functions. He requested that the delegates of the Philippines convey the deepest condolences to Dr. Umali's family and to the Government of Philippines.

DATES AND VENUES FOR THE FIFTY-THIRD AND FIFTY-FOURTH SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (AGENDA ITEM 23)

418. The Chairperson reported that the Council had decided, at its 51st session in Kuala Lumpur, Malaysia, that the 53rd session of the Council would be held in Lima, Peru, in November 2017 and that the 54th session would be held in Yokohama, with the dates of that session to be announced in Lima. She invited the delegation of Peru to provide an update.
419. The delegate of Peru confirmed that Peru would host the 53rd session of the Council in Lima from 27 November to 2 December 2017 and that the people of Lima were well prepared to welcome all delegates. The Government of Peru and the highest authorities in the forest sector were committed to holding a successful Council session. He said Peru was especially known for its great diversity, which was a rich resource in terms of natural capital, and forests were a very important component of that capital. Fifty-eight percent, or 73.6 million hectares, of the Peruvian territory was forested, he said, including 69 million hectares of Amazonian tropical forest and 4 million hectares of dry forest in the coastal zone.
420. A short video of Peru was presented.
421. The Chairperson thanked Peru for the presentation and for confirming that it would host the Council session in Lima in 2017.

OTHER BUSINESS (AGENDA ITEM 24)

422. Referring to the comment made by the delegate of Indonesia at the beginning of the Council session to discuss a revision of the process for electing the Executive Director, the Chairperson gave the floor to Indonesia.

423. The delegate of Indonesia said there was not enough time to discuss this issue, but Indonesia was of the opinion that the fact it had taken three years to elect the new Executive Director had clearly shown that the Council should revisit Paragraph 14 of the ITTA. For the time being, he said, he would leave the issue with the Secretariat.
424. The delegate of Togo announced that Togo wished to put forward its candidacy to host the 55th session of the Council in 2019.
425. The delegate of Benin said that the election of the new Executive Director by consensus was a very strong signal from the Council to member governments, and he thanked the Council for entrusting Benin with chairing the CFI at the next session of the Council.

DECISIONS AND REPORT OF THE SESSION (AGENDA ITEM 25)

426. The decisions adopted by the Council are contained in Annex III. The full text of all decisions including Annexes is available on the ITTO website.
427. The Secretariat informed the Council that Decision 3(LII) and Decision 4(LII) had extensive annexes that had been negotiated until late the previous day, and that it had therefore been impossible to translate all annexes. Translations of the annexes to Decision 4(LII) would be made available on the ITTO website after the session.
428. The Chairperson introduced draft Decision 1(LII) "Projects, Pre-projects and Activities". Receiving no comments, she indicated that the Council thereby adopted the decision.
429. The Chairperson introduced draft Decision 2(LII) "Extension of the ITTO Biennial Work Programme 2015–2016". Receiving no comments, she indicated that the Council thereby adopted the decision.
430. The Chairperson introduced draft Decision 3(LI) "Amendments to the Staff Regulations and Rules (2nd Edition) of the International Tropical Timber Organization, ITTO". Receiving no comments, she indicated that the Council thereby adopted the decision.
431. The Chairperson introduced draft Decision 4(LII) "Revision of ITTO Financial Rules and Procedures". Receiving no comments, she indicated that the Council thereby adopted the decision.
432. The Chairperson introduced draft Decision 5(LII) "Further Measures Regarding the Financial Impairment". Receiving no comments, she indicated that the Council thereby adopted the decision.
433. The Chairperson introduced draft Decision 6(LII) "Guidelines for Addressing ITTO Financial Shortfall".
434. The delegate of the EU pointed out that if Council were to adopt Decision 6(LII), the annex would become incorrect if the Council then adopted Decision 9(LII), which involved a commitment of US\$100,000 from the Working Capital Reserve. Thus, the figure in the second line of the annex of Decision 6(LII) would not be US\$3,900,000, and this had been mentioned in the CFA in the morning. She proposed that the Council might wish to adopt Decision 6(LII) after adopting Decision 9(LII).
435. Following the proposal of the EU, the Chairperson changed the order of approvals and postponed adoption of Decision 6(LII) until after the adoption of Decision 9(LII).
436. The Chairperson introduced draft Decision 7(LII) "Terms of Reference of the Committee on Finance and Administration". Receiving no comments, she indicated that the Council thereby adopted the decision.
437. The Chairperson introduced draft Decision 8(LII) "Standards of Conduct for the ITTO Executive Director". Receiving no comments, she indicated that the Council thereby adopted the decision.
438. The Chairperson said that when the contact group working on the concept of rotation had presented its solution to the drafting session, it had presented two draft decisions: Decision 9(LII) to set up the Working Group to Consider Rotation, and Decision 10(LII) on the appointment of the Executive Director. The contact group had conveyed that the majority opinion of the group had been that Decision 9(LII) and Decision 10(LII) should be considered as a package and should be approved together.
439. The delegate of Peru explained that the contact group had examined the options for rotation, which it considered were linked to the election of the Executive Director, and it had examined how to embed the

decision on the issue of rotation in the decision on the appointment of the Executive Director. The two decisions were interlinked and dependent on each other. They were presented as separate decisions in recognition of the importance of the appointment of the Executive Director.

440. Receiving no further comments on Decision 9(LII) and Decision 10(LII), the Chairperson indicated that the Council thereby adopted both decisions.
441. The Chairperson re-introduced draft Decision 6(LII) "Guidelines for Addressing ITTO Financial Shortfall". Following a brief explanation by the Officer-in-Charge and receiving no further comments, the Chairperson indicated that the Council thereby adopted the decision.
442. There was a round of applause for the work done during the Council session.

CLOSING OF THE SESSION (AGENDA ITEM 26)

443. The Chairperson gave the floor to the Officer-in-Charge for a brief statement.
444. The Officer-in-Charge gave the following statement:
"It's been a heck of a year. I have to say that I was really moved by all the statements. It's traditional for all the members to thank the Secretariat, but it's something that means a lot to us. We appreciate your support. Especially we appreciate that you guys got this job done. I can't tell you how worried we, in the Secretariat that put our lives into this organization, have been. It's been a difficult time for all of the staff. For me, especially. I'm a forester, I didn't study law, I didn't study accounting, I didn't study how to fire people. I didn't sign up for this, I guess is what I'm trying to say. Having said that, somehow I managed to do it. Many generous statements came, probably too generous. I should have had my family here. Anyway, I really appreciate it. What I want to say is, whatever I did I couldn't have done without the support of all of you. Everybody in different degrees. Some of you went way beyond the call of duty. For me, that, in some times of despair, it gave kind of a bright light to know that people out there were taking time from their regular jobs to care about ITTO. I think that's really important and something strong that we have to build from. Gerhard, congratulations, way to go, you survived. Thank you. Honestly, until this morning, I had no idea what was going to happen. What I can say is that I feel a tremendous sense of relief, both for ITTO and for myself personally. I think we have a good man in the job now and I'm ready to support you 100% while we try to implement this phone book [of decisions] that we've just approved. I guess the last thing that I want to say is that you're going to have a great staff. The people that work here made me extremely proud this year, and I'm sure they'll do the same for you. Thanks very much to everybody."
445. Transcript of the closing statement of the Chairperson of Council:
"Excellencies, ladies and gentlemen. When I started thinking about what I would write in my final speech this morning, I didn't know how the outcome of the Executive Director selection process would play out. I decided to be positive and write the tone of my speech as if we had a successful outcome. I'm so happy that we were able to come to resolution because, frankly, I didn't know if I had the energy to rewrite my speech. The election of our new Executive Director is a historic moment highlighting the spirit of cooperation and goodwill between consumer and producers of tropical timber. I want to highlight and reiterate my sincere best wishes to the incoming Executive Director Dieterle as he takes the reigns at this organization. I'm sure he will find great satisfaction in the work that ITTO does as well as discover and further develop what makes this organization so uniquely special from others operating on forests.
446. Delegates, I think we have the right to feel like we accomplished much at this session in moving towards a more efficient, effective and accountable organization. At this session, ITTO has adopted revised staff rules and regulations aimed at strengthening provisions on conflict of interest, clear definitions of serious misconduct and gross negligence. We have also adopted revised financial rules and regulations, including a new investment policy, comprehensive auditing standards and procedures to ensure more robust reporting and oversight of the Organization's financial resources as well as a standard of conduct for the Executive Director.
447. It takes years in some organizations to develop what we have developed in one year. The Council also adopted a decision on how to deal with the impairment of funds so that ongoing ITTO projects and activities can recommence throughout the tropics. The sheer amount of work accomplished this year and approved by Council is nothing short of a miracle. It is a testimony to ITTO's commitment to repairing itself so that it can get back to its core work of promoting the sustainable management of tropical forests and tropical timber trade.

448. However the true test will be the implementation of these decisions and the application in practice of the revised rules and regulations into the future. I know, it will take time to regain donors' trust again and rebuild the reputation of this organization, but I hope the important decisions taken this week by Council provide concrete proof to donors and others that ITTO is serious about correcting its internal failures and is continuing working to be more effective, accountable and efficient in fulfilling its mandate.
449. ITTO cannot do it on its own. Donors' financial re-engagement is critical as well as the development of new partnerships. In particular I encourage incoming Executive Director Dieterle to explore the generous offer of TAG's assistance in their statement.
450. Vincent Van Gogh, one of the most renowned artist in history, said, "Great things are done by series of small things brought together". Each of us has played a part in the accomplishments of this year and this week. From the efforts of the Oversight Committee, the work of the expert panel on the revision of ITTO financial rules and its staff rules, individual conversations in the hallway that pave the way to compromise on a number of issues. The spirit of cooperation between the caucus spokespersons, the reports of the Secretariat on the implementation of ITTO's work programme, the thought-provoking presentations of TAG, and the late-night drafting decisions accomplished by informal contact groups and delegates.
451. Let us also not forget individuals who have quietly worked in the background providing logistical and administrative support that have kept our meetings running smoothly and our meeting rooms clean. As well as the interpreters and translators who worked tirelessly to aid in our communications with one another, some of them who have been with ITTO for years. I invite Council to express our appreciation to all those individuals with a round of applause.
452. Now if Council will please indulge me with a little more time I would like to thank some key people that have helped me throughout this year. Now, the demands placed on the role of chairperson of the Council this year were just a little more than normal, than in the past. I thank my agency, the US Forest Service, for allowing me flexibility in my time and portfolio in order to fulfil these responsibilities. I would also like to thank the members of the US delegation, all of whom in their own ways have been a great support to me this year. I would like to sincerely thank the US Department of State for all their support, in particular Luke Thompson, Cathy Karr-Colque and Stephanie McFadden, whose expertise and analysis were so vital to the work of the Oversight Committee and expert panel on the revision of rules and who were instrumental in ensuring continued US support at this Council session.
453. For every donor dealing with this situation, it was difficult. However, with Japan being the host government of ITTO, Mr. Nishiura san and team have had to deal with the significant amount of issues and pressures. Let me express a sincere admiration for Mr. Nishiura and his team. To the ITTO Secretariat staff, in particular Steve, Gerhard and Simon, I recognize the pressure, multitasking and the degree you have sacrificed your time, health and peace of mind to keep this Organization afloat during this tumultuous year. I thank you from the bottom of my heart.
454. For all its faults, as no organization is perfect, I have always believed ITTO, taking into account its small staff and humble budget compared to many other larger forest and development organizations, to be highly cost-effective and impactful, especially if you look at the number of projects implemented on the ground and technical guidelines that have been developed. This is in large part due to its dedicated staff. At one point during the year, I did not realize Steve was going to use the exact same example in his speech, but at one point during the year I remember having telephone calls almost every other day with Steve because the issues, complexities and situations were developing so fast. I remember him telling me, "How did my life become this way? I was trained to be a forester and not someone who is supposed to know professional financial accounting or what to do with these legal intricacies." Well, Steve, the simple answer is that you're a born leader, someone who improvises to face the challenge head on when it presents itself. While you may not have had the title of Executive Director, the way you have steered this Organization and its staff through its turbulent waters is admirable. The Organization was incredibly lucky to have you as Senior Officer-in-Charge during this time.
455. ITTO has always held a special place in my heart and will continue to do so in the future. My hope is that the future of this Organization is a bright one, with calmer waters guided by the knowledgeable hand of Mr. Gerhard Dieterle and the leadership of the incoming Chair Mr. Tabi Agyarko. Ladies and gentlemen, it has been a privilege and honour to serve as your Chair this past year. Thank you.
456. Following her statement, the Chairperson officially closed the 52nd Session of the International Tropical Timber Council.

ANNEX I

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**INTERNATIONAL TROPICAL
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ANNEX II

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7 – 12 November 2016
Yokohama, Japan

PROVISIONAL AGENDA

1. Opening of the Session
2. Ascertainment of the Quorum
3. Adoption of Agenda and Organization of Work
4. Report on Membership of the Council
5. Report of the Credentials Committee
6. Distribution of Votes for 2015 – 2016 Biennium
7. Admission of Observers
8. Statement by the Officer-in-Charge
9. Report of the Informal Advisory Group (IAG) – Decisions 3(XXII), 5(XXVI), 2(XLIX) and 2(LI)
10. Enhancing Cooperation between ITTO and CITES – Decisions 3(XVI), 7(XXXIV), 2(XXXVII) and 5(XLVI)
 - (a) CITES Listing Proposals by Members – Decision 3(XVI)
 - (b) Report on the Implementation of the ITTO-CITES Programme
11. Biennial Review and Assessment of the International Timber Situation in 2015 – 2016
12. Matters Related to Article 14 of the ITTA, 2006 – Decisions 3(XXV), 5(XLII), 2(XLVI), 3(XLIX) and 5(LI)
13. ITTO Biennial Work Programme
 - (a) Progress Report on the Implementation of the ITTO Biennial Work Programme 2015 – 2016
 - (b) ITTO Biennial Work Programme 2017-2018
14. Progress Report on the Implementation of the ITTO Thematic Programmes
15. Developments in the UNFCCC regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy – Decisions 2(XXXIX) and 1(XLI)
16. ITTO/CBD Collaborative Initiative to Conserve Tropical Forests – Decision 6(XLVI)
17. Impairment of ITTO Funds – Decisions 4(LI), 1(LI.1), 2(LI.1), 3(LI.1) and 4(LI.1)
 - (a) Revisions of the ITTO Financial Rules and Procedures, Audit Standards, and relevant Staff Regulations and Rules
 - (b) Impacts on Projects and Ameliorative Measures

(c) Legal Implications

18. Progress Report on the ITTO Fellowship Programme – Decision 4(XXVII)
19. Annual Report for 2015
20. Special Account and Bali Partnership Fund
 - (a) Pledges to the Special Account (Thematic Programme Sub-Account and Project Sub-Account) and the Bali Partnership Fund
 - (b) Report of the Panel on Sub-Account B of the Bali Partnership Fund (BPF)
21. Reports of the Associated Sessions of the Committees
22. Election of Chairperson and Vice-Chairperson of the Council for 2017
23. Dates and Venues of the Fifty-third and Fifty-fourth Sessions of the Council and the Associated Sessions of the Committees
24. Other Business
25. Decisions and Report of the Session
26. Closing of the Session

ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1 - Opening of the Session

The Fifty-second Session of the Council will be opened by the Chairperson of the Council.

Item 2 - Ascertainment of the Quorum

The Officer-in-Charge will report to the Council on the state of the quorum requirement for the start of the Session.

Item 3 - Adoption of Agenda and Organization of Work

[Document ITTC(LII)/1]

The Council may decide to consider and adopt its Agenda. On the schedule of meetings, the Council may consider the draft schedule distributed under Decision 5(XXII), the advice of the Informal Advisory Group (IAG) and undertake due consultations in the Chairperson's Coordinating Bureau, issuing the timetable daily and at more frequent intervals as necessary.

Item 4 - Report on Membership of the Council

[Document ITTC(LII)/13]

The Officer-in-Charge will report on the status of membership of the Council.

Item 5 - Report of the Credentials Committee

[Document ITTC(LII)/3]

The Council may consider and adopt the Report of the Credentials Committee and approve the credentials of delegations.

Item 6 - Distribution of Votes for 2015 – 2016 Biennium

[Document ITTC(LII)/1 Annex]

The distribution of votes for the 2015 – 2016 biennium, in accordance with Article 10(7) of the ITTA, 2006, as contained in the Annex of the Provisional Agenda (Document ITTC(LII)/1) was approved by the Council at its Fifty-first Session, held in Kuala Lumpur, Malaysia, 16-21 November 2015. The distribution of votes shall remain in effect for the rest of the biennium, except whenever the membership of the Organization changes or when any member has its voting rights suspended or restored, in which case the Council shall redistribute the votes within the affected category or categories.

In accordance with Article 19(4) of the ITTA, 2006, the approved distribution of votes will be used for the assessment of the contribution of each Member to the Administrative Budget for the 2016 – 2017 biennium.

Item 7 - Admission of Observers

[Document ITTC(LII)/Info.3]

The Council may decide to admit those States and Organizations which request admission to the Session as Observers. Two lists of such applicants will be submitted at the Session for consideration and decision. The first such list shall contain the names of all States and Organizations which have previously been admitted to the Council Sessions and the second those States and Organizations who are applying for admission on the first occasion at this Session.

In accordance with Decision 3(LI), operative paragraphs 2 and 3, the Executive Director has reviewed applications for compliance with respective requirements and the results of the initial review were published on the ITTO website two weeks prior to the Council Session.

The Council will consider the admission of Observers in accordance with Article 16 of the ITTA, 2006 taking into consideration the initial review.

Item 8 - Statement by the Officer-in-Charge

The Officer-in-charge will address the Council and report on activities of the Organization and other developments of relevance to the Organization.

Item 9 - Report of the Informal Advisory Group (IAG) – Decisions 3(XXII), 5(XXVI), 2(XLIX) and 2(LI)

[Document ITTC(LII)/2]

Pursuant to Decisions 3(XXII), 5(XXVI), 2(XLIX) and 2(LI), and in order to organize its work for the Session, the Council may consider the report of the Thirtieth Meeting of the Informal Advisory Group (IAG), to be convened on Sunday, 6 November 2016.

The report of the Thirtieth Meeting of the IAG will be presented to the Council by the Chairperson.

Item 10 - Enhancing Cooperation between ITTO and CITES – Decisions 3(XVI), 7(XXXIV), 2(XXXVII) and 5(XLVI)

[Document ITTC(LII)/4]

- (a) Pursuant to its Decision 3(XVI) the Council may arrange consultations on Members' proposals to list internationally traded tropical timber species in the CITES Appendices which have been reported to the Secretariat since the last Session.
- (b) The Council will receive a report on the implementation of the ITTO-CITES programme to improve country capacity to implement CITES listings of tropical timber species.

Item 11 - Biennial Review and Assessment of the International Timber Situation in 2015 – 2016

[Document ITTC(LII)/5]

The Council may wish to base its discussion on this item on the following:

- (a) Elements for the 2015 and 2016 Biennial Review and Assessment of the International Timber Situation
This is prepared by the Secretariat and comprises statistics and available data on production, imports and exports of timber products, emphasizing tropical timber products, and an analysis of economic and market developments. The Elements for the 2015 and 2016 Biennial Review will be partly based on information extracted from national responses to the ITTO/UNECE/FAO/EUROSTAT Joint Forest Sector Questionnaire and partly from other sources.
- (b) A General Introductory Statement by the Secretariat
Using various sources of information including the Elements for the 2015 and 2016 Biennial Review, the Statement will give an overview of the world timber situation, focusing on tropical timber, including recent developments and the short-term outlook based on available forecasts.

The Council may also decide after due discussions the type of statistics and information and the format of presentation members shall furnish on timber, its trade and the activities aimed at achieving sustainable management of timber producing forests as stipulated in Article 27(3) of the ITTA, 2006.

Item 12 - Matters Related to Article 14 of the ITTA, 2006 – Decision 5(LI)

[Document ITTC(LII)/6]

Pursuant to Decision 5(LI), the Council will receive the report of the Panel established to examine the applications for the position of Executive Director.

In accordance with Decision 5(LI), operative paragraph 4, all short-listed candidates have been invited to the Fifty-second Session of the Council to make a presentation and will be available for informal consultations with Council members;

The Council will discuss the indicative shortlist of candidates prepared by the panel and proceed to select the next Executive Director, if not by consensus, by Special vote in accordance with Articles 12 and 14 of the ITTA, 2006.

Item 13 - ITTO Biennial Work Programme – Decision 9(XXXIV)
[Documents ITTC(LII)/7]

- (a) The Council will receive the progress report on the implementation of the ITTO Biennial Work Programme for 2015 – 2016 as contained in Document ITTC(LII)/7
- (b) Taking note of ITTO's financial impairments and in accordance with the recommendation by the IAG, the Council may wish to discuss and consider the implications of extending the 2015-16 BWP for another year (including making proposals on which on-going BWP activities may be prioritized for possible support from Council) and make proposals for activities to be included in a draft ITTO Biennial Work Programme for 2018-2019, to be considered and adopted by Council at its Fifty-third Session in 2017.

Item 14 - Progress Report on the Implementation of the ITTO Thematic Programmes
[Document ITTC(LII)/8]

The Council will receive the progress report on the status of implementation of the ITTO Thematic Programmes as contained in Document ITTC(LII)/8.

Item 15 - Developments in the UNFCCC Regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy – Decisions 2(XXXIX), 1(XLI) and 2(XLIII)
[Document ITTC(LII)/9]

Pursuant to its Decisions 2(XXXIX), 1(XLI), and 2(XLIII), the Council will be updated on developments in the UNFCCC regarding forests.

Item 16 - ITTO/CBD Collaborative Initiative to Conserve Tropical Forests– Decision 6(XLVI)
[Document ITTC(LII)/10]

Pursuant to its Decision 6(XLVI), the Council will be updated on developments in the ITTO/CBD Collaborative Initiative to conserve tropical forests.

Item 17 - Impairment of ITTO Funds – Decisions 4(LI), 1(LI.1), 2(LI.1), 3(LI.1) and 4(LI.1)
[Documents ITTC(LII)/11(a) and ITTC(LII)/11(b)]

- (a) Revisions of the ITTO Financial Rules and Procedures, Audit Standards, and relevant Staff Regulations and Rules
- (b) Impacts on Projects and Ameliorative Measures
- (c) Legal Implications

Due to the importance of these topics, this item has also been included in the Council Agenda. Further substantive discussions on this agenda item and its sub-headings will be held in the CFA and/or breakout working groups as designated by the Chairperson of the Council.

Item 18 - Progress Report on the ITTO Fellowship Programme – Decision 4(XXVII)
[Document ITTC(LII)/12]

The Council may consider the progress report prepared by the Secretariat on the implementation of the ITTO Fellowship Programme, as called for in Decision 4(XXVII).

Item 19 - Draft Annual Report for 2015

The Secretariat will present to the Council the draft Annual Report for 2015.

Item 20 - Special Account and Bali Partnership Fund
[Document ITTC(LII)/13]

- (a) Pledges to the Special Account and the Bali Partnership Fund.
The Chairperson may invite Members and Observers to announce any new contributions they may wish to pledge to the Special Account and the Bali Partnership Fund.
- (b) Report of the Panel on Sub-Account B of the Bali Partnership Fund.
The Council will have before it the report of the Panel on Sub-Account B of the Bali Partnership Fund established under Decision 4(XXX) to consider actions/activities, pre-projects and projects that are eligible for funding under Sub-Account B. The Council may consider and adopt the recommendations contained in the report [Document ITTC(LII)/13].

Item 21 - Reports of the Associated Sessions of the Committees

The Council will have before it the Reports of the Associated Sessions of the Committees presented by the respective Chairpersons. The Council may consider and adopt the recommendations contained in each of the Reports.

Item 22 - Election of Chairperson and Vice-Chairperson of the Council for 2017

The Council may decide after due consultations, to elect a Chairperson and Vice-Chairperson for 2017. Under Article 8 of the ITTA, 2006, the Council is required to elect a Chairperson and Vice-Chairperson for each calendar year. Under Article 8, paragraph 2, the Chairperson and the Vice-Chairperson, one from among the representatives of producer countries, and the other from among the representatives of the consumer countries, are required to alternate each year between the two categories of Members, provided, however, that this shall not prohibit the re-election to either or both under exceptional circumstances by Special Vote of the Council.

Item 23 - Dates and Venues of the Fifty-third and Fifty-fourth Sessions of the Council and the Associated Sessions of the Committees

In order to maintain the established practice of setting Session dates and venues eighteen months or more in advance to facilitate logistical arrangements, the Council may wish to set the dates and venues of its Fifty-third and Fifty-fourth Sessions.

At its Fifty-first Session convened in Kuala Lumpur, Malaysia, the Council received an invitation from the Government of Peru to host the Fifty-third Session in Peru. The Council may wish to confirm the dates and venue of the Fifty-third Session and set the dates and venue for its Fifty-fourth Session to be convened in 2018.

Item 24 - Other Business

The Council may consider any matters brought under this item.

Item 25 - Decisions and Report of the Session

The Council shall consider the proposed Decision(s) and adopt it/them accordingly. In accordance with Rule 33 of the Rules of Procedure, a report on the proceedings shall be prepared by the Executive Director and shall be circulated to all Members as soon as possible.

Through Decision 7(XXXIII) the Council adopted the following procedures for its decision making:

- (a) The Council will give guidance to the Executive Director through the Council Chairperson on routine or non-controversial matters not having financial implications. This guidance will be included in the Report of the Session, not reflected as decisions of the Council.
- (b) In order for draft decisions by Members to be considered by the Council, the following procedures will be adopted:
 - In relation to the Provisional Agenda, Members submit proposals for Council decisions to the Executive Director for circulation to all Members not less than two weeks prior to the Council Session. Each proposal contains three elements: the subject, the purpose of the decision, and the proposed action, including any financial implications. The Executive Director will not circulate incomplete proposals.

- Minus Day 1: The IAG considers the proposals for Council decisions from Members, as well as proposals from the Executive Director.
- Council Day 1: The Chairperson presents the proposals to Council as part of the IAG report.
- Day 2: The proposals for draft decisions are discussed in Caucuses and via informal consultations.
- Day 3: The Council decides the topics it will consider for decision; then the Chairperson, assisted by a small group and the Executive Director, develops preliminary draft decisions for circulation to and consideration by all Members.
- Day 4: The Chairperson's Open-Ended Drafting Group convenes to discuss and finalise draft decisions.
- Noon, Penultimate Day: Final decisions are submitted for translation. Decisions still under negotiation are deferred to the next Council Session.

The Council may wish to review the above procedures.

Item 26 - Closing of the Session

Following any final statements by Delegates, the Chairperson will close the Fifty-second Session of the Council.

Annex

DISTRIBUTION OF VOTES FOR 2015-2016 BIENNIEUM

PRODUCER MEMBERS

	<u>2014</u> <u>No. of Votes</u>	2015/2016 Biennium <u>No. of Votes</u>
Africa		
Benin	23	21
Cameroon	24	22
Central African Republic	23	21
Congo	24	22
Côte d'Ivoire	24	21
Democratic Republic of the Congo	24	22
Gabon	24	22
Ghana	24	21
Liberia	23	21
Madagascar	-	21
Mali	23	21
Mozambique	24	22
Togo	23	21
Asia & Pacific		
Cambodia	19	18
Fiji	16	14
India	30	28
Indonesia	80	94
Malaysia	123	97
Myanmar	50	54
Papua New Guinea	39	39
Philippines	16	16
Thailand	-	30
Vietnam	18	16
Latin America/Caribbean		
Brazil	138	130
Colombia	25	24
Costa Rica	12	12
Ecuador	18	18
Guatemala	12	12
Guyana	16	16
Honduras	12	12
México	25	25
Panamá	12	13
Peru	30	28
Suriname	15	15
Trinidad and Tobago	11	11
TOTAL:	1,000	1,000

<u>CONSUMER MEMBERS</u>	<u>2014 No. of Votes</u>	<u>2015/2016 Biennium No. of Votes</u>
Albania	10	10
Australia	16	16
China	253	265
European Union	395	382
Austria	11	10
Belgium	15	15
Bulgaria	11	10
Croatia		10
Cyprus	10	10
Czech Republic	12	11
Denmark	12	11
Estonia	10	10
Finland	10	10
France	32	33
Germany	19	19
Greece	11	11
Hungary	10	10
Ireland	14	13
Italy	28	22
Latvia	10	10
Lithuania	10	10
Luxembourg	10	10
Malta	11	10
Netherlands	32	30
Poland	11	11
Portugal	15	13
Romania	10	10
Slovakia	11	10
Slovenia	10	10
Spain	23	15
Sweden	11	11
United Kingdom	26	27
Japan	157	164
New Zealand	11	11
Norway	10	10
Republic of Korea	66	58
Switzerland	12	11
United States of America	70	73
TOTAL:	1,000	1,000

ANNEX III

TEXT OF THE DECISIONS

ADOPTED BY THE COUNCIL AT ITS FIFTY-SECOND SESSION

[The full text of all decisions including annexes is available on the ITTO website]

DOCUMENT: ITTC(LII)/16
DOCUMENT: ITTC(LII)/17
DOCUMENT: ITTC(LII)/18
DOCUMENT: ITTC(LII)/19
DOCUMENT: ITTC(LII)/20
DOCUMENT: ITTC(LII)/21
DOCUMENT: ITTC(LII)/22
DOCUMENT: ITTC(LII)/23
DOCUMENT: ITTC(LII)/24
DOCUMENT: ITTC(LII)/17



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7 – 12 November 2016
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DECISION 1(LII)

PROJECTS, PRE-PROJECTS AND ACTIVITIES

The International Tropical Timber Council,

Having considered at its Fifty-second Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(L)/4 and CRF(L)/6; and the report of the Twenty-second Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTTC(LII)/14;

Noting that the time-bound electronic no objection procedures to accept Expert Panel Ratings for Projects and Pre-Projects and requests for their funding were conducted during the project cycle for Spring 2016;

1. Decides to:

- (i) Endorse the approval obtained through the time-bound electronic no objection procedure for the following Projects and Pre-Projects for Spring project cycle of 2016:

PPD 184/15 Rev.2 (F)	Development of Payment for Environmental Services Scheme for Local Community Groups and Private Developer Forest Plantations in Degraded Lands, Ghana (Ghana) ITTO Budget \$76,440.00
PPD 185/16 Rev.1 (F)	Saving Timber Yielding Rare Endemic and Threatened Species of Western Ghats, India by Promoting Agro-forestry and Reforestation of Degraded Lands (India) ITTO Budget \$51,700.00
PD 751/14 Rev.2 (M)	Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area (Ecuador) ITTO Budget \$166,914.00
PD 761/14 Rev.2 (I, M)	Promoting Partnership between Farmer Group and Forest Industry (Indonesia) ITTO Budget \$508,693.00
PD 776/15 Rev.2 (F)	Enhancement of the Wildland Fire Prevention and Control System for the Sustainable Management of ONAB's Plantations (Benin) ITTO Budget \$397,936.00
PD 780/15 Rev.3 (F)	Sustainable Indigenous Mixed Species Reforestation, Plus Climate-Resilient Women Livelihoods in Six Rural Communities in Ghana's Akwapim and Upper Krobo Districts (Ghana) ITTO Budget \$403,570.00

PD 788/15 Rev.2 (I)	Achieving Sustainable Forest Management through Enhanced Competitiveness of Small & Medium Wood Industries (SMWIs) in Ciamis District of West Java Province, Indonesia (Indonesia) ITTO Budget \$569,710.00
PD 796/15 Rev.2 (M)	Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon (Cameroon) ITTO Budget \$567,627.00
PD 802/15 Rev.2 (F)	Building the Capacity of Local Village Communities for the Restoration, Management and Governance of the Founou and Wani Forest Reserves in the Macina District, Segou Region, Mali (Mali) ITTO Budget \$486,586.00
PD 822/16 Rev.1 (F)	Production, Conservation and Sustainable Management of Forest Seeds in Benin (Benin) ITTO Budget \$574,448.00
PD 824/16 Rev.1 (F)	Promoting Sustainable Development and Utilization of Kemenyan (<i>Styrax</i> spp.) Resource Involving Local Stakeholders in Toba Region of North Sumatra Province, Indonesia (Indonesia) ITTO Budget \$564,894.00

- (ii) Authorize the financing for immediate implementation of the Projects, Pre-Projects and Activities as listed in the Annex to this Decision; and
 - (iii) Authorize the financing for immediate implementation of all the other approved Projects, Pre-Projects and Activities as soon as earmarked funds are available in the Special Account or in the Bali Partnership Fund Account.
2. Urges Members to consider financing those approved Projects, Pre-projects and Activities for which funds are not immediately available,
3. Appeals to Members to make unearmarked contributions to the Thematic Programmes Account and the Special Account,
4. Further appeals to Members to also make voluntary contributions to the Bali Partnership Fund, particularly to the Sub-Account B of this Fund to finance Projects, Pre-projects and Activities to assist Members in achieving the Year 2000 Objective of ITTO, and
5. Requests the Executive Director to continue consultations with potential donors in order to secure financing for those Projects, Pre-projects and Activities for which funds are not immediately available.

ANNEX

Financing during 2016 for Projects, Pre-Projects and Activities

(i) Approved during the 2016 project cycle:	
PD 751/14 Rev.2 (M) (Note 1) Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area (Ecuador) – partial funding – Consultations with proponents are to be held on reformulation of budget in accordance with provisions under Decision 5(XLIX)	\$130,000.00
(ii) Approved in the earlier project cycles or through Council Decisions:	
PD 764/14 Rev.2 (F) (Note 2) Enabling Customary Landowners to Participate Effectively in Community Forest Management Schemes Within 6 Pilot Areas of PNG (Papua New Guinea)	\$663,829.00
PD 754/14 Rev.3 (F) (Note 2) Rehabilitation and Sustainable Management of Sacred Forests on Ramsar Sites 1017 and 1018 in Benin (Benin)	\$541,031.00
PD 732/14 Rev.2 (M) (Note 2) Improve Forest Governance in Mozambique (Mozambique)	\$321,138.00
PD 770/15 Rev.1 (I) (Note 2) Promotion and Sustainable Management of Lesser-Used Timber Species (LUTS) in the Moist Forests of the Departments of Atlantida, Colon and Northern Olancho in Honduras (Honduras)	\$196,224.00
PD 721/13 Rev.3 (F) (Note 2) Building a Participatory and Inclusive Sustainable Forest Management Process for the Reduction of Deforestation and Forest Degradation in the Ixil Forest Areas of the Municipality of Nebaj, Quiché, Guatemala (Guatemala)	\$440,873.00
PD 737/14 Rev.2 (I) (Note 2) Developing Supply Capacity of Wood-based Biomass Energy through Improved Enabling Conditions and Efficient Utilization of Degraded Forest Lands Involving Local Communities in North Sumatra Province of Indonesia (Indonesia)	\$589,863.00
PD 741/14 Rev.3 (F) (Note 2) Capacity Building for Sustainable Management of Tropical Dry Forests on the North Coast of Peru (Peru)	\$437,478.00
PD 777/15 Rev.2 (F) (Note 2) Accelerating the Restoration of Cibodas Biosphere Reserve (CBR) Functions through Proper Management of Landscapes Involving Local Stakeholders (Indonesia)	\$564,491.00
PD 765/14 Rev.2 (F) (Note 1) Development of a Forest Landscape Restoration Program for Guatemala Based on ITTO Guidelines (Guatemala) – partial funding of pending balance – Consultations with proponents are to be held on reformulation of budget in accordance with provisions under Decision 5(XLIX)	\$150,000.00

PD 723/13 Rev.2 (F) Phase I (Note 1) Capacity Building for Strengthening Transboundary Biodiversity Conservation of the Taninthayi Range in Myanmar – Phase I & II (Myanmar) – partial funding of pending balance – Consultations with proponents are to be held on reformulation of budget in accordance with provisions under Decision 5(XLIX))	\$100,000.00
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(iii) Activities approved in the Biennial Work Programme for the Years 2015-2016 (see
Decision 2(L) for the full title of the Activities):

PP-A/50-297 ITTO Guidelines on Gender Equity (Note 1) (ITTO Biennial Work Programme 2015-2016 Activity: 2)	\$20,000.00
PP-A/52-315 ITTO Voluntary Guidelines Workshop (Notes 1 and 2) (ITTO Biennial Work Programme 2015-2016 Activity: 4 (b))	\$59,031.71
PP-A/48-274 International C&I Meetings (Note 1) (ITTO Biennial Work Programme 2015-2016 Activity: 6 (b))	\$10,000.00
PP-A/39-162A ITTO CITES Programme (Note 1) (ITTO Biennial Work Programme 2015-2016 Activity: 8)	\$205,000.00
PP-A/52-316 Mangrove Ecosystems (Notes 1 and 2) (ITTO Biennial Work Programme 2015-2016 Activity: 10)	\$200,000.00
PP-A/52-318 Outreach at International Events (Note 1) (ITTO Biennial Work Programme 2015-2016 Activity: 19 (b))	\$15,000.00
PP-A/50-304 CSAG and TAG (Note 1) (ITTO Biennial Work Programme 2015-2016 Activity: 26)	\$40,000.00
PP-A/50-305 Involvement in CPF (Note 1) (ITTO Biennial Work Programme 2015-2016 Activity: 27)	\$10,000.00
ITTO Fellowship Programme (Notes 1 and 2) Additional funding for Year 2016/2017 (ITTO Biennial Work Programme 2015-2016 Activity: 28)	\$264,426.79
PP-A/50-308 ITTO and WCO (Note 1) (ITTO Biennial Work Programme 2015-2016 Activity: 33)	\$4,000.00

(iv) Other Activity:

PP-A/52-317 Study on Timber Legality Legislations (Note 2)	\$20,437.98
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Note 1: Pledges received during the Fifty-second Session of the Council

Note 2: Inter-sessional pledges received during the year 2016.



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DECISION 2 (LII)

EXTENSION OF THE ITTO BIENNIAL WORK PROGRAMME 2015-2016

The International Tropical Timber Council,

Appreciating the work of the Secretariat in implementing the Biennial Work Programme for the years 2015-2016;

Taking note of ITTO's financial impairments, leading to the suspension of a significant number of activities under the BWP 2015-2016;

Bearing in mind the need to give priority to overcoming the financial shortfall and completing ongoing projects and activities;

Also taking note of the recommendation of the Informal Advisory Group to extend the BWP 2015-2016;

Decides to:

1. Extend the Biennial Work Programme for 2015-2016, as contained in the Annex to this Decision, for a period of one year;
2. Urge all members to pay their assessed contributions in a timely manner and consider making additional resources available, be it through voluntary contributions or in kind resources to implement the Biennial Work Programme 2015-2016
3. Request the Executive Director to seek additional funding sources to finance the continued implementation of the BWP ;
4. Request the Executive Director to report on the progress in implementing the Biennial Work Programme to the Council during its Fifty-third session.



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DECISION 3(LII)

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

The International Tropical Timber Council,

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

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

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

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

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

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

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

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

Decides to:

1. Approve the amendments to the Staff Regulations and Rules of the ITTO (Second Edition), as contained in the annex to this Decision;
2. Approve the implementation of the revised Staff Regulations and Rules of the ITTO (Third Edition) with immediate effect from 14 November 2016 ; and
3. Resume consideration of the Staff Regulations and Rules of the ITTO (Third Edition) at its Fifty-third Session to take account of the outcome of related work in the United Nations.

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**INTERNATIONAL TROPICAL
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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.

* * *



FIFTY-SECOND SESSION

7-12 November 2016

Yokohama, Japan

DECISION 5(LII)

FURTHER MEASURES REGARDING THE FINANCIAL IMPAIRMENT

The International Tropical Timber Council,

Recalling Decision 4(LI) and Decision 4(LI.1) dealing with the loss of 18.2 million dollars of ITTO funds;

Noting the findings of the independent investigation;

Acknowledging the recommendation of the Oversight Committee that Council consider further legal action against any of the involved parties, in particular civil claims against former ITTO employees, i.e. the ED and the staff;

Noting the summary dismissal, as per the terms and procedures of the ITTO Staff Regulations and Rules, of two former ITTO staff involved in the loss of funds;

Also noting with appreciation the letter of apology addressed to Council from the former Executive Director;

Bearing in mind the need to respect ongoing legal proceedings;

Decides to:

1. Request the Executive Director, without prejudice to any legal recourse that ITTO may have, to invite the former employees, without any declaration of liability, to contribute to meeting the financial shortfall, including by returning to the Organization its contributions plus interest to their Provident Funds;
2. Request the Executive Director, if so professionally advised in legal proceedings, to maintain the ability of ITTO to pursue further legal action by initiating a third party notice to the former ITTO employees; and
3. Request the Executive Director to provide regular updates on the implementation of this Decision to the Chair and Vice-Chair of the Council.

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DECISION 6(LII)

GUIDELINES FOR ADDRESSING ITTO FINANCIAL SHORTFALL

The International Tropical Timber Council,

Welcoming the ongoing work of the Oversight Committee pursuant to decisions 4(LI) and 2(LI.1) in providing advice to the Chair, Secretariat, and IAG to address financial losses, including issuance of this decision;

Recalling the loss of \$18.2 million in ITTO funding due to the failure of investments as described in the Oversight Committee Report and Addendum delivered pursuant to decision 4(LI);

Noting that as a result of the financial losses the ITTO Special Account and the Bali Partnership Fund no longer contain sufficient funds to fulfill outstanding ITTO commitments to on-going technical projects and activities of the organization (\$14.2 million), and donor refunds due from completed projects (\$3.8 million) (see Annex);

Acknowledging the need for a fair and transparent process to allocate limited resources to outstanding commitments;

Also acknowledging that this Decision addresses ITTO commitments of US\$14.2 million to ongoing projects and activities and does not address refunds of US\$3.8 million owed to donors from the remaining balances of completed projects that were impacted;

Recognizing that the financial losses have impacts on all of the ITTO membership and that any solution needs to provide sufficient flexibility to enable the Executive Director and the ITTO Secretariat to effectively address the financial shortfall;

Further recognizing that the recent audit of ITTO accounts and associated work by the Secretariat allowed the closure of several past projects and identification of extra reserves in other accounts, providing the possibility of drawing upon the reserves in other ITTO accounts as described in the report of the extended Oversight Committee under the provisions of Decision 2(LI.1);

Welcoming the efforts that the Secretariat has already undertaken to minimize administrative and project costs, and the need for its continuous efforts to achieve even further savings through efficiencies in project management and administration as far as possible;

Acknowledging that even with all reserves from other accounts that may be applied to the funding gap, ITTO will still have a shortfall in meeting outstanding commitments and that cost saving measures, closure of some projects, and prioritization of activities will need to occur;

Seeking partnership, solidarity and understanding from both producer and consumer members in the face of likely budget limitations and the need to write off relevant approved project expenses as per the terms of this Decision;

Reiterating the desire to immediately resume the operation of as many projects/activities as possible without significant impacts on their expected results/outputs;

Decides to:

1. Request the Executive Director to apply the following guidelines to projects and activities pledged before ITTC51, in a fair and transparent manner, in addressing the financial shortfall:
 - Minimize administrative and project costs as far as possible to achieve further savings through efficiencies in project management and administration;
 - Ensure that project expenses already legitimately incurred by implementing agencies and/or treated as liabilities in ITTO's accounts, including ITTO's contractual obligations to donors (including those set out in the final two parts of Table 4.2 in the report of the Oversight Committee), are met as expeditiously as possible;
 - Consult with donors;
 - Consult with executing agencies, country contact points, project managers and regional officers on the recommencement of impacted projects/activities, making all savings possible in the budgets of these projects;
 - Take into account the desirability of balancing impacts between geographic regions and diversity of project activities
 - Consider recommending projects for termination that have not started for at least two years following funding, provided that the donor(s) to the projects thus terminated must approve of any use of funds thus derived from termination; and
 - Close, scale back, or postpone selected activities of the Biennial Work Programme 2015-2016, except activities for which contracts have been signed governing their implementation, which do not have sufficient funds for their completion, or which are not considered to be a priority for 2017 under the extension of the 2015-2016 BWP (adopted in Decision 2(LII)) and provided the donor(s) to the activities must approve of any use of funds thus derived;
2. Request donors with unallocated funds in ITTO's accounts to use these funds in so far as possible to help to address the funding shortfall and welcome the efforts of donors who have already done so;
3. Urge all members to consider contributing additional resources to address the financial shortfall, be it through voluntary contributions, in kind resources to projects and activities, or other means;
4. Authorize the Executive Director to utilize the following amounts to be applied to assist in meeting the shortfall of funds:
 - Up to a maximum of \$5.24 million from the following reserves of the Special Account and Bali Partnership Fund:
 - o Unearmarked Funds and Bali Partnership Fund Sub-Account B (up to \$2.80 million)
 - o Thematic Programme Pooled Account (up to \$0.84 million)
 - o Programme Support fund (up to \$0.8 million)
 - o Ex-post Pooled fund (up to \$0.8 million)
 - As an extraordinary measure and to indicate the shared commitment of members to addressing this problem, up to a maximum of \$5.66 million from the reserves of the Administrative Account:
 - o Reserve provided by Administrative Account interest income excluding interest income under Dec 2 (XXXIV) (up to \$1.66 million)
 - o Working Capital Reserve (up to \$4 million) while retaining sufficient funds in the Reserve to comply with the Financial Rules approved at this Session;
5. Request the Executive Director to consult with implementing agencies on possible cost saving measures in remaining projects/activities, including administering a proportionate cut across all remaining projects and activities as the most immediate, fair and transparent solution for ensuring the resumption of the maximum number of projects/activities possible;
6. Confirm that no payment is due with respect to the demands made to date by the liquidators of the Ardent funds, taking into account ITTO's Headquarters Agreement with the government of Japan; and
7. Request the Executive Director to provide detailed reports to the Council on how the provisions of this Decision have been applied, including a preliminary report within three months of the adoption of the Decision and an annual summary report at ITTC53.

Annex

Breakdown of ITTO Funds and Commitments

1. Funds Not Otherwise Earmarked by Council, Available for Dealing with Impairment Requiring Council Decision

Name of Fund	Cash Available (Rounded)	Associated Account
Reserve provided by Admin Interest Income excluding Interest Income under Dec 2(XXXIV)	\$1,660,000	Administrative
Working Capital Reserve (Unearmarked)	\$4,000,000	Administrative
Unearmarked Funds and Bali Partnership Fund Sub-account B	\$2,800,000	Special / Bali Partnership Fund
Thematic Programme pooled account	\$840,000	Special
Total	\$9,300,000	

2. Funds Requiring Donor Consent Prior to Allocation

Name of Fund	Cash Available (Rounded)	Associated Account
Donors' funds (surplus from completed projects and unallocated funds)	\$970,000	Special
Project/Activity committed/safeguarded funds	\$2,640,000	Executing Agency
Total	\$3,610,000	

3. Other Funds

Name of Fund	Cash Available (Rounded)	Associated Account
Programme Support	\$810,000	Special
Ex-post pooled funds	\$800,000	Special
Interest income utilized by ED (Decision2[XXXIV])	\$190,000	Administrative
Working Capital Reserve (\$1.2M cash flow buffer limit established by Council + \$0.85M provision)	\$2,050,000	Administrative
Special Reserve	\$1,850,000	Administrative
Current Year's Administrative Operational funds	\$2,800,000	Administrative
Liabilities (Staff Assessment, Accruals, etc.)	\$120,000	Administrative / Special
Total	\$8,620,000	
Total ITTO Funds (Balance of all bank accounts)	\$21,530,000	

4. Commitments owing from Special Account and Bali Partnership Fund

Approved on-going projects/activities	\$14,220,000
Refunds to donors due from completed projects	\$3,780,000
Total	\$18,000,000



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DECISION 7(LII)

TERMS OF REFERENCE OF THE COMMITTEE ON FINANCE AND ADMINISTRATION

The International Tropical Timber Council,

Recalling Decision 5(XLVIII) which established terms of reference for the Organization's Committees operating under the International Tropical Timber Agreement, 2006;

Also recalling Decision 4(LII) which revised the Organization's Financial Rules and Rules Related to Projects in order to strengthen ITTO's financial governance;

Recognizing that the Committee on Finance and Administration has a central role in the Organization's financial governance;

Decides to adopt the revised terms of reference for the Committee on Finance and Administration as contained in the Annex to this decision.

Annex

Terms of reference for the Committee on Finance and Administration

Functions of the Committee on Finance and Administration

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



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DECISION 8(LII)

STANDARDS OF CONDUCT FOR THE ITTO EXECUTIVE DIRECTOR

The International Tropical Timber Council,

Recalling Decisions 4(I), 3(XXVII) and 5(XLII) which appointed Executive Directors of the Organization;

Also recalling Article 14 of the International Tropical Timber Agreement, 2006 which states that the Council shall determine the terms and conditions of the appointment of the Executive Director;

Recognizing that the Executive Director and Staff of the Organization are expected to demonstrate the highest standards of conduct;

Also recognizing that the Executive Director is the Chief Administrative Officer of the Organization is responsible for implementing and enforcing the Staff Regulations and Rules as contained in Decision 3(LII);

Decides to adopt the standards of conduct for the Executive Director of ITTO as contained in the Annex of this decision.

Annex

Standards of Conduct for the Executive Director of the International Tropical Timber Organization

- (1) Subject to the authority of the Council, the Executive Director shall exercise the functions of chief administrative officer of the Organization and shall perform such duties as may be specified in the ITTA and in the rules of the Organization and/or as may be assigned to him or her by the Council.
- (2) The Executive Director shall be subject to the Staff Regulations of the Organization in so far as they can be applied to him/her. In particular he/she shall not hold any other administrative post, and shall not receive emoluments from any outside sources in respect of activities relating to the Organization. He/she shall not engage in business or in any employment or activity which would interfere with his/her duties in the Organization. In observing Article 14(5) of the ITTA and Rule 103 of the Staff Regulations and Rules, he/she shall ensure that there is not even the appearance of a conflict of interest.
- (3) The Executive Director, during the term of this appointment, shall enjoy all the privileges and immunities in keeping with the office by virtue of the ITTA and any relevant arrangements already in force or to be concluded in the future.
- (4) The Executive Director shall demonstrate a commitment to:
- Exercise authority in compliance with regulations, rules and all relevant policies and guidelines;
 - Shape, guide and support the Organization's commitment to an ethical culture by ensuring that all Secretariat decisions and actions are informed by accountability, transparency, integrity, respect and fairness;
 - Responsible stewardship of resources, including:
 - Responsible management of financial resources;
 - Appropriate management of human resources in alignment with Council mandates and priorities, consistent with staff rules, and in an efficient and effective manner to achieve programmatic objectives;
 - Implementation of independent audit recommendations;
 - Timely issuance of official documentation;
 - Ongoing professional development.
- (5) Failure to comply with these Standards of Conduct may result in action by the Council in accordance with the ITTA and the Headquarters Agreement with the host government.
- (6) In cases of gross negligence and serious misconduct as defined in Regulation 8.1 of the ITTO Staff Regulations and Rules, the appointment of the Executive Director may be terminated by Council. A Panel made up of the Chair of Council, the Vice-Chair of Council and three of the Committee Chairs acting on behalf of the Organization will convene to review relevant investigation findings and will recommend to Council whether or not to terminate the contract of the Executive Director. The panel may decide to suspend the Executive Director until Council takes a decision.
- (7) Where the panel recommends termination it may also recommend that Council withhold the Organization's contributions to the Provident fund, plus interest, in order to compensate either partially or in full any financial loss suffered by the Organization consistent with the financial responsibilities described in Rule 902 of the Staff Regulations and Rules and the money withheld will be returned to the Administrative Account.
- (8) The Executive Director shall ensure that the issue of appointment of the Executive Director is on the agenda of the Council Session that occurs at least one year before the end of his or her term.
- (9) The Executive Director may at any time give six months' notice of resignation in writing to the Chair of the Council, who is authorized to accept such resignation on behalf of the Council; in which case, upon the expiration of the said period of notice, the Executive Director shall cease to hold the appointment.



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DECISION 9(LII)

**AD HOC WORKING GROUP TO CONSIDER ROTATION IN THE FRAMEWORK OF THE
SELECTION OF THE EXECUTIVE DIRECTOR OF ITTO**

The International Tropical Timber Council,

Recalling Article 14 of the ITTA, 2006;

Recalling Decision 5 (LI) which established an open and transparent procedure for identifying qualified candidates for the Council to appoint an Executive Director;

Noting that the paramount consideration in the appointment of the Executive Director shall be to secure the highest standard of efficiency, competence and integrity;

Decides to:

1. Establish an Ad Hoc Working Group made up of 6 experts from producer members and 6 experts from consumer members, working in their personal capacity, to examine options for rotation in the appointment of the Executive Director;
2. Request the Ad Hoc Working Group to present the results of its work to the Council for consideration at its 53rd Session;
3. Authorize the Executive Director to utilize an amount not exceeding US\$100,000 from the Working Capital Reserve to meet the expenses related to the above activities.

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DECISION 10(LII)

APPOINTMENT OF THE EXECUTIVE DIRECTOR

The International Tropical Timber Council,

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

Recalling Decision 5(LI) on matters related to Article 14 of the ITTA, 2006, and in particular the Annex to Decision 5 (LI) on the Vacancy for the position of the Executive Director of ITTO;

Further recalling the Report of the Panel on Matters Related to Article 14 of the ITTA, 2006 (Decision 5(LI));

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

Welcoming the spirit of partnership between consumer and producer members in the selection of the Executive Director;

Taking into consideration that options for rotation will be examined under Decision 9(LII);

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

Also noting the obligation on the Executive Director to respect the Standards of Conduct set out in Decision 8(LII);

Decides:

To appoint by consensus Dr. Gerhard Dieterle as Executive Director of the International Tropical Timber Organization for a period of four years, beginning on 1 April 2017 at the UN ASG level; and

That the Executive Director shall be subject to the ITTO Staff Regulations and Rules in so far as they can be applied to him and the Standards of Conduct set out in Decision 8(LII).

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ANNEX IV

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES

**Documents: CEM-CFI(L)/4
CRF(L)/6
CFA(XXXI)/8**

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REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

FIFTIETH SESSION OF THE

COMMITTEE ON ECONOMICS, STATISTICS AND MARKETS

AND THE COMMITTEE ON FOREST INDUSTRY

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Report

Appendix A: Report on the ITTO Annual Market Discussion – 2016

Appendix B: Statement of the Trade Advisory Group (TAG)

Appendix C: Letter from the Global Timber Forum (GTF) to the ITTC Chairperson

REPORT

1. Opening of the Session

The Fiftieth Session of the Committees was opened on 8 November 2016 at the Joint Session of the Committee on Economics, Statistics and Markets (CEM) and the Committee on Forest Industry (CFI), co-chaired by Ms. Alicia Grimes (U.S.A.), Chairperson of CEM and Ms. Akiko Nakano (Japan), Chairperson of CFI. Mr. Tabi Agyarko (Ghana), Vice-Chairperson of the Council chaired the Joint Session of All Committees. The list of participants is presented in document ITTC(LII)/Info. 2.

2. Adoption of Agenda and Organization of Work

The Agenda for the Joint Session of the CEM and the CFI as contained in document CEM-CFI(L)/1 was duly adopted. The Joint Session of the CEM and the CFI met on 8, 10 and 11 November 2016 which considered items 1, 2, 3, 5, 7, 8B, 9, 10, 11, 12, 13, 14, 15 and 16 of the Agenda. The Joint Session of All Committees met on 9 November 2016 which considered items 4, 6 and 8A of the Agenda.

3. Admission of Observers

The Committees admitted the observers listed in document ITTC(L)/Info.3 Rev.1 as approved by the Council.

4. Report of the Expert Panel for Technical Appraisal of Project Proposals

The Joint Session of All Committees considered the report of the Expert Panel for Technical Appraisal of Project Proposals presented by its member, Mrs. Valéria Cristina Rigueira (Brazil), as contained in document ITTC/EP-51.

In response to a question from the delegate of the EU on the status of funding of the Category 1 projects, the Vice-Chairperson of CEM, Mr. Jorge Malleux (Peru), who was also a member of the Oversight Committee, provided a brief explanation on related decisions that will be taken by the Committee on Finance and Administration (CFA) at its Thirty-first Session on project funding as well as on normalizing the cycles of project proposal assessment.

The delegates of Cameroon, Cote d'Ivoire and Guatemala also expressed their concern about the issue of on-going projects and pre-projects impacted by ITTO's financial impairment.

Following the presentation of Mrs. Rigueira, delegates of several countries put forward comments and questions.

The delegate of the USA commented on the common trend regarding the lack of quality of submitted project proposals derived from completed pre-projects. Mrs. Rigueira responded that the Secretariat needed to provide more facilitation on capacity building for project formulation to Producer Member Countries. She further emphasized the important role of country focal points to screen out the project proposals.

The delegate of Benin questioned the sunset period of approved Category 1 projects. The Secretariat responded that this was in accordance with ITTO rules and procedures. The delegate of Benin further expressed her concern that many project proposals fell under Category 4. To this question, the Secretariat invited the delegate of Benin to join the session of the CEM-CFI where the issue of concern will be discussed in conjunction report on the progress of PD 73/89 (M,F,I) under its Agenda Item 11.

The Committees noted that the Fifty-second Meeting of the Expert Panel for the Technical Appraisal of Project Proposals scheduled to be held in Yokohama, Japan on 25-29 July 2016 was postponed due to financial constraints.

5. New Projects and Pre-projects

The Committees noted the projects that were approved under the time-bound electronic no objection procedures to accept Expert Panel ratings and circulated to member countries pursuant to Decision 6(XLIII), following the recommendations of the Expert Panel at its Fifty-first Meeting as follows:

Committee on Economics, Statistics and Markets		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 796/15 Rev.2 (M)	Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon	Cameroon

Committee on Forest Industry		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 761/14 Rev.2 (I,M)	Promoting Partnership between Farmer Group and Forest Industry	Indonesia
PD 788/15 Rev.2 (I)	Achieving Sustainable Forest Management through Enhanced Competitiveness of Small & Medium Wood Industries (SMWIs) in Ciamis District of West Java Province, Indonesia	Indonesia

The Committees noted the following project which had been approved under the time-bound electronic no objection procedure to accept Expert Panel ratings pursuant to ITTC Decision 6(XLIII), following the recommendations of the Expert Panel for the Technical Appraisal of Project Proposals at its Fiftieth Meeting held in Yokohama, Japan on 27-31 July 2015 as contained in document ITTC/EP-50:

Committee on Economics, Statistics and Markets		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 751/14 Rev.2 (M)	Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area	Ecuador

6. ITTO Annual Market Discussion – 2016

The Committees noted the summary of the ITTO Annual Market Discussion – 2016, held in the Joint Session of All Committees on 9 November 2016, as contained in Appendix A. The theme of the Market Discussion was “Free Trade Agreements - Challenges and Opportunities for the Tropical Timber Trade”. Mr. Jorge Malleux (Peru) and Mr. Barney Chan (TAG Coordinator) co-chaired the Market Discussion.

The following feature presentations were made during the Market Discussion:

Prof. Labode Popoola
Forest Economics/Sustainable Development
University of Ibadan, Nigeria and
President, Forestry Association of Nigeria

Free Trade Agreements and Wood Export in West Africa: Nigeria as a Case Study

Mr. Enrique Téllez Pacheco
Presidente
Cámara Nacional de la Industria Maderera, Mexico

Free Trade Agreements: Impact on the Tropical Timber Trade in Mexico

Mr. Jirawat Tangkijngamwong
Chairman, Thai Timber Association
Director of Deesawat Industries Co. Ltd/
Deesawat Design Co., Ltd, Thailand

*Open Trade Drives Finished Product Exports
and Design Opportunities*

Mr. André de Boer
Secretary General
European Timber Trade Federation
The Netherlands

*FTA'S - The Promotion of Tropical Timber in
Europe*

Mr. Joe O'Donnell
Senior Manager for Government and Public Affairs
Intl. Wood Products Association (IWPA)

*On the Brink of Historic Agreement, Skepticism
Colours Trade Debate in the U.S.*

Mr. Erik Luis Fischer Llanos
Presidente del Comité Forestal
Asociación de Exportadores (ADEX), Peru

*The Impact of Trade Agreements on Tropical
Timber Trade*

The Committees further noted the statement of the Trade Advisory Group (TAG) presented during the Market Discussion as contained in Appendix B.

7. Report on Completed Projects and Pre-projects

The Committees considered the Report of Completed Projects and Pre-projects as contained in document CEM-CFI(L)/2 as follows:

Committee on Economics, Statistics and Markets

PD 124/01 Rev.4 (M) Promotion of Sustainable Management of African Forests (ITTO)
Phase III Stage 2

The Secretariat informed the Committees that the development objective of this project was to promote the sustainable management of African forests through the application and implementation of the ATO/ITTO PCI with the support and participation of all stakeholder groups. The Project's general strategy was largely based on collaborating with the African Timber Organization (ATO), a regional institution considered capable of providing the Project with efficient mechanisms for exchanging experiences, and for facilitating the development of harmonized and coordinated approaches for developing, implementing and monitoring SFM Principles, Criteria and Indicators (PCI).

The Project was split into three phases and further into stages within phases to facilitate funding. Completion reports on Phases I and II as well as Phase III Stage 1 have been considered and approved by the Committees at their previous sessions and are available on request. The Phase III Stage 2 of this project was effectively completed, with all activities implemented and objectives for this stage attained. The full completion report and financial audit have been submitted to the Secretariat and approved. The Committees were encouraged to recommend immediate financing for Phase III, Stage 3 (the final stage) of this important project.

The Committees duly declared the Phase III Stage 2 of this project completed.

PD 449/07 Rev.2 (M) Enhancing Forest Law Enforcement in Papua New Guinea
(Papua New Guinea)

The Secretariat reported that implementation of this project had experienced considerable delays since commencement due to the replacement of project personnel and in the preparation of the completion report, technical reports and final financial audit report. The Executing Agency finalized and submitted the project completion report and the technical reports in August 2014, and the final financial audit report was eventually submitted in April 2016, which was reviewed and deemed satisfactory in principle. However, expenses for items 12 (National Consultants) and item 16 (International Consultants) highly exceeded the total original approved budget. If a reasonable explanation could be provided by the Executing Agency and accepted by the Committees, the Committees may declare this project completed.

Following the report by the Secretariat, the delegate of PNG explained that this project was successfully completed with the submission of the completion report and five technical reports as well as the final audit report. The implementation of project activities was delayed due to the submission of the financial statements and audit by the Executing Agency and hence the release of funds from ITTO, and the coordination with the local partners (SGS and Pacific Islands Project).

In response to the overrun on expenditures of the two items, the delegate of PNG explained that these items were sub-contracts to local partners. Taking into account the delay in implementation and many changes of personnel, the reasons for items exceeding budget were attributed to overlapping payments and extension of contracts. The Executing Agency had further failed to report those changes to the ITTO Secretariat in advance due to insufficient coordination with relevant partners. Therefore, the Executing Agency requested the Committees' understanding and consideration to declare the completion of this project.

Based on this explanation, the Committees duly declared the project completed.

PD 620/11 Rev.1 (M) Development and Implementation of a Species Identification and Timber Tracking System in Africa with DNA Fingerprints and Stable Isotopes (Germany)

The Secretariat reported that the project developed a species identification and timber tracking system with DNA fingerprints and stable isotopes for three important timber tree species in seven African countries, namely Cameroon, Central African Republic, Democratic Republic of Congo, Republic of Congo, Gabon, Ghana and Kenya. The project involved 14 collaborative agencies from Europe, Africa and Australia and was initialized during a pre-project under the TFLET Thematic Programme.

The project officially commenced in February 2012. An extension of 6 month was approved in November 2014, after the additional budget required (US\$220,751) was approved by the German Ministry of Food and Agriculture (BMEL). The final project conference was held in Douala, Cameroon in July 2015. However, due to delays in the presentation of the final financial report and the final project audit, the payment of the final instalment in the amount of US\$ 302,843.79 was delayed and then affected by the suspension of ITTO funding.

The final financial report and the final financial audit report have been submitted to the Secretariat and approved.

The Committees duly declared the project completed and recommended the Council to make provisions to allow the final instalment to be released.

PD 678/12 Rev.1 (M) Establishment of a National Forest Statistics Information Management System in Benin (Benin)

The delegate of Benin informed the Committees that this project was designed to develop a forest statistical information system for Benin. The project is now completed with the successful achievement of the development and specific objectives and all the outputs. Technical reports and applications developed by the project include: (i) periodic reports on data related to the forest sector, (ii) monitoring and evaluation procedures of forestry statistics manual, (iii) forestry information system developed and validated by the stakeholders, (iv) the administrator's guide of the database, (v) the instruction manual of the database, (vi) the new framework of harmonized reporting, and (vii) the analysis report of the variability of the weight and volume of charcoal bags in the Republic of Benin. Over 200 foresters have been trained to use the database and on reporting procedures. All studies have been validated by stakeholders in the forestry sector.

A project extension for five months without additional funds from ITTO was requested by the Executing Agency to finalize the remaining activities and approved by ITTO. These activities included communication and dissemination of project results, a final workshop of review/dissemination of results at the end of the project extension period, and carrying out the final financial audit of the project accounts and submitting all reports to ITTO.

The Secretariat reported that the completion report, technical reports and final financial audit report have been submitted to the Secretariat and approved.

The Committees duly declared the project completed.

Committee on Forest Industry

PD 433/06 Rev.3 (I) Sustainable Model for the Brazilian Wood Flooring Production Chain (Brazil)

The delegate of Brazil reported on the completion of the project, as all activities had been carried out and outputs achieved satisfactorily.

The project contributed to increasing the efficiency of the Brazilian wood flooring industry by integrating lesser used timber species (LUS) into the production chain, improving drying and manufacturing processes, adding value and quality to the product, and by making use of wood residues.

The Executing Agency has satisfactorily submitted the completion report, technical reports, dissemination material and a final financial audit report.

The Committees duly declared the project completed.

PD 540/09 Rev.2 (I) Support to Improve the Productivity of the Peruvian Timber Industry for the Production of Higher Value-added Products (Peru)

The delegate of Peru reported on the completion of the project, as all activities had been carried out and outputs achieved satisfactorily.

The project contributed to improving the level of efficiency in the wood and furniture industries, and thereby increase the volume and value of their exports, by linking the sustainable management of 12 million hectares of productive forests into the supply chain. The specific outputs of the project are: (i) improved business management and marketing, (ii) upgraded timber industry with value-added product processing, and (iii) increased export of timber products and furniture.

The Committees duly declared the project completed.

PD 700/13 Rev.2 (I) Development of Intra-African Trade and Further Processing in Phase I Stage 1 Tropical Timber and Timber Products – Phase I Stage 1 (ITTO)

The Secretariat reported on the completion of the project, as all activities had been carried out and outputs achieved satisfactorily.

The results of this project contributed to the removal of the main identified constraints in the expansion of further processing of tropical timber into value-added products and trade development, particularly through intra-African trade through nine areas of action: facilitation of trade; elaboration and implementation of national strategies for industrial and trade development; business development in pilot enterprises; improvement of market transparency; trade promotion measures; training; strengthening of national industry and trade associations; innovative financing; and technology transfer.

To achieve the specific objective of the Project's Phase 1, the next stage (Stage 2) of the Project needs to be implemented.

The Committees duly declared the project completed.

8. Ex-post Evaluation

(A) Ex-post Evaluation Reports

To facilitate the sharing of experiences and lessons learned from ex-post evaluation of projects among members, the consideration of ex-post evaluation reports was undertaken in a Joint Session of All Committees. There were no ex-post evaluation reports on projects under CEM and CFI. The Committees took note of the presentation by the ITTO Secretariat on the ex-post evaluation of PD 270/04 Rev.2 (F) under the Thematic Group of Teak as contained in document CRF(L)/4. The summary of this presentation is contained in document CRF(L)/6.

(B) Selection of Projects for Ex-post Evaluation

The Secretariat informed the Committees that due to the financial impairment, it would not be possible to select projects for ex-post evaluation at this session.

9. Policy Work

Five issues/activities under the CEM and three issues/activities under the CFI were discussed by the Committees.

Committee on Economics, Statistics and Markets

(i) Market Access

The Secretariat reported on recent developments relating to market access for tropical timber in 2015-2016. In accordance with the requirements of the previous session of the Committees, the updates will be focused on developments in the free trade agreements (FTAs) relating to tropical timber, particularly for ITTO Producers.

According to WTO data, regional and bilateral trade agreements (RTAs) have risen dramatically in recent years, including a notable increase in agreements under negotiation. As of December 2015, there were more than 250 RTAs in force in WTO member countries and more than 100 ongoing RTAs involving one or more ITTO Producers.

Free trade agreements (FTAs) accounted for 90% of RTAs. In 2015, there were 9 FTAs coming into force, all involving ITTO members, and 3 FTAs involving ITTO Producers, namely ASEAN-India FTA, Mexico-Panama FTA, and Republic of Korea-Vietnam FTA. There were 3 FTAs involving ITTO Producers in 2016, which were Republic of Korea-Colombia FTA, Costa Rica- Colombia FTA, and EU-Côte d'Ivoire FTA.

From a geographical perspective, ITTO Asian and Latin American producers appeared more active in participating in FTAs. In Asia, India was involved in 14 FTAs while Malaysia and Indonesia participated in 13 and 8 respectively. For Latin American producers, Costa Rica, Mexico and Colombia participated in 13, 12 and 9 FTAs respectively.

A recent development is an increase in FTAs either under negotiation or reaching agreement. It is notable that in the Asia-Pacific region, the Trans-Pacific Partnership (TPP) Agreement, currently between 12 parties (4 from ITTO Producers), has made significant progress. However, following the finalization of negotiations in October 2015, and the signature of agreement in February 2016, ratification and implementation are uncertain.

A FTA may lead to a reduction in tariff and non-tariff measures for goods and services including timber products, in relevant HS chapters. Although there may be some exceptions for sensitive items, most FTAs are aimed at eliminating tariff and non-tariff barriers for all goods including timber products, which impact on market access for involved parties, including ITTO Producers and Consumers.

(ii) Forest and Timber Certification

In 2015, according to the statistics collected, the total area of certified forests in ITTO Producer Member Countries was 28.9 million hectares, which accounted for 6.3% of the world's total area of certified forests of about 458 million hectares. The number of Chains of Custody (CoCs) in ITTO Producer Member Countries was 3,105, which accounted for 7.7% of the total number of CoCs in the world.

The two international certification systems, namely FSC and PEFC, continued to be the main schemes being implemented in ITTO Producer Member Countries. The situation in 2015 for ITTO Producer Member Countries in FSC and PEFC was as follows:

The FSC certified forest area reached 18 million hectares in ITTO Producer Member Countries by the end of 2015, which accounted for about 9.7% of the total FSC certified forest areas in the world. Meanwhile, the number of CoC certificates reached 2,603 in ITTO Producer Member Countries, accounting for 8.7% of the total in the world. The top three countries with the highest FSC certified forest area in ITTO Producer Member Countries are Brazil, the Republic of Congo and Indonesia.

Brazil remained the largest, with 6 million hectares of FSC certified forest, while the Republic of Congo took the second position with 2.4 million hectares, while Indonesia increased to 2.2 million hectares. Brazil had the highest number of FSC-CoC certificates which totalled 1,089, while Vietnam had 481 certificates and India 293 certificates.

The PEFC-certified forest area in ITTO Producer Member Countries reached 8.2 million hectares by the end of 2015, accounting for about 3% of the global PEFC-certified forest areas. Three countries, namely Malaysia, Brazil and Indonesia had PEFC-certified forest area in ITTO Producer Member Countries. Malaysia maintained its 4.7 million hectares of PEFC-certified forests and Brazil's area increased to 2.8 million hectares, while Indonesia increased to 0.73 million hectares. Regarding PEFC-CoC certification, the number of CoC certificates reached 497 in ITTO Producer Member Countries, accounting for 4.6% of the world total.

As in previous years, PEFC continues to be the largest certification scheme in the world, with two-thirds of all certified forests globally. However, FSC held the biggest share of certified forests in ITTO Producer Member Countries in 2015.

In addition, there were three national certification systems in ITTO Producer Member Countries in 2015: CERFLOR in Brazil, MTCC in Malaysia, and IFCC in Indonesia. These three certification systems had been endorsed by PEFC, and their certification statistics had been covered by PEFC. IFCC, which was endorsed by PEFC in October 2014, was increasing rapidly in the first half of 2016.

Additionally, two more national schemes of Indonesia are currently in operation. The Indonesian Ecolabelling Institute (LEI) had 2.6 million hectares of certified forest, while the Indonesian Timber Legality Assurance System (the SVLK) had issued 318,521 V-Legal documents by the end of 2015.

Following the report by the Secretariat, the delegate of USA asked if updated information would appear in a document or the ITTO website. The Secretariat responded that relevant information will be included in the Committee report as well as the ITTO Annual Report 2016.

(iii) Selected Data and Analysis from ITTO Biennial Review and Assessment of the World Timber Situation

Ms Frances Maplesden, consultant, presented selected data and analysis from the draft Biennial Review and Assessment of the World Timber Situation 2015-2016, focusing on (a) results of the 2016 Joint Forest Sector Questionnaire (JFSQ) and (b) the global trade in secondary processed wood products. This year the Secretariat only had responses to the JFSQ from 43 out of 72 ITTO member countries, with full information from 10 member countries. The overall quality of the JFSQs received from both Consumer and Producer countries was regarded as satisfactory although the quality of information on tropical timber was generally unsatisfactory.

The consultant urged non-respondents to provide completed JQs to the Secretariat by June 2017. The consultant also presented information on the secondary processed wood products (SPWP) trade, noting the difficulties in tracking the volume of trade in tropical SPWPs. Some of the tropical exporters had recorded significant growth in exports of SPWPs, particularly Vietnam, although it could be assumed that a proportion of China's exports were of tropical origin, given the volume of imports of tropical primary wood products. China accounted for nearly one-third of global wooden furniture exports in 2015, although its cost competitiveness was declining, leading to a shift in lower cost manufacturing to some of the other Asian tropical producer countries. Demand for SPWP imports continued to be dominated by the USA, EU countries and Japan, and closely linked to construction activity in those markets. While US housing starts and growing consumer confidence had pushed up demand levels in the US markets, in the EU construction activity overall had remained subdued with low demand levels leading to intense competition.

Mr. Jorge Malleux, Vice-Chairperson of CEM, requested the reasons for poor response rates to the JFSQ over a long period and why the quality of responses had been inconsistent. A delegate of Indonesia reported that Indonesia has good quality data, with new online databases (Timber Legality Information System/SILK) having been developed for new certification requirements, but the data units were inconsistent with the requirements of the JFSQ. A delegate of China stated that there had been problems with channelling of the questionnaire to the appropriate agency in China.

(iv) Strengthening the participation of the private sector in the work of ITTO

The Committees took note of the proposed activity presented by Mr. André de Boer, representative of TAG, that this policy work be included in ITTO BWP 2018-2019. The work advances the discussion on greater private sector participation with ITTO and includes options for blending the intellectual, managerial, physical and financial resources of the private sector with those of ITTC and ITTO to help further advance the aims of ITTO for the mutual benefit of all parties. The Netherlands based EU Sustainable Tropical Timber Coalition has offered to host the proposed working group if funds could be provided by Council.

(v) Items on Policy Work for 2017

The Committees considered and agreed on the following items for policy work in 2017:

- Market access;
- Forest and timber certification;
- Selected data and analysis from the ITTO Biennial Review and Assessment of the World Timber Situation; and
- Strengthening the participation of the private sector in the work of ITTO.

Committee on Forest Industry

(i) Development of Environmental Product Declaration (EPD) for Three Tropical Wood Products

The Chairperson of CFI informed the Committees that this policy work was cancelled due to the impairment of ITTO investment. The Committees agreed to exclude this item for further discussion at the next session of the Committees and took note that the Secretariat will report on the progress of the related EPD activity under the potential extension to 2017 of the ITTO BWP 2015-2016 in the event that new funding will be made available by donors.

(ii) Demonstration and Adoption of Credit Schemes for Small-Medium Forest Enterprises

The Executing Agency (Natural Resource Development Center of Indonesia) made a presentation of the related activity under the ITTO BWP 2013-2014 and 2015-2016 (Activity No.3) which included:

- a. Background of the activity
- b. Development of small-medium wood-based industry in the location of the activity implementation (Ciamis District)
- c. Mechanism of the credit scheme
- d. Facts, findings and ways forward

Findings from the field indicated that there were many operating small industries in need of bank loans for their working capital. However, the requirements established by the banking system to get loans are difficult to fulfil. During the implementation of the activity, it was observed many small industries did not have viable assets in the form of lands/buildings that can be used as collateral.

Following this presentation, the delegate of EU stressed the importance of further discussion on this item. Considering the challenges encountered in working with the banking system for credit scheme in Indonesia, he proposed the development of a knowledge base on credit schemes that that will be a source for lessons learned, scaling up and replication of the activity in different countries.

The delegate of Cote d'Ivoire expressed her concern about additional funding to enable the activity to be implemented in other regions/countries.

(iii) Items on Policy Work for 2017

The Committees considered and agreed on the following item for policy work in 2017:

- Demonstration and adoption of credit schemes for small-medium forest enterprises.

10. Biennial Work Programme of the Committees for 2017-2018

The Committees proposed the following activities under the ITTO BWP 2015-2016 to be prioritized and continued in 2017:

Committee on Economics, Statistics and Markets

- Activity No. 17 Continue to publish the ITTO Market Information Service (proposed by the delegates of the Netherlands/TAG and USA)
- Activity No. 23 Creation of web-based 'One-stop' interactive profiles of the world based industry, trade and forestry sectors in producer member countries to support tropical timber market transparency and diversification (proposed by the delegates of Sweden and the Netherlands/TAG)
- Activity No. 25 Promote trade in tropical timber and tropical timber products from sustainably managed and legally harvested sources (proposed by the delegate of Sweden)
- Activity No. 29 Enhance the technical capacity of member countries, particularly developing member countries, to meet the statistics and reporting requirements (proposed by the delegates of Sweden and USA)
- Activity No. 33 Enhance the cooperation between ITTO and World Customs Organization (WCO), through the Preparation of Guidelines for Frontline Customs Officials in Combatting Illegal Timber Trade (proposed by the delegates of Malaysia, PNG, Sweden, and USA)

The Committees took note of the proposal from Indonesia on the inclusion of a new activity for the BWP 2018-2019 entitled 'Promoting ITTO Member Countries' Capacity on the Implementation of Timber Legality Assurance'.

Committee on Forest Industry

- Activity No. 24 Development of Environmental Product Declaration (EPD) for selected tropical wood products (proposed by TAG)

The Committees took note of the proposal from Indonesia on the inclusion of a new activity for the BWP 2018-2019 entitled 'A Preliminary Study on Assessing Economic Impacts of Improved Efficiency of Timber Processing and Quality of Timber Products'.

11. Review of Projects and Pre-projects in Progress

The Committees considered the Report of Projects and Pre-projects in Progress as contained in documents CEM-CFI(L)/3 and took note of progress in the implementation of the following projects and pre-projects:

(A) Projects and Pre-projects under implementation

Committee on Economics, Statistics and Markets

1. PD 599/11 Rev.1 (M) Development and Testing of National Forest Stock Monitoring System (FSMS) with Improved Governance Capabilities at all Levels of the Forest Administration (Philippines)
2. PD 621/11 Rev.3 (M) Traceability of Timber Produced by Forest Concessions and Native Communities in Madre de Dios and Ucayali (Peru)
3. PD 692/13 Rev.1 (M) Implementation and Operationalization of a National Information System for the Sustainable Management of Forest Resources (Côte d'Ivoire)
4. PD 756/14 Rev.1 (M) Development of a Business Management Services Program of Forest MSMEs (Micro, Small and Medium Enterprises) in Guatemala (Guatemala)
5. PPD 167/13 Rev.1 (M) Feasibility Study on the Certification of ONAB's National Plantation Estates (Benin)

Committee on Forest Industry

1. PD 73/89 (M,F,I) Assistance for Project Identification and Formulation (ITTO)
2. PD 506/08 Rev.1 (I) Reviving Forestry Education in Liberia (Liberia)
3. PD 600/11 Rev.1 (I) Model Capacity Building for Efficient and Sustainable Utilization of Bamboo Resources in Indonesia (Indonesia)
4. PD 687/13 Rev.1 (I) Strengthening the Performance of the Wood Processing Sector in Guyana, through Building Local Capacity and Enhancing National Systems that Promote Forest Products Trade and Sustainable Utilization of Forest Resources (Guyana)
5. PD 722/13 Rev.1 (I) Capacity Building and Reduced Impact Logging (RIL) in Dry Inland Forest in the Permanent Forest on Peninsular Malaysia (Malaysia)

(B) Projects Pending Agreement

Committee on Economics, Statistics and Markets

1. PD 732/14 Rev.2 (M) Improve Forest Governance in Mozambique (Mozambique)

Committee on Forest Industry

1. PD 737/14 Rev.1 (I) Developing Supply Capacity of Wood-based Biomass Energy through Improved Enabling Conditions and Efficient Utilization of Degraded Forest Lands Involving Local Communities in North Sumatra Province of Indonesia (Indonesia)
2. PD 770/15 Rev.1 (I) Promotion and Sustainable Management of Lesser-Used Timber Species (LUTS) in the Moist Forests of the Departments of Atlantida, Colon and Northern Olancho in Honduras (Honduras)

(C) Projects and Pre-projects pending financing

Committee on Economics, Statistics and Markets

1. PD 124/01 Rev.5 (M)
Phase III Stage 3 Promotion of Sustainable Management of African Forests (ITTO)
2. PD 751/14 Rev.2 (M) Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area (Ecuador)
3. PD 796/15 Rev.2 (M) Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon (Cameroon)

Committee on Forest Industry

1. PD 700/13 Rev.2 (I)
Phase I Stage 2 Development of Intra-African Trade and Further Processing of Tropical Timber and Timber Products – Phase I Stage 2 (ITTO)
2. PD 709/13 Rev.2 (I) Enhancing Bali Wooden Handicraft Industry by Improving the Quality of Planted-Wood Raw Materials and Complying to Legality Standard (Indonesia)
3. PD 761/14 Rev.2 (I,M) Promoting Partnership between Farmer Group and Forest Industry (Indonesia)

4. PD 771/15 Rev.2 (I) Genetic Conservation, Utilization and Management of Gall Rust Resistant Strains of *Falcataria moluccana* Growing in the Philippines (Philippines)
5. PD 788/15 Rev.2 (I) Achieving Sustainable Forest Management through Enhanced Competitiveness of Small & Medium Wood Industries (SMWIs) in Ciamis District of West Java Province, Indonesia (Indonesia)

The Committees held discussions on the following projects:

Committee on Economics, Statistics and Markets

- PPD 167/13 Rev.1 (M) Feasibility Study on the Certification of ONAB's National Plantation Estates (Benin)

The Secretariat reported that the pre-project started in July 2014 and the activities related to the pre-project ended in April 2016. All activities of the two outputs were completed during the implementation of the pre-project. However, the main output of the pre-project which was a full project proposal PD 821/16(M) "Certification of forest plantations managed by the Office National du Bois (ONAB)" was rated as category 4 and not recommended by the Fifty-first Expert Panel for Project Technical Appraisal.

The completion report was submitted in June 2016 and the final audit report on 26 August 2016. Subsequently, ITTO Secretariat provided comments on the final audit for revision, but the revised audit was not submitted for further review and approval before the Committee Session.

The Committees decided that, in the event that the revised final report is submitted and deemed satisfactory prior to its next session, the Committees will declare this pre-project completed.

Committee on Forest Industry

- PD 73/89 (M,F,I) Assistance for Project Identification and Formulation (ITTO)

The objective of this project is to improve the project identification and formulation capability of personnel in ITTO Producer Member Countries in order to expand their national capacity to invite investment and aid into the forestry sector. The importance of the project is inscribed in Decisions 2(X), 2(XI), 6(XIII), and 8(XVIII) of the Council, reminding and encouraging ITTO Members to use the expert facility available under the project to enhance their ability to identify and formulate sound projects.

The project is closely linked to other ITTO activities, particularly the Expert Panel and implementation of the Project Cycle, which together seek to enhance quality in the structure and implementation of ITTO projects. Several independent consultancies to assist ITTO members in project formulation and several training workshops have been funded and organized under this project.

The Secretariat reported that the Committees, at its Forty-ninth Session in November 2015, noted that the project budget had been exhausted and agreed to recommend this issue to be raised in the CFA at its next session. Due to the lack of time, it has not been possible to raise this issue at the CFA, and as there has been no funding for this project for two years.

The Committees duly declared the project completed.

- PD 506/08 Rev.1 (I) Reviving Forestry Education in Liberia (Liberia)

This project is aimed at supporting the reestablishment of forest education activities for middle level forestry technicians of the Forestry Training Institute (FTI) located in Tubmanburg. This involves the establishment of a functional curriculum, training of trainers and immediate practical training of the currently registered students of FTI. In addition, the project supports a national working group to conduct a strategic process on overall forest education in Liberia.

The Secretariat informed the Committees that at its Forty-ninth Session in Kuala Lumpur in 2015, the Committees had been informed that the Executing Agency is working on the final report (completion, technical and financial audit reports). However, no progress/final reports were received on the use of these funds to date despite repeated requests.

The Committees agreed to recommend to the Council that this project be terminated.

PD 687/13 Rev.1 (I) Strengthening the Performance of the Wood Processing Sector in Guyana, through Building Local Capacity and the Enhancing National Systems that Promote Forest Products Trade and Sustainable Utilization of Forest Resources (Guyana)

The project is aimed at building the capacity of stakeholders (Management, Operators and Regulators) within the wood processing sector to improve sustainability, efficiency and competitiveness, and enhance the national system for inspection and certification. The Development Objective is to contribute to the enhancement of the efficiency and competitiveness of Guyana's wood processing sector as a means for sustainable utilization of timber resources and national development. The Specific Objective is to strengthen the performance of the wood processing sector through building local capacity and enhancing national systems that will promote and facilitate efficient trade and utilization of lumber for both local and export markets.

The Secretariat reported that all project activities had now been successfully completed and all outputs/objectives achieved. The full completion report, technical reports and financial audit report have been satisfactorily submitted by the Executing Agency.

The Committees duly declared the project completed.

PD 700/13 Rev.2 (I) Development of Intra-African Trade and Further Processing of Tropical Timber and Timber Products – Phase I Stage 2 (ITTO)

Considering the importance of the project to the ITTO Producer Member Countries in African Region, the delegate of Cote d'Ivoire requested that funding be made available to enable the implementation of the project Phase I Stage 2.

PD 722/13 Rev.1 (I) Capacity Building and Reduced Impact Logging (RIL) in Dry Inland Forest in the Permanent Forest on Peninsular Malaysia (Malaysia)

The delegation of Malaysia reported that all project activities had been completed and all necessary reports will be submitted to ITTO in due course.

The Committees took note of the intention of Malaysia to submit the project proposal for the next phase to ITTO.

12. Election of Chairpersons and Vice-Chairpersons for 2017

Following the usual consultations undertaken by the producer and consumer groups, Mr. Jorge Malleux (Peru) was elected Chairperson of the CEM and Mr. Björn Merzell (Sweden) was elected Vice-chair for 2017. Mr. Lokossou Achille Orophée (Benin) was elected Chairperson of the CFI for 2017.

13. Dates and Venues of the Fifty-first and Fifty-second Sessions of the Committees

The Fifty-first Session of the Committees will be held in conjunction with the Fifty-third Session of the International Tropical Timber Council in 2017.

The Fifty-second Session of the Committees will be held in conjunction with the Fifty-fourth Session of the International Tropical Timber Council in 2018.

14. Other Business

The Chairperson of CEM informed the Committees that the Chairperson of ITTC for 2016 received a letter from the Executive Director, Ms. Rachel Butler, of the Global Timber Forum (GTF) to acknowledge the cooperation made by her Organization with ITTO. The Committees agreed to include this letter as Appendix C to this report.

15. Recommendations to the International Tropical Timber Council

- (i) The Committees recommended that funding be made immediately available for the following projects approved under the time-bound electronic no-objection procedure for the spring project cycle 2016:

Committee on Economics, Statistics and Markets

- PD 751/14 Rev.2 (M) Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area (Ecuador) [US\$166,914]
- PD 796/15 Rev.2 (M) Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon (Cameroon)[US\$567,627]

Committee on Forest Industry

- PD 761/14 Rev.2 (I,M) Promoting Partnership between Farmer Group and Forest Industry (Indonesia)[US\$508,693]
- PD 788/15 Rev.2 (I) Achieving Sustainable Forest Management through Enhanced Competitiveness of Small & Medium Wood Industries (SMWIs) in Ciamis District of West Java Province, Indonesia (Indonesia) [US\$569,710]

- (ii) The Committees recommended that additional funding be made immediately available for the following projects approved and (partially) funded at earlier Sessions:

Committee on Economics, Statistics and Markets

- PD 124/01 Rev.5 (M) Promotion of Sustainable Management of African Forests (ITTO)
Phase III Stage 3 [Phase III Stage 3 – US\$573,325]

- (iii) The Committees recommended that funding be made immediately available for the following projects approved at earlier Sessions:

Committee on Forest Industry

- PD 700/13 Rev.2 (I) Development of Intra-African Trade and Further Processing of Tropical Timber and
Phase I Stage 2 Timber Products – Phase I Stage 2 (ITTO) [US\$3,759,256]
- PD 709/13 Rev.2 (I) Enhancing Bali Wooden Handicraft Industry by Improving the Quality of Planted-
Wood Raw Materials and Complying to Legality Standard (Indonesia) [US\$540,008]
- PD 771/15 Rev.2 (I) Genetic Conservation, Utilization and Management of Gall Rust Resistant Strains of
Falcataria moluccana Growing in the Philippines (Philippines)[US\$1,248,913]

- (iv) The Committees recommended that the following project be terminated at this Session:

Committee on Forest Industry

- PD 506/08 Rev.1 (I) Reviving Forestry Education in Liberia (Liberia)

16. Report of the Session

The Committees adopted this report for submission to the Council, with due acknowledgement to the work of the Secretariat under the able guidance of the Chairpersons of the Committees.

APPENDIX A

REPORT ON THE ITTO ANNUAL MARKET DISCUSSION - 2016 “Free Trade Agreements – Challenges and Opportunities for the Tropical Timber Trade” 9 November 2016, Yokohama, Japan

The theme of the 2016 Annual Market Discussion organised by the ITTO Trade Advisory Group (TAG) was “Free Trade Agreements - Challenges and Opportunities for the Tropical Timber Trade” and the discussion was moderated jointly by Mr. Jorge Malleux (Peru) and Mr. Barney Chan (TAG Coordinator).

Six speakers addressed the Council on this theme:

Mr. André de Boer Secretary General European Timber Trade Federation, The Netherlands	<i>FTA'S - The Promotion of Tropical Timber in Europe</i>
Mr. Erik Luis Fischer Llanos Presidente del Comité Forestal Asociación de Exportadores (ADEX), Peru	<i>The Impact of Trade Agreements on Tropical Timber Trade</i>
Mr. Joe O'Donnell Senior Manager for Government and Public Affairs Intl. Wood Products Association (IWPA)	<i>On the Brink of Historic Agreement, Skepticism Colours Trade Debate in the U.S.</i>
Prof. Labode Popoola Forest Economics/Sustainable Development University of Ibadan, Nigeria and President, Forestry Association of Nigeria	<i>Free Trade Agreements and Wood Export in West Africa: Nigeria as a Case Study</i>
Mr. Jirawat Tangkijngamwong Chairman, Thai Timber Association Director of Deesawat Industries Co. Ltd/ Deesawat Design Co., Ltd, Thailand	<i>Open Trade Drives Finished Product Exports and Design Opportunities</i>
Mr. Enrique Téllez Pacheco Presidente Cámara Nacional de la Industria Maderera, Mexico	<i>Free Trade Agreements: Impact on the Tropical Timber Trade in Mexico</i>

Presentations made during the 2016 ITTO Annual Market Discussion can be accessed on ITTO's homepage.

Interventions and Discussion

A delegate from the EU noted that there were many challenges facing tropical producer countries in relation to trade in tropical timber and asked how it was possible to develop advanced technologies to overcome the challenges associated with attracting investment in wood processing and trade.

Mr. Pacheco considered the problem to be complex and that in Mexico the underlying issue was that many forest owners are indigenous communities where forests are managed through customary procedures and that production is inefficient and fractionalised. To achieve improvements in productivity requires engagement with these communities. It is necessary to understand their needs and design programmes and suggest technologies which are appropriate to their needs and capabilities. The building of trust with these forest communities should be an essential aspect of any development programme as forest communities in Mexico have had bad experiences in the past.

Regarding attracting investment in the wood processing industries, legal security is a fundamental requirement for all potential investors, said Mr. Pacheco. He emphasised that when investment involves communities living in or close to the forest it is necessary to ensure the benefits are fair and evenly distributed. Mr. Pacheco noted that in Mexico, despite the many challenges, forest communities were welcoming investment in forestry and wood processing activities.

A delegate from Thailand noted that market transparency was key to SFM and a legal trade and many of the speakers had discussed the extent of illegal logging and trade in their respective countries. Against this

background he asked whether free trade agreements were indeed enhancing transparency and eliminating illegal trade.

Professor Popoola responded that trade was business and profit motivated and that investment flows to where a profit can be made. He said government involvement was required to introduce equity in trade.

On the same issue it was suggested that there was an over-emphasis on illegal logging and the associated trade in efforts to achieve SFM and that more emphasis should be put on the underlying structural issues of poverty and the need to enhance the value of tropical forests.

A speaker asserted that current control measures were not necessarily improving the development of the tropical timber trade. It was suggested that there was a need to reward best production and trade practices rather than the current situation where certification systems penalise the non-conforming suppliers.

In response to the many challenges pointed out by Mr. Fischer Llanos in Peru's forestry sector in achieving benefits from the United States-Peru Free Trade Agreement (PTPA), a delegate from the USA outlined the many benefits she considered arising from the PTPA and the positive changes in the forestry sector in Peru which, in the long term, should benefit the timber industry in Peru.

On the issue of illegal logging, a delegate from PNG noted the importance of clarity regarding definitions of illegal logging and that countries needed to look at their own country perspective in defining illegal logging. Mr. de Boer responded that the EU Timber Regulation's definition of legality was clear. EU importers must ensure imports are in compliance with the national laws in the producing country and that importers are obliged to undertake due diligence to ensure that shipments are legal. He said the conclusion of VPAs and issuing of FLEGT licenses will ensure access to EU markets.

A delegate of Guatemala acknowledged the cooperation with ITTO that enable the country to invest on development of technology that focused on online market statistics and electronic verification systems (SEINEF). This development has opened the possibility of strengthening the work on the chain of custody. The SEINEF has contributed to increase the availability of forest products since 2014, as well as to improve information for local markets. The delegate of Guatemala indicated their desire to participate in the ITTO Market Discussion 2017.

A delegate from Mexico commented that his government is introducing a strategy for promoting SFM. This strategy has five goals: social inclusiveness, forest management for biodiversity conservation, economic development and monitoring and reduction of poverty and these are expected to support expansion of the legal trade in wood products.

The question of whether free trade agreements were benefitting communities that depend on forests for their livelihoods was raised by an observer who asked how they can be improved to lift the poor in forest communities from the informal and often illegal trade into the formal and legal sector.

A delegate from Germany commented that movement of wood products across borders requires verification of origin and species. He informed that Germany supports the Global Timber Tracking Network which is facilitating and promoting the use of DNA and stable isotope markers and timber tracking technologies as a tool to ensure a legal timber trade. He suggested that the success recorded in eliminating the trade in illegal timber achieved through the application of these technologies warrants wider replication.

Annual Trade Statement

The 2016 Trade Statement prepared by the ITTO TAG can be found in Appendix B of this document.

The TAG suggested the following theme for 2017 Annual Market Discussion: "Sharing Experiences on promoting investment in tropical timber industries and tropical forestry".

APPENDIX B

STATEMENT OF THE TRADE ADVISORY GROUP (TAG)

Presented at the 2016 Annual Market Discussion by
Barney Chan (TAG Coordinator)
9 November 2016

Chairperson,
Ladies and Gentlemen,

This Trade Statement is prepared and made on behalf of the Trade Advisory Group (TAG) in ITTO.

These are indeed difficult times for both the tropical timber sector and our Organisation. We were shocked in Kuala Lumpur, when we last met, to learn that a huge amount of the Organisation's funds had been lost because the financial rules of the organisation were ignored. This is very disappointing. The members of the TAG are acutely aware how difficult it is to raise funds and we understand how this loss would impact on the confidence of donors as well as other government agencies and organisations which work with ITTO.

In view of this severe setback to ITTO, we in TAG want to work closely with ITTO Members to move our Organisation forward beyond this crisis.

Firstly, let us not forget to appreciate the value and esteem of ITTO on the global stage. Members of TAG, both consumers and producers, recognise and appreciate the good work of ITTO. ITTO is one of the very few international organisations where the private sector has a voice and plays an active part. We can see how ITTO differs and has a much bigger impact when compared to other similar organisations. Let me mention just a few things that we in the private sector see as the winning difference.

- (1) ITTO does not preach or merely set out prescriptions on forest management. ITTO works with Members to develop guidelines which are field tested by Members. ITTO works with Member countries on projects according to such accepted guidelines. Over the years, we can see how such ITTO projects have helped Members on the ground, more critically, on the forest floor which is more important than having nice documents on the shelves.
- (2) ITTO has a fair and level playing field for all stakeholders to interact. Within this organisation, the NGOs and various environment organisations have a platform to discuss and work with the private sector on matters of importance to both parties: *good forest management*. This interaction is key to finding solutions that are not only successful on the ground, but that can endure over time.
- (3) ITTO delivers market intelligence through its Market Information Service reports which go out to a very wide international audience twice a month. This Report is deeply appreciated by the trade around the world as it provides continuous updates of trends, prices, trade news, production and export volumes, etc. Other stakeholders in the timber sector such as banks, equipment suppliers, logistics companies, etc also use the ITTO MIS Reports to keep updated and informed. No other international organisation provides such a valuable transparent service.

These are but three important reasons why ITTO is the world's premier organisation on tropical forestry and trade, and must continue to function. Therefore, TAG urges members and all stakeholders to close rank and rebuild this Organisation. We feel that our financial problems, difficult and painful though they may be, have also given us an opportunity to re-set this Organisation.

As Members deliberate, we urge you to re-visit our founding principles and let these guide your corrective actions. We must re-focus ourselves on our priority mission which is promoting sustainable trade in tropical timber and supporting the communities that rely on this trade for generations to come. We must bring ourselves back from wandering too far off our objectives, to retain our focus on solid tropical forest management. We must remember and admit our abilities and shortcomings, and work with other like-minded organisations; a good example of which is the excellent joint work of CITES and ITTO.

As you discuss the way forward please remember that we in the TAG recognise the enormous wealth of experience that the ITTC brings together and that this, combined with the skills and deep experiences of the ITTO Secretariat, is a formidable force that has and can continue to help shape the future of tropical forest management and trade.

In conclusion, we again ask you all to close rank, work together in a positive and speedy manner to select a new Executive Director. Our Organisation need an ED to work with us all to re-build our great Organisation.

Thank you.

APPENDIX C

LETTER FROM THE GLOBAL TIMBER FORUM (GTF) TO THE ITTC CHAIRPERSON



7th November 2016

Chairperson Jennifer Conje
5th Floor Pacifico-Yokohama 1-1-1, Minato-Mirai,
Nishi-ku, Yokohama, 220-0012 Japan

Dear Ms Conje

RELEVANCE OF INTERNATIONAL TROPICAL TIMBER ORGANISATION

Climate Change is one of the greatest threats the world faces. To lose focus now on the major role tropical forests play in light of deforestation causes us concern. The International Tropical Timber Agreement (ITTA) brings together an important political network focused on tropical forests. Whilst we recognise the seriousness of the situation in which the ITTO finds itself; we feel that there will be more detrimental consequences if this network is lost.

Many of us from within our network have had the pleasure of working with Dr Steve Johnson and his team and have faith in their expertise and commitment. GTF is therefore keen to see the ITTO not only survive but increase its efforts with enhanced governance put in place. In our view the GTF network and the work we do focused on communications and technical support is ideally placed to collaborate with ITTO. We look forward to the conclusion of deliberations on the selection of the Council to appoint an Executive Director and confirm commitment of the GTF to the future of ITTO at a time when the focus should not be diluted away from the importance of tropical forests.

Yours sincerely

A handwritten signature in black ink, appearing to read "Rachel Butler", with a horizontal line underneath.

RACHEL BUTLER
EXECUTIVE DIRECTOR

On behalf of GTF Executive Board

1. Chair, Ms Cindy Squires – Executive Director, International Wood Products Association USA
2. Treasurer, Mr Andreas von Moller – President, European Timber Trade Federation
3. Ms Françoise van de Ven – Secretary General, Union Des Forestiers Industriels Du Gabon Et Aménagistes
4. Mr Francisco Escobedo Grotewold – Executive Director, Gremial Forestal de Guatemala
5. Mr John Halkett – Secretary General, Australian Timber Importers Federation
6. Mr George White – Operations Director



ABOUT GTF

Global Timber Forum brings together a network focused on the forests and forest products sector. We have an international Executive Board and have been building the concept over a number of years focused on the tropical forests products trade. GTF is now registered as a not-for-profit company and has secured longer-term funding through the UK Department of International Development (Dfid), European Commission (EC) and Food and Agriculture Organisation of the United Nations (FAO) with the latter providing organisational oversight support. We are continuing to build (with FAO) a global database of associations and federations to develop the potential of the GTF. We are in process of formalising a much wider Advisory Committee to include private sector associations along with FAO and World Resources Institute. We would welcome ITTO to also be a member of this committee www.gtf-info.com

FIFTIETH SESSION
7-12 November 2016
Yokohama, Japan

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL FROM
THE FIFTIETH SESSION OF THE COMMITTEE ON
REFORESTATION AND FOREST MANAGEMENT**

Item 1 - Opening of the Session

The Fiftieth Session of the Committee on Reforestation and Forest Management (CRF) was opened on 8 November 2016 by Dr. Mohammed Nurudeen Iddrisu (Ghana), Chairperson of the CRF. The CRF Session adopted the provisional agenda as contained in Document CRF(L)/1.

Item 2 - Adoption of Agenda and Organization of Work

The Provisional Agenda for the CRF, as contained in Document CRF(L)/1, was duly adopted. To expedite proceedings, the Agenda items 4, 6 and 8 were considered at the Joint Session of the committees convened on 9 November in order to ensure that all agenda items are covered within the limited time available to the Committee, the Chairperson of the CRF proposed to organize the Session in the following order: Item 3, Item 5, Item 9, Item 7, Item 10, Item 11, Item 12, Item 13, Item 14, Item 15 and Item 16. The list of participants is presented in Document ITTC(LII)/Info.2.

Item 3 - Admission of Observers

The Committees admitted the observers listed in Document ITTC(LII)/Info.3 Rev.1, as approved by the Council.

Item 4 - Report of the Expert Panel for Technical Appraisal of Project Proposals

The Joint Session of the Committees considered the report of the Expert Panel for Technical Appraisal of Project Proposals presented by its member, Ms. Valéria Cristina Rigueira (Brazil), as contained in document ITTC/EP-51.

In response to a question from the delegate of the EU on the status of funding of the Category 1 projects, the Vice-Chairperson of the Committee on Economics Statistics and Markets (CEM), Mr. Jorge Malleux (Peru), who was also a member of the Oversight Committee, provided a brief explanation on related decisions that will be taken by the Committee on Finance and Administration (CFA) at its Thirty-first Session on project funding as well as on normalizing the cycles of project proposal assessment.

The delegates of Cameroon, Cote d'Ivoire and Guatemala also expressed their concern about the issue of on-going projects and pre-projects impacted by ITTO's financial impairment.

Following the presentation of Ms. Rigueira, delegates of several countries put forward comments and questions.

The delegate of the USA commented on the common trend regarding the lack of quality of submitted project proposals derived from completed pre-projects. Ms. Rigueira responded that the Secretariat needed to provide more facilitation on capacity building for project formulation to producer member countries. She further emphasized the important role of country focal points to screen out the project proposals.

The delegate of Benin questioned the sunset period of approved Category 1 projects. The Secretariat responded that this was in accordance with ITTO rules and procedures. The delegate of Benin further expressed her concern that many project proposals fell under Category 4. To this question, the Secretariat invited the delegate of Benin to join the session of the CEM-CFI where the issue of concern will be discussed in conjunction report on the progress of PD 73/89 (M,F,I) under its Agenda Item 11.

The Committees noted that the Fifty-second Meeting of the Expert Panel for the Technical Appraisal of Project Proposals scheduled to be held in Yokohama, Japan on 25-29 July 2016 was postponed due to financial constraints.

Item 5 – New Projects and Pre-Projects

The Committee noted the projects and pre-projects that were approved under the time-bound electronic no objection procedures to accept the Expert Panel's ratings and circulated to member countries pursuant to Decision 6(XLIII), as contained in Document ITTC/EP-51, following the recommendations of the Expert Panel at its Fifty-first Meeting, as follows:

Fifty-first Expert Panel

Category 1:

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 776/15 Rev.2 (F)	Enhancement of the Wildland Fire Prevention and Control System for the Sustainable Management of ONAB's Plantations (Benin)	Benin
PD 780/15 Rev.3 (F)	Sustainable Indigenous Mixed Species Reforestation, Plus Climate-Resilient Women Livelihoods in Six Rural Communities in Ghana's Akwapim and Upper Krobo Districts	Ghana
PD 802/15 Rev.2 (F)	Building the Capacity of Local Village Communities for the Restoration, Management and Governance of the Founou and Wani Forest Reserves in the Macina District, Segou Region, Mali	Mali
PD 822/16 Rev.1 (F)	Production, Conservation and Sustainable Management of Forest Seeds in Benin	Benin
PD 824/16 Rev.1 (F)	Promoting Sustainable Development and Utilization of Kemenyan (<i>Styrax</i> spp.) Resource Involving Local Stakeholders in Toba Region of North Sumatra Province, Indonesia	Indonesia
PPD 184/15 Rev.2 (F)	Development of Payment for Environmental Services Scheme for Local Community Groups and Private Developer Forest Plantations in Degraded Lands, Ghana	Ghana
PPD 185/16 Rev.1 (F)	Saving Timber Yielding Rare Endemic and Threatened Species of Western Ghats, India by Promoting Agro-forestry and Reforestation of Degraded Lands (India)	India

Category 4:

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 769/15 Rev.2 (F)	Governance and Local Community Participation in Mangrove Forest Management and Restoration in the Gulf of Fonseca, Honduras	Honduras
PD 797/15 Rev.1 (F)	Participatory Development, Conservation and Rehabilitation of Degraded Forest Landscapes in the Bamboutos Highlands, West Cameroon	Cameroon
PD 799/15 Rev.1 (F)	Gender Mainstreaming in the Development of Actions to Control Deforestation and Forest Degradation in Central Africa	Cameroon
PD 811/16 (F)	Susa Range Forest Restoration Project	Ghana
PD 814/16 (F)	Promoting the Sustainable Production and Utilization of Mahoganies for Timber and Non-Timber Products by Industrial and Community Stakeholders in the West African Region	Ghana
PD 816/16 (F)	Transboundary Rural Landscape Restoration in Costa Rica and Panama for Biodiversity Conservation and Ecosystem Goods and Services Production	Costa Rica and Panama
PD 829/16 (F)	Reducing Biodiversity Loss Caused by Deforestation and Tropical Forest Degradation	Ecuador

The Committee noted that the Fifty-second Meeting of the Expert Panel for the Technical Appraisal of Project Proposals scheduled for 25-29 July 2016 was postponed due to financial constraints.

Item 6 – ITTO Annual Market Discussion -2016

The Committees noted the summary of the ITTO Annual Market Discussion – 2016, held in the Joint Session of the Committees on 9 November 2016, as contained in Appendix A to Document CEM-CFI(L)/4. The theme of the Market Discussion was “Free Trade Agreements - Challenges and Opportunities for the Tropical Timber Trade”. Mr. Jorge Malleux (Peru) and Mr. Barney Chan (TAG Coordinator) co-chaired the Market Discussion.

The following feature presentations were made during the Market Discussion:

Prof. Labode Popoola Forest Economics/Sustainable Development University of Ibadan, Nigeria and President, Forestry Association of Nigeria	<i>Free Trade Agreements and Wood Export in West Africa: Nigeria as a Case Study</i>
Mr. Enrique Téllez Pacheco Presidente Cámara Nacional de la Industria Maderera, Mexico	<i>Free Trade Agreements: Impact on the Tropical Timber Trade in Mexico</i>
Mr. Jirawat Tangkijngamwong Chairman, Thai Timber Association Director of Deesawat Industries Co. Ltd/ Deesawat Design Co., Ltd, Thailand	<i>Open Trade Drives Finished Product Exports and Design Opportunities</i>
Mr. André de Boer Secretary General European Timber Trade Federation , Holland	<i>FTA'S - The Promotion of Tropical Timber in Europe</i>
Mr. Joe O'Donnell Senior Manager for Government and Public Affairs Intl. Wood Products Association (IWPA)	<i>On the Brink of Historic Agreement, Skepticism Colours Trade Debate in the U.S.</i>
Mr. Erik Luis Fischer Llanos Presidente del Comité Forestal Asociación de Exportadores (ADEX), Peru	<i>The Impact of Trade Agreements on Tropical Timber Trade</i>

The Committees further noted the statement of the Trade Advisory Group (TAG) presented during the Market Discussion as contained in Appendix B to Document CEM-CFI(L)/4.

Item 7 - Report on Completed Projects and Pre-projects

The Committee considered the completed projects and pre-projects contained in Document CRF(L)/2.

The Committee noted that PD 346/05 Rev.2 (F) "Conservation and Recovery of Degraded Land in Family Agriculture Units in the Eastern Brazilian Amazon (Brazil)" and PD 581/10 Rev.2 (F) "Establishing a Geographical Information System for the Sustainable Management of the Forest Area in Togo", had come to be ready for completion upon the receipt of pending documents.

7.1 Completed Projects

1) PD 21/98 Rev.2 (F) Forest Management, Community Involvement and Sustainable Use of Si-Kop Forest Area (Coastal Province, Cameroon) (Phase II)

The Committee took note that implementation of this project had contributed to formalize the gazetting of Si-Kop Forest through the decree signed in August 2013 by the Prime Minister of Cameroon. It also contributed to the preparation of the management plan of Si-Kop Forest, which was approved in July 2015 by the Government of Cameroon. From the project's lessons and results, it is important to mention that the mid-term evaluation was a good opportunity to readjust the expected outputs of this project taking into account the changes in the target project areas.

The Delegation of Cameroon thanked ITTO and the donor country (Japan) for funding this project which had made the following achievements:

- Establishment of 20,395 hectares of production forests with a management plan approved by the Government of Cameroon;
- Creation of three community forests with simplified management plans also approved by the Government of Cameroon for the benefit of communities living around Si-Kop Forest.

The Secretariat informed the Committee that the Completion Report, Consultant's Technical Reports, Workshop Reports and the Final Financial Audit Report had been delivered by the Executing Agency in

accordance with the Project Agreement. The Committee therefore decided to consider the project as completed, after the compliance of the Executing Agency with the follow-up actions related to the assessment of the Final Financial Audit Report.

2) PD 20/99 Rev.2 (F) Establishment and Management of Production-Protection Community Forests in Lower and Middle Atrato, Department of Choco, Colombia

The Committee noted that this project had contributed to the establishment and management of production-protection community forests in Lower and Middle Atrato, Department of Choco, Colombia. The Committee also noted that the majority of the project activities had been carried out with the use of counterpart funds, and the Executing Agency submitted an official notification to relinquish the last three ITTO disbursements for a total of US\$ 240,000 and reimburse unspent ITTO funds. The Secretariat informed the Committee that the Executing Agency, CODECHOCO, had submitted the Completion Report and a satisfactory Final Financial Audit Report. Therefore, the Committee considered this project as completed.

The Secretariat informed the Committee that the Completion Report had been uploaded on the ITTO website for widespread dissemination and could be obtained also from the Executing Agency upon written request.

3) PD 346/05 Rev.2 (F) Conservation and Recovery of Degraded Land in Family Agriculture Units in the Eastern Brazilian Amazon (Brazil)

The Committee noted that this project had contributed to the rehabilitation of degraded forests in the Eastern Brazilian Amazon. The Committee further noted that the Executing Agency, EMBRAPA Eastern Amazon, had submitted the Completion Report, several technical reports, as well as an article for the TFU. The Secretariat informed the Committee that the submission of the Final Financial Audit Report had been formally guaranteed by the Brazilian Federal Control, which is responsible for the audit of governmental institutions. In this light, the Committee considered this project as completed.

The Secretariat also informed the Committee that these reports and other means of verification would be made available either from the Executing Agency upon written request or ITTO website.

Ms. Valeria Rigueira, the delegate of Brazil gave a presentation to the Committee on the project's main achievements, outcomes and lessons learnt.

4) PD 351/05 Rev.1 (F) Criteria and Indicators for the Evaluation of Tropical Forest Management Sustainability in Mexico (Southeastern Coastal Plains: Gulf of Mexico and Yucatan Peninsula)

The Committee noted that this project had significantly contributed to the sustainable management of tropical forests in southeastern Mexico and the improvement of livelihoods of the forest-dependent local communities. The Committee also noted that the Executing Agency, INIFAP, had submitted the Completion Report, several technical reports and the Final Financial Audit Report. Therefore, the Committee considered this project as completed.

The Secretariat informed the Committee that the documented products and outputs of this project had been uploaded on the ITTO website for widespread dissemination, and could be also obtained from the Executing Agency upon written request.

5) PD 424/06 Rev.2 (F) Conservation and Utilization of Medicinal Plants in Ghanaian Forests Fringe Communities (Ghana)

The Committee noted that the implementation of this project had contributed to the introduction and promotion of appropriate techniques, that can be used by the local communities for the ex-situ (in home gardens) and in-situ conservation (in natural habitats) of medicinal plants by local communities. For the successful implementation of this project, the main lesson learned was the early involvement of key stakeholders, including

selected local communities, from the beginning of the project implementation, for the smooth implementation and completion of projects.

The Committee noted that the Completion Report and Final Financial Audit Report had been submitted by the Executing Agency in accordance with the Project Agreement. The Committee therefore decided to consider the project as completed.

6) PD 441/07 Rev.2 (F) Institutional Strengthening of ANAM for Integrated Fire Management in the Forests of Panama

The Committee noted that the project had significantly contributed to the implementation of community-based forest fire prevention and control activities in Panama. The Committee noted further that the Executing Agency had submitted the Completion Report, several technical reports and the Final Financial Audit Report. Therefore, the Committee considered this project as completed.

The Secretariat informed the Committee that the documented products and outputs of this project had been posted on the ITTO website for widespread dissemination, and could be also obtained from the Executing Agency upon written request.

The Delegation of Panama expressed its appreciation to the donors, the Governments of Japan and the Government of the U.S.A., and reported that this project had left many lessons to the forest firefighters in Panama, as well as the facilities such as the surveillance towers. The Delegation of the U.S.A. congratulated the Delegation of Panama on the successful implementation of this project and informed the Committee its continued efforts in the area of forest firefighting. The Delegation of Japan acknowledged the appreciation of the Delegation of Panama.

7) PD 577/10 Rev.1 (F) Management of the Emerald Triangle Protected Forests Complex to Promote Cooperation for Transboundary Biodiversity Conservation Between Thailand, Cambodia and Laos - Phase III

The Committee took note that the project had been implemented by the Royal Forest Department of Thailand and the Forestry Administration of Cambodia. The project had significantly strengthened ecosystem management of the Emerald Triangle Protected Forests Complex between Thailand, Cambodia and Laos with the improvement of local community livelihoods under the integrated conservation and development programmes. Sharing research results was also institutionalized as the basis of the formulation of sustainable management strategies of the Emerald Triangle Protected Forests Complex.

The Delegation of Thailand made a presentation to the Committee on the project's main achievements, outcomes and lessons learnt from the management of the Emerald Triangle Protected Forests Complex. He highlighted the establishment and implementation of management plans incorporating research results on wide-ranging species and ecological processes; establishment of an institutional mechanism for coordination of transboundary biodiversity conservation; improved capacity of multi-stakeholders in biodiversity conservation and monitoring; and improved livelihoods of local communities. He also expressed two Executing Agencies' gratitude to the donor countries for financing the project. The Delegation of Japan commended the presentation and stressed the importance of wider dissemination of technical reports resulting from the project. In relation to a question on the most difficult thing in implementing the project involving the three countries from the Delegation of PNG, the Delegation of Thailand said that identifying a relevant agency in Laos was a big problem due to the non-membership of Laos to ITTO and that as an attempt to solve part of this problem, the project had worked closely with the Champasak University in Laos in biodiversity and wildlife conservation research.

The Secretariat informed the Committee that the two Executing Agencies had submitted the completion reports, several technical reports and the financial audit reports in accordance with the rules of ITTO. The project's digital products and outputs have been posted on the ITTO website for wider dissemination, and can be further downloaded via ITTO online project search engine, or requested directly from the Executing Agency upon written request. Therefore, the Committee considered this project as completed.

8) PD 581/10 Rev.2 (F) Establishing a Geographical Information System for the Sustainable Management of the Forest Areas of Togo

The Committee took note that the implementation of this project had contributed to the operationalization of the collection and processing of forestry sector data with the use of modern equipment and materials and appropriate methodologies (using ArcGIS software and other software for statistical calculation) in five administrative regions of Togo.

The Committee noted that the Completion Report and the Final Financial Audit Report had been submitted by the Executing Agency in accordance with the Project Agreement. The Committee therefore decided to consider the project as completed.

9) PD 673/12 Rev.1 (F) Strengthening the Capacity in Forest Law Enforcement and Governance of the Permanent Forest Estates in Kratie and Monduliri Provinces of Cambodia

The Committee took note that the project had directly addressed the critical need for strengthening forest law enforcement in the Permanent Forest Estates (PFEs) of Monduliri and Kratie Provinces in Cambodia which have been suffered from inadequate capacities in controlling illegal forest activities although the two provinces are among the richest in forest and biodiversity resources. The Secretariat informed the Committee that many project activities had been implemented in cooperation with key stakeholders, including local governments, NGOs and community leaders.

The Delegation of Cambodia made a presentation on the main achievements of this project to the Committee. He highlighted the operation of a well-functioning forest crime information system and updated technical guidelines for FLEG operations; involvement of over 570 community leaders and members in various trainings on techniques relating to livelihood improvement; and improved public awareness on FLEG and SFM as well as enhanced operational capacity of FA in forestry extension operations. He also expressed the Cambodia Forestry Administration's gratitude to the donor countries for financing the project. The Delegation of USA commented the project's important work on FLEG. In relation to her enquiry on the project's collaboration with international crime related initiatives, the Committee noted that the project worked with relevant FLEG initiatives under the current national forest programme on forest law enforcement. The Delegations of Kora and Japan commended the Delegation of Cambodia for the presentation and the successful completion of the project.

The Committee noted that the Executing Agency had submitted the completion report, several technical reports and the financial audit report in accordance with the rules of ITTO. The Secretariat informed the Committee that the project's digital products and outputs have been posted on the ITTO website for wider dissemination, and can be downloaded via ITTO online project search engine or requested directly from the Executing Agency upon written request. Therefore, the Committee considered this project as completed.

10) PD 724/13 Rev.1 (F) Guidelines for the Management of Tara (Caesalpinea Spinosa) Plantations with a View to the Rehabilitation of Waste Lands in the Sub-Humid Tropics of the Coastal Region of Peru

The Committee noted that this project had significantly contributed to the rehabilitation of degraded lands in the Peruvian coastal region and provided poor farmers with additional incomes. The Committee further noted that the Executing Agency had submitted the Completion Report, several technical documents, the Final Financial Audit Report and other products, in accordance with the Project Agreement. Therefore, the Committee considered this project as completed.

The Secretariat informed the Committee that the documented products and outputs of this project had been posted on the ITTO website for widespread dissemination, and could be also obtained from the Executing Agency upon written request.

Ing. Jorge Malleux of the Delegation of Peru gave a presentation to the Committee on the project's main achievements, outcomes and lessons learned. The Delegation of the U.S.A. expressed its gratitude to Ing. Malleux for his presentation and reminded the Committee that this project contributes to the global efforts to restore degraded lands and landscapes, referring to the Bonn Challenge as well as the discussions at the IUCN World Conservation Congress hosted by the U.S.A. this year in Hawaii. In response to the question asked by the

Delegation of the U.S.A., Ing. Malleux mentioned about the difficulties the project had faced at its initial stage in convincing the communities of the possibility of reforesting degraded lands.

7.2 Completed Pre-project

The Committee noted that there was no pre-project to be declared complete at this session.

Item 8 - Ex-post Evaluation

(A) Ex-post Evaluation Reports

The Committees was informed that the following five thematic groups and associated twelve projects were selected for ex-post evaluation by the CRF at its Forty-ninth Session:

1) Thematic Group Evaluation: Forest Management / Inventory

- | | |
|---------------------|--|
| PD 142/02 Rev.2 (F) | Sustainable Production of National Forests under the “Regime of Forest Concessions” (Brazil) |
| PD 248/03 Rev.4 (F) | Antimary Forest Management Regional Training Centre (Brazil) |
| PD 438/06 Rev.2 (F) | Sustainable Forest Management for the Forest Production Area of the Northern and Northeastern Regions of the Department of Antioquia, Colombia |

2) Thematic Group Evaluation: Biodiversity Conservation / Conservation Areas

- | | |
|---------------------|---|
| PD 165/02 Rev.3 (F) | Conservation of Biological Diversity through Sustainable Forest Management Practices (Malaysia) |
| PD 288/04 Rev.2 (F) | Development of Lanjak Entimau Wildlife Sanctuary as a Totally Protected Area, Phase IV (Final Phase) (Malaysia) |
| PD 451/07 Rev.1 (F) | Transboundary Biodiversity Conservation Area: The Pulong Tau National Park, Sarawak State, Malaysia - Phase II |

3) Thematic Group Evaluation: Forest Rehabilitation / Landscape Restoration / Secondary Forest Management

- | | |
|---------------------|---|
| PD 372/05 Rev.1 (F) | Contribution to Forest Rehabilitation in Thailand’s Areas Affected by Tsunami Disaster |
| PD 501/08 Rev.1 (F) | Promoting Household Reforestation in Tropical Zone of Southwestern China through Development and Extension of Household-Oriented Techniques |

4) Thematic Group Evaluation: Improvement and Conservation of Genetic Resources

- | | |
|---------------------|---|
| PD 54/00 Rev.4 (F) | Genetic Resistance of Iroko to <i>Phytolyta lata</i> – Phase II (Côte d'Ivoire) |
| PD 377/05 Rev.3 (F) | Development of Cloning for Samba (Obéché), West African Mahogany and Tiokoué Tree Species (Côte d'Ivoire) |
| PD 419/06 Rev.3 (F) | Forest Seeds Management and Conservation (Côte d'Ivoire) |

5) Thematic Group Evaluation: Teak

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| PD 270/04 Rev.2 (F) | Ex-situ and In-situ Conservation of Teak (<i>Tectona grandis</i> L.F.) to Support Sustainable Forest Management (Myanmar) |
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- a) Ex-post evaluation of PD 270/04 Rev.2 (F)
- b) Thematic assessment of all completed projects on Teak in cooperation with TEAKNET, IUFRO, FAO, and other relevant organizations/institutions.

The Secretariat reported the Committees at their Joint Session on the results of ex-post evaluation of PD 270/04 Rev.2 (F) under the Thematic Group of Teak, as contained in document CRF(L)/4, which was prepared by two consultants, Dr. Yazar Minn (Myanmar) and Dr. Reinhold Glauner (Switzerland). The Committees were informed by the Secretariat that the scope of the Thematic Group Evaluation of Teak was reduced only to PD 270/04 Rev.2 (F) due to financial constraints and that the evaluation was carried out with the engagement of IUFRO in the context of promoting cooperation between ITTO and IUFRO.

The Committees took note that the project had contributed to the establishment of a total of 150 acres of Seed Production Areas (SPAs) at six districts and two seed orchards for production of high quality seed. The Committee also took note of the findings of this ex-post evaluation, including:

- all technical aspects of the project are still in place and maintained although there is one exception; plot management objectives are not periodically reconfirmed;
- upscaling effect in communities is low; weak community forestry policy; and
- need for training of field staff to improve their forestry technical knowledge.

Furthermore, the Committee took note that the evaluation made a number of recommendations for the Forest Department of Myanmar. These include:

- integrating tree improvement and gene conservation of teak into upcoming forest policy development;
- critically reviewing all technical papers, guidelines, manuals for SPA management;
- integrating community specialists in SPA management; and
- carrying out forest appraisals such as commercial value assessments of SPAs for determination of seed prices.

The evaluation's recommendations for ITTO include:

- ensure integration of results of technical projects into national forest policy during the project planning phase; ensure application of appropriate methods and specialists when technical-oriented projects are combined with social/community forest approaches; and
- continue to support technical approaches in forestry, which are definitely needed to advance forestry as a science-based land management.

The Delegation of Thailand provided information on teak genetic and tree improvement activities in Thailand, such as the establishment of a teak improvement centre, seed orchards and seed production areas. He said that the Royal Forest Department is interested in increasing collaboration on teak with interested parties in ITTO member countries including Myanmar. He also looked forward to ITTO's continued support to teak, one of the most valuable commercial species. The Committees commended the consultants for their report as well as the collaboration between ITTO and IUFRO in conducting the ex-post evaluation of the teak project in Myanmar.

Item 9 - Policy Work

The Committee considered the progress in the implementation of the following policy-related matters:

(i) Revision of ITTO C&I [Activity 10(b), ITTO Biennial Work Programme 2013-2014 / Decision 2(XLVIII)] [PP-A/48-273]

The Secretariat reported the Committee on the progress having been made in the implementation of this activity, as follows:

- The activity was a part of the ITTO Biannual Work Program (BWP) 2013-2014 approved by the Council at its Forty-eighth Session in 2012 and financed by Switzerland in the same year. The aim of the activity was to convene an expert meeting to review the ITTO Criteria and indicators for the sustainable management of tropical forests (C&I) based on the C&I-related work of ITTO, as well as the related international developments, and to print the revised C&I following its approval.
- The expert meeting was convened in Luderenalp, Switzerland in June 2015 following the approval and the publication of the revised ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests. The report of the expert meeting, including a draft of the revised ITTO C&I, was posted on the

ITTO website from August to October 2015 to receive inputs from ITTO member countries. Four countries, namely Malaysia, New Zealand, the Philippines, and Portugal, provided written comments on the introductory text and a number of indicators.

- At the Forty-ninth Session of the Committee held in November 2015, the consultant, Dr. Jürgen Blaser, made a brief presentation on the draft of revised C&I focusing on the process and nature of the revision and addressing the comments received from the four countries. Additional comments were received from the Committee, including on how the revised C&I relates to existing national C&I and how safeguards issues are addressed in the revised C&I, among others.
- Based on these comments, the draft C&I was further reviewed and revised for finalization. The final set of the revised C&I was published in August 2016 as the ITTO Policy Development Series 21. The publication has been available on the ITTO website.

There was no comment from the Committee regarding this activity.

(ii) Promote the conservation, restoration and sustainable management of mangrove ecosystems [Activity 10, ITTO Biennial Work Programme 2015-2016 / Decision 2(L)] [PP-A/50-298]

The Secretariat reported the Committee on the progress having been made in the implementation of this activity, as follows:

- The activity was approved as a part of the ITTO Biennial Work Programme (BWP) 2015-2016 adopted by the Council in November 2014. The aim of the activity was to strengthen practical actions and partnerships to facilitate the conservation, restoration and sustainable management of mangrove forests and their ecosystems. Specific actions planned under this activity include:
 - Review of actions having been taken by ITTO and other organizations and stakeholders; and
 - Organization of an international conference to share lessons learned, discuss challenges and opportunities and identify strategies and practical actions ITTO and its member countries can take.
- Upon the receipt of the contribution of US\$50,000 from the Government of the U.S.A., the Secretariat undertook a study in collaboration with the International Society for Mangrove Ecosystems (ISME) in 2015. The study covered the following work:
 - Review and analysis of mangrove-related activities and projects ITTO and other organizations have carried out;
 - Identification of priority areas for developing ITTO strategies and action plan; and
 - Preparation of a background paper for the international conference.
- At the Forty-ninth Session of this Committee held in 2015, outcomes of the study were presented by Professor Shigeyuki Baba, Executive Director of ISME.

Referring to the recommendation by the Informal Advisory Group (IAG) to extend the BWP 2015-2016 for another year, the Secretariat informed the Committee of the following:

- The remaining balance of the provided US\$50,000, which was about US\$22,000, was lost as a result of the impairment of ITTO funds;
- On the other hand, the Government of Japan provided its voluntary contribution of US\$100,000 in March 2016 to finance the implementation of this activity; and
- The Ministry of Environment and Forestry of Indonesia has also committed to providing US\$22,000 to cover the local costs associated with the organization of the conference on condition that the funds are spent before the fasting month of next year.

The Secretariat expressed its appreciation to the two countries for their generous support. The Secretariat further informed the Committee that the estimated budget for the implementation of this activity was US\$250,000 for the second year and there was still the need for additional funds for the organization of an international conference on mangrove. The Secretariat called the member countries and other donors for further contribution.

In response to the call for financial assistance, the Delegation of the U.S.A. indicated its intention to contribute to the implementation of this activity, emphasizing the importance of mangrove forests in reducing disaster risks and increasing resilience to climate change.

(iii) Promote the implementation of guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land [Activity 14(a) and (b), ITTO Biennial Work Programme 2013-2014 / Decision 2(XLVIII)] [PP-A/48-276 and PP-A/49-288]

The Committee took note that three national case studies had been conducted in all three tropical timber producing regions (Africa, Asia-Pacific and Latin America) through the activities in the following countries:

- Ghana with a multidisciplinary team (Dr. Dominic Blay as Team Leader, Dr. Beatrice Obiri and Dr. Mark Appiah as members) which had already been involved in the implementation of a previous ITTO Activity in forest landscape restoration (FLR) in Ghana;
- Indonesia with Dr. Hiras Sidabutar supported by national experts; and
- Mexico by Dr. David Douterlungne (within the framework of cooperation between BirdLife International and ITTO).

The Committee was informed that based on the findings and results of the three abovementioned national case studies, Dr. Kathleen Buckingham and Ms. Sarah Weber from the World Resources Institute (WRI) prepared a technical report entitled “*Assessing the ITTO guidelines for the restoration, management and rehabilitation of degraded and secondary tropical forests: case studies of Ghana, Indonesia and Mexico*”. This technical report was considered also as a contribution of ITTO to the Global Partnership on Forest Landscape Restoration (GPFLR), as a GPFLR member, for sharing knowledge and practices in forest landscape restoration. For more details on the findings and results, this technical report is available in three ITTO working languages (English, French and Spanish) through the following links:

- http://www.itto.int/technical_report/;
- http://www.itto.int/fr/technical_report/;
- http://www.itto.int/es/technical_report/.

The Committee was also informed that these WRI experts had also prepared an article which was published in the ITTO quarterly *Tropical Forest Update (TFU)*. The article was published in the TFU issue 25-2 available through the following link: <http://www.itto.int/tfu/id=4867>. A poster was also produced in order to be used as a publicity material regarding ITTO achievements in FLR and it is available through the following link: http://www.itto.int/files/user/pdf/posters/ITTO_WRI_Poster%20FINAL%20v6.pdf

The Committee was further informed that the abovementioned technical report was launched and presented on 6 December 2015, in Paris, France, at a learning session of the Global Landscapes Forum 2015 which was organized in conjunction with the Twenty-first Meeting of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21 UNFCCC).

(iv) Development of “Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects” [CRF(L)/5]

The Secretariat updated the Committee on the development of “Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects (ESIA guidelines)”. The Committee took note of the following:

- The draft Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects were prepared by two consultants, Dr. James Gasana (Switzerland) and Mr. Ricardo Umali (The Philippines) in September 2015. The draft was presented by Dr. James Gasana to the Committee at its Forty-ninth Session in November 2015.
- The Committee in November 2015 recognized the importance of developing of ESIA Guidelines and recommended that a new streamlined and user-friendly version be presented for further review at next session of the Committee in 2016.
- Based on the Committee’s recommendation last year, the draft had been simplified and streamlined with the engagement of the two consultants. In addition to streamlining the sections with general information, the main chapter “ITTO Environmental and Social Requirements” was also simplified and became more user-friendly. In its main part, the revised draft has the following three chapters: 1) overarching policy and principles; 2) ITTO’s management of environmental and social risks; and 3) environmental and social requirements.
- Eight working areas for the application of environmental and social requirements include: 1) rehabilitation of degraded landscapes, 2) timber producing forests; 3) community-based natural resource management; 4) biodiversity conservation in timber producing forests; 5) watershed management areas and environmental services; 6) forest-based climate change mitigation and adaptation; 7) planted forests; and 8) forest industries and trade.

The Delegation of the EU noted that the revised draft Guidelines for Environmental and Social Risks and

Impacts Assessment in ITTO Projects have been streamlined in a user-friendly way. She supported the adoption of the revised draft Guidelines at this session. In relation to an enquiry from the Delegation of Côte d'Ivoire regarding the availability of French version, the Secretariat replied that French and Spanish versions of the revised draft Guidelines are not made available while the French and Spanish versions of the draft Guidelines can be found on the ITTO website.

The Delegation of the USA thanked the two consultants for streamlining the draft ESIA Guidelines in a user-friendly way. She stressed the importance of enhancing the environment and social aspects of ITTO projects and pointed out that projects in community forestry and landscapes restoration can improve their environmental and social performances in line with the Global Partnership for Forest Landscapes Restoration (GPFLR) and taking into account the proposed ESIA guidelines. With regard to the Category C in the preliminary categorization of projects (annex 2) of the revised draft ESIA guidelines, she suggested providing more elaborations on relevant projects and activities. She recommended the adoption of the revised draft ESIA Guidelines and the use of them as a living document in a pilot phase.

In light of the importance of improving the systematic identification and avoidance of risks in ITTO project design and implementation for the people and the environment, the Committee decided to adopt the Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects subject to amendments proposed by Members during its Fiftieth Session. The Committee strongly recommended the wider application of the adopted ESIA Guidelines by the Secretariat and Member Countries submitting projects for funding in their proposal where appropriate, as a pilot phase, until the modifications of the ITTO Project-related guidelines and manuals to reflect the guidance of the ESIA Guidelines. Furthermore, the Committee recommended that an activity for the modifications of the ITTO Project-related guidelines and manuals should be included in the future BWP where appropriate.

(v) Development of ITTO Guidelines to Incorporate Gender Equity in the Organization's Activities, Programmes and Projects in Member Countries [Activity 2, ITTO Biennial Work Programme 2015-2016 / Decision 2(L)] [PP-A/50-297]

The Secretariat reported the Committee on the activities having been undertaken in 2015 and summarized the discussion took place at the Fifty-first Session of the Council in 2015, as follows:

- This activity was approved by the Council at its Fiftieth Session in 2014 under the ITTO Biennial Work Programme (BWP) 2015-2016 and financed by the USA. The activity was undertaken by the Secretariat in 2015 and a report was presented by the consultant, Dr. James Gasana (Switzerland), at the Fifty-first Session of the Council held in November 2016 under its Agenda Item 18. The report contained in Document ITTC(LI)/12 Rev.1 can be downloaded from the ITTO website.
- A summary of the report includes, among others:
 - There is considerable evidence, as well as common international recognition and understanding, that advancing gender equality helps us achieve broader development objectives, such as poverty alleviation and inclusive growth in pursuit of sustainable development;
 - Efforts have been made by the international community to advance gender equality, and major forest-related international organizations have developed and have been implementing their respective strategy/policy/plan to ensure gender equality in conducting their work;
 - However, Gender equality is insufficiently addressed in many of the key instruments of ITTO, including the ITTA, 2006, ITTO Strategic Action Plan 2013-2018, programme documents of the ITTO Thematic Programmes and various policy guidelines ITTO has developed for forest management;
 - In order for ITTO to ensure gender equality and to enhance women's empowerment, a set of seven policy commitments, as well as 38 actions and 31 indicators, is proposed as ITTO guidelines for gender equality and women's empowerment; and
 - The seven commitments identified in the report include:
 - Ensuring that no person is discriminated on grounds, inter alia, of sex or gender in any area of ITTO's work (Commitment 1);
 - Ensuring participation of men and women in decision-making processes of the Council, Committees and subsidiary bodies (Commitment 2);
 - Implementing gender mainstreaming in all ITTO's work (Commitment 3);
 - Developing partnerships with civil society, private organizations and other international agencies that are active in the field of GEWE to ensure ITTO's progress in this field in the area of its work (Commitment 4)
 - Providing the empowerment of women through implementation of gender responsive programmes, projects and activities (Commitment 5);

- Building ITTO organizational and members capacity for the implementation of ITTO's GEWE Guidelines (Commitment 6); and
- Allocating appropriate resources for implementing gender equality and equity mainstreaming (Commitment 7).

Then, the Secretariat summarized the discussion at the Fiftieth-first Session of the Council, as follows:

- During the discussion took place following the presentation of the report, the following points were raised by the delegates on the proposed guidelines:
 - The delegate of Norway, supported by the EU, proposed that the draft guidelines be revised into more accessible language to facilitate their implementation;
 - The delegate of Indonesia noted the necessity for gender analysis at the project design stage, given that customary and traditional law varies from region to region;
 - The delegate of Papua New Guinea proposed the establishment of a working group to take this issue further;
 - The delegates of the EU proposed clearer mention of the roles and responsibilities of relevant actors, human rights, the work of UN Women, and adequate outreach and training to accompany the guidelines;
 - The delegate of Benin suggested that implementation of the guidelines include integration into future ITTO Action Plans; and
 - The delegate of the USA proposed the gender-disaggregated monitoring of employment in timber-related high-level positions.
- Due to the exhaustion of provided funds, no follow-up work has been undertaken since the Fifty-first Session of the Council. In consideration of the importance of the work, the Secretariat wishes to seek guidance again from the member countries on the way forward in the development of guidelines for gender equality and women's empowerment. In doing so, the Secretariat has decided to move this agenda item from the Council to this Committee in consultation with the Chairpersons of the Council and the Committee in light of the fact that these guidelines would ultimately be integrated mainly into the formulation, implementation and evaluation of ITTO projects, including those under the ITTO Thematic Programmes.

The Chairperson invited the Committee to provide the Secretariat with its views and guidance on the way forward in the development of gender guidelines and women's empowerment.

There was no comment from the Committee. The Chairperson encouraged the Committee members to provide the Secretariat with comments, as well as indication of financial contribution if any, during the Council for the advancement of this important activity.

Item 10 – Biennial Work Programme of the Committees for 2017-2018

The Committee noted that the Council had decided to extend the duration of the ITTO Biennial Work Programme for the Years 2015-2016 (BWP 2015-2016) for another year following the recommendation made by the Informal Advisory Group, as contained in Document ITTC(LII)/2. Then, the Committee was invited to provide its views, ideas and proposals for the activities to be included in the BWP 2018-2019, which will be discussed by the Committee at its Fifty-first Session and adopted by the Council at its Fifty-third Session. The Committee was also encouraged to propose topics to be discussed at the Fifty-first Session of the Committee under its Agenda Item on Policy Work.

The Delegation of the USA expressed its interest in supporting the work to refine and finalize the gender guidelines, emphasizing its importance not only in receiving accreditation to the Green Climate Fund but also in improving the quality of ITTO projects. Responding to the inquiry from the Delegation of the USA, the Secretariat informed the Committee that funds are required to proceed with the work and a possible process to finalize the guidelines would be as follows:

- Hire a consultant and incorporate the comments received from the Council at its Fifty-first Session into the current draft guidelines;
- Upload the draft guidelines on the ITTO website for no-objection; and
- Revise the draft taking into account the comments received, if any, and finalize the guidelines.

Item 11 – Review of Projects and Pre-projects in Progress

The Committee was informed that the Secretariat's report and the Committee's discussion were limited to the following projects and pre-projects in order to expedite proceedings, in accordance with the Section VI of Annex A to Decision 4(XXV):

- Those having implementation problems;
- Those requiring additional funds;
- Those requesting extension of more than six months beyond the original duration; or
- Those requesting essential major modifications of the work plan and budget.

The Committee was further informed that the projects and pre-projects that had not fallen into the aforementioned categories by the time of the suspension of installments of funds were to be excluded from the Secretariat's report and Committee's discussion although most of the approved projects and pre-projects had been impacted by the suspension.

11.1 **Projects**

The Committee took note of the status of projects that had been approved by the Council, as contained in Document CRF(L)/3, as categorized: (A) projects under implementation (twenty-seven projects); (B) projects awaiting implementation agreement (five projects); (C) projects awaiting financing (twenty-three projects); and (D) projects coming under the sunset provisions since the last session (seven projects).

The Secretariat informed the Committee that projects that had been declared completed at the previous sessions but were still pending Final Financial Audit Reports were re-inserted into Document CRF(L)/3.

Then, the Committee considered the implementation issues, details of which were as follows:

(A) Projects under implementation

1) PD 367/05 Rev.2 (F) Promotion of the Sustainable Management of Tropical Planted Forest in Congo's Tropical Forest Plantations (Republic of Congo)

The Committee took note that the implementation of this project had contributed to the development of a national set of Principles, Criteria & Indicators (PC&I) for the sustainable management of forest plantations in the Republic of Congo which was validated by all relevant stakeholders. The developed national set of PC&I included: four Principles, twenty-three Criteria and one hundred Indicators, as well as two hundred fifty Verifiers for Indicators.

The Committee also noted that, in December 2010, the Secretariat received the Completion Report; however, the Final Financial Audit Report has not been submitted. The Committee recalled that it had already urged the Executing Agency to submit the Final Financial Audit Report at its Forty-fourth, Forty-fifth, Forty-sixth, Forty-seventh, Forty-eighth and Forty-ninth Sessions.

The Committee further noted that subsequent to the aforementioned situation, a termination notice was sent in April 2016 informing the Executing Agency that the Secretariat would be obliged to recommend the termination of this project, unless the Final Financial Audit Report is submitted in due time. As no Final Financial Audit Report was submitted to the Secretariat, the Committee recommended to the Council the termination of this project.

2) PD 452/07 Rev.5 (F) Sustainable Management of Production Forests at the Commercial Scale in the Brazilian Amazon – Phase II (Brazil)

The Committee noted that the Inception Report received by the Secretariat in October 2016 has not been approved by the Secretariat due to its incompleteness. The Committee also took note of the indication expressed by the Executing Agency in its Inception Report that the project scope would need to be broadened to take into account the changes in the development scenario in the Brazilian Amazon. As a result of the consultation, the Delegation of Brazil ensured the resubmission of the Inception Report in its standard format with the necessary attachment. The Delegation also assured the Committee of the compliance with the relevant project manuals and guidelines at all stages of the implementation of this project. In this light, the Committee urged the Executing Agency to resubmit a satisfactory Inception Report. The Committee also urged the Executing Agency to ensure the project implementation compliant with the relevant project manuals and guidelines while keeping its relevance to the changes in the local circumstances. The Committee further requested the Secretariat to closely monitor the implementation of this project.

3) PD 470/07 Rev.1 (F) Development and Implementation of Criteria and Indicators for Sustainable Management of Planted Forests and Community Forests (Thailand)

The Committee noted that the implementation of project activities had been progressing at a slow pace with the change of the project team members. The Delegation of Thailand informed the Committee that with the engagement of two national consultants, the project is starting the formulation of a draft national C&I for SFM and standards of performance for planted forests and community forests as well as a draft COC/tracking system in the country. In order to avoid any further delay of project implementation, the Committee urged the Executing Agency to fulfil its commitment to the efficient implementation of this project with the engagement of appropriate resource persons.

4) PD 507/08 Rev.1 (F) Development of the National Reforestation Policy and Afforestation Strategy Consistent with Liberia 3C-Approach (Liberia)

The Committee took note that no Progress Report was submitted by the Executing Agency both in February and August 2016. The Annual Financial Audit Report was not submitted either by end of March 2016. Therefore, the Secretariat was not able to update the Committee on the status of the implementation of this project. In this light, the Committee urged the Executing Agency to strictly abide to ITTO's rules and procedures and submit all pending Progress Reports, as well as the Annual Financial Audit Report, at its earliest convenience, but not later than end of February 2017 (for Progress Report) and end of March 2017 (for Annual Financial Audit Report).

5) PD 563/09 Rev.5 (F) Community Based Forest Management of Sungai Medehit Watershed (Malaysia)

The Committee noted that this project has been supported by APFNet under a MOU between ITTO and APFNet on Rehabilitation and Sustainable Forest Management and that many project activities have been implemented on the ground for indigenous peoples of Kelabit and Long Napir communities. However, the Committee also noted that there is a need for the Executing Agency to improve their timely and quality reporting of project implementation in accordance with the rules and procedures of APFNet.

The Delegation of Malaysia expressed its appreciation to APFNet for financing the project and updated the Committee on improvements in community forest management in Sungai Medehit Watershed, alternative livelihoods development and installation of two solar power systems as well as construction of more than 1km of road to Kampong Bahagia. For effective reporting, the Committee urged the Executing Agency to submit all pending documents following APFNet's guidelines and formats and within the established timelines.

(B) Projects awaiting implementation agreement

1) PD 721/13 Rev.3 (F) Building a Participatory and Inclusive Sustainable Forest Management Process for the Reduction of Deforestation and Forest Degradation in the Ixil Forest Areas of the Municipality of Nebaj, Quiché, Guatemala

The Committee took note that the 36 month project was approved under Spring 2014 Project Cycle through the electronic no-objection procedure and funds were pledged by Japan in March 2016. However, the Project Agreement to regulate project implementation has been pending due to the issue of the impairment of investments. The Committee took note that the Project Agreement to regulate the implementation of this project will be suspended until a decision is made by the Council at its Fifty-second Session on the allocation of funds.

2) PD 741/14 Rev.3 (F) Capacity Building for Sustainable Management of Tropical Dry Forests on the North Coast of Peru

The Committee took note that the 36 month project was approved under Spring 2014 Project Cycle through the electronic no-objection procedure and funds were pledged by Japan in March 2016. However, the Project Agreement to regulate project implementation has been pending due to the issue of the impairment of investments. The Committee took note that the Project Agreement to regulate the implementation of this project will be suspended until a decision is made by the Council at its Fifty-second Session on the allocation of funds.

3) PD 754/14 Rev.3 (F) Rehabilitation and Sustainable Management of Sacred Forests on Ramsar Sites 1017 and 1018 in Benin

The Committee took note that the 36-month project was approved under Spring 2015 Project Cycle through the electronic time-bound approval system, and funds were fully pledged in March 2016, thanks to the generous contribution of the Government of Japan. However, the Project Agreement regulating the implementation of the project has been pending due to the issue of the impairment of investments. Therefore, the preparation of the Project Agreement will depend on the decision of the 52nd Session of the Council regarding the allocation of funds.

4) PD 764/14 Rev.2 (F) Enabling Customary Landowners to Participate Effectively in Community Forest Management Schemes Within 6 Pilot Areas of PNG

The Committee took note that the project was approved under Autumn 2014 Project Cycle and received funds from the Government of Japan in April 2016. However, preparation of a project agreement for regulating project implementation has been suspended due to the issue of the impairment of investments. The Committee noted that the preparation of the project agreement will be finalized as soon as a decision is made by the Council at its Fifty-second Session on the reallocation of funds. The Delegation of PNG expressed its appreciation to the Government of Japan for financing the project and looked forward to the implementation of the project in 2017.

5) PD 777/15 Rev.2 (F) Accelerating the Restoration of Cibodas Biosphere Reserve (CBR) Functions through Proper Management of Landscapes Involving Local Stakeholders (Indonesia)

The Committee took note that the project was approved under Autumn 2015 Project Cycle and received funds from the Government of Japan in April 2016. However, preparation of a project agreement for regulating project implementation has been suspended due to the issue of the impairment of investments. The Committee noted that the preparation of the project agreement will be finalized as soon as a decision is made by the Council at its Fifty-second Session on the reallocation of funds.

(C) Projects awaiting financing

The Committee noted that the following twenty-three projects approved at earlier and current sessions were still awaiting funding, out of which twelve projects will be sunset if funding is not made available before the next session. The Chairperson encouraged the Committee members and other donors to provide funding for the implementation of these projects.

- 1) *PD 554/09 Rev.4 (F) Pilot Sustainable Management Systems for Secondary Forests in the Collective Territory of the Bajo Calima Community Council, Municipality of Buenaventura, Colombia
- 2) PD 690/13 Rev.4 (F) Bamboo for Life: An Alternative for the Rehabilitation of Degraded Forests and Sustainable Rural Development in the Peruvian Amazon Region (Peru)
- 3) PD 712/13 Rev.2 (F) Enhancing the Implementation of Landscape Management of Giam Siak Kecil-Bukit Batu Biosphere Reserve (GSK-BR) in Riau Province of Sumatra Island, Sumatra (Indonesia)
- 4) PD 713/13 Rev. 2 (F) Operationalising the Policy on Sustainable Management of Sandalwood Resource Through Improved Livelihood and Increased Participation of Local Communities (Indonesia)

- 5) *PD 723/13 Rev.2 (F) Capacity Building for Strengthening Transboundary Biodiversity Conservation of the Taninthayi Range in Myanmar – Phase I & II (Myanmar)
- 6) PD 735/14 Rev.2 (F) Enhancing Partnership Efforts to Restore Peat Swamp Forests in Sumatra (Indonesia)
- 7) PD 736/14 Rev.1 (F) Enhancing Conservation and Sustainable Production of Indonesian Rosewood (*Dalbergia* spp) (Indonesia)
- 8) PD 739/14 Rev.1 (F) Initiating the Conservation of Eboni Species (*Diospyros celebica* Bakh) Involving Local Stakeholders in Sulawesi (Indonesia)
- 9) *PD 748/14 Rev.3 (F) Building Capacities and Meaningful Stakeholder Participation in Forest Governance to Contribute toward Sustainable Forest Management and Improved Livelihoods of Forest Dependent Communities in Honduras and Guatemala
- 10) *PD 762/14 Rev.2 (F) Developing and Implementing Improved Management Practices that Maintain and Enhance Forests and Biodiversity Protection, to Support SFM within the Context of Multiple Use in Guyana’s Forest Dependent Communities
- 11) *PD 765/14 Rev.2 (F) Development of a Forest Landscape Restoration Program for Guatemala Based on ITTO Guidelines
- 12) *PD 772/15 Rev.1 (F) Improved Application of Growth and Yield Models to Forest Management Planning in the Amazon Basin (Brazil)
- 13) *PD 773/15 Rev.1 (F) Restoration and Maintenance of Environmental Services in Moist Tropical Pasture Lands - Criteria and Techniques for the Introduction and Use of Native Trees (Mexico)
- 14) *PD 774/15 Rev.2 (F) Implementation of the Forest Management Plan of the Chepigana Forest Reserve, Choco-Darién Eco-Region, as a Conservation and Sustainable Development Alternative for a Protected Area (Panama)
- 15) *PD 775/15 Rev.2 (F) Management and Restoration of the Forest Landscape in San Marcos, Guatemala and Chiapas, Mexico
- 16) PD 776/15 Rev.2 (F) Enhancement of the Wildland Fire Prevention and Control System for the Sustainable Management of ONAB’s Plantations (Benin)
- 17) *PD 778/15 Rev.1 (F) Sustainable Forest Management, Conservation of Biological Diversity and Promotion of Landscapes for Socio-Ecologic Production in Indigenous Territories of the Uwalcox Micro-Watershed in Guatemala’s Western Altiplano (Guatemala)
- 18) PD 780/15 Rev.3 (F) Sustainable Indigenous Mixed Species Reforestation, Plus Climate-Resilient Women Livelihoods in Six Rural Communities in Ghana’s Akwapim and Upper Krobo Districts
- 19) *PD 785/15 Rev.1 (F) Phytosanitary Management of Commercial Forest Plantations in the Moist Tropics (Mexico)
- 20) *PD 794/15 Rev.1 (F) Conservation and Sustainable Use of Mangrove Forest Resources in the Province of El Oro, Southern Ecuador
- 21) PD 802/15 Rev.2 (F) Building the Capacity of Local Village Communities for the Restoration, Management and Governance of the Founou and Wani Forest Reserves in the Macina District, Segou Region, Mali
- 22) PD 822/16 Rev.1 (F) Production, Conservation and Sustainable Management of Forest Seeds in Benin

- 23) PD 824/16 Rev.1 (F) Promoting Sustainable Development and Utilization of Kemenyan (*Styrax* spp.) Resource Involving Local Stakeholders in Toba Region of North Sumatra Province, Indonesia

*Those projects with asterisk (approved but not funded within 20 months) will be sunset at the next Session.

(D) Projects coming under the sunset provisions since the last Session

The Committee noted that seven projects had become sunset since its last session.

- 1) PD 618/11 Rev.4 (F) Establishment of Spatial Forest Resources Information System (SPA-FRIS) in West Papua Province (Indonesia)
- 2) PD 684/13 Rev.3 (F) Biodiversity Conservation with Collaboration of Local Communities in Traditionally Owned Forest Areas of South Western Ghana
- 3) PD 717/13 Rev.2 (F) Enrichment of Young Forest Plantations with Selected NTFPs for Livelihood Improvement and Support of Forest Fringe Communities in Atwima Mponua District of Ghana, in order to Secure and Protect the Resources on a Sustainable Forest Management Basis (Ghana)
- 4) PD 742/14 Rev.1 (F) Local Capacity Building for the Management of Secondary and Residual Primary Forests in the Provinces of Coronel Portillo and Padre Abad, Department of Ucayali, Peru
- 5) PD 733/14 Rev.2 (F) Promoting Forest Restoration Through Multiple-use of Degraded Forest Lands within Anwhiaso East Forest Reserve in Ghana
- 6) PD 747/14 Rev.1 (F) Strengthening Community Forest Management Through the Implementation of Forest Training and Extension in Guatemala
- 7) PD 752/14 Rev.1 (F) Restoring Mangrove Forest Landscapes: An Opportunity for Social Development at the Alvarado Lagoon System (ALS) Ramsar Site, Veracruz, Mexico

11.2 Pre-project

The Committee took note of the status of approved pre-projects, as contained in Document CRF(L)/3, and considered the implementation issues, details of which were as follows:

(A) Pre-projects under implementation

- 1) **PPD 94/04 Rev.1 (F) Evaluation of the Status of Forest Resources in Côte d'Ivoire (Côte d'Ivoire)**

The Committee took note that it had already urged the Executing Agency to make necessary arrangements for the submission of the Technical Report, the Completion Report, as well as the Final Financial Audit Report, at its Forty-fourth, Forty-fifth, Forty-sixth, Forty-seventh, Forty-eighth and Forty-ninth Sessions.

The Committee was informed that subsequent to the aforementioned situation, a termination notice was sent in April 2016 informing the Executing Agency that the Secretariat would be obliged to recommend the termination of this pre-project, unless the abovementioned reports are submitted in due time. As these abovementioned reports were not submitted to the Secretariat, the Committee recommends to the Council the termination of this pre-project.

(B) Pre-projects awaiting implementation agreement

The Committee noted that there was no pre-projects awaiting implementation agreement.

(C) Pre-projects awaiting financing

The Committee noted that four pre-projects approved at earlier and current sessions were still awaiting funding, out of which two pre-projects will be sunset if funding is not secured before the next session. The Chairperson encouraged the Committee members and other donors to provide funding for the implementation of these pre-projects.

- 1) *PPD 178/14 Rev.2 (F) Support to the Creation of Green Belts around the Waza, Benoué, Faro and Bouba Ndjidda National Parks (Cameroon)
- 2) *PPD 182/15 Rev.1 (F) Supporting Protected - Area Communities in Afram Plains to Engage in Integrated Management of Economic Timber Species in Community Lands (Ghana)
- 3) PPD 184/15 Rev.2 (F) Development of Payment for Environmental Services Scheme for Local Community Groups and Private Developer Forest Plantations in Degraded Lands, Ghana
- 4) PPD 185/16 Rev.1 (F) Saving Timber Yielding Rare Endemic and Threatened Species of Western Ghats, India by Promoting Agro-forestry and Reforestation of Degraded Lands (India)

*Those projects with asterisk (approved but not funded within 20 months) will be sunset at the next Session.

(D) Pre-projects coming under the sunset provisions since the last Session

The Committee noted that five pre-projects have become sunset since its last session.

- 1) PPD 169/13 Rev.2 (F) Identification of a Project for the Reforestation and Management of the Large Ndjock-Lipan Forest Complex in the Bondjock, Department of Nyong-and-Kéllé, Central Cameroon
- 2) PPD 170/13 Rev.2 (F) Identification of a Project in Support of Natural Regeneration and the Establishment of Forest Plantations in the Mbam-and-Kim Department (Cameroon)
- 3) PPD 177/14 Rev.1 (F) Inventory of Mangrove Ecosystem and Development of a Management Plan for Gabon
- 4) PPD 180/14 Rev.1 (F) Pre-project for the Rehabilitation and Sustainable Management of The Mangrove Forests in The Coastal Area of Côte d'Ivoire
- 5) PPD 181/14 Rev.1 (F) Feasibility Study on The Payment of Ecosystem Services Provided by Forests in Benin

Item 12 - Election of Chairperson and Vice-Chairperson for 2017

Ms. Marjukka Mähönen (Finland) was elected as Chairperson for 2017. Mr. Dambis Kaip (PNG) was elected as Vice-Chairperson for 2017.

Item 13 - Dates and Venues of the Fifty-first and Fifty-second Sessions of the Committee

The Fifty-first Session of the Committee would be held in conjunction with the Fifty-third Session of the International Tropical Timber Council to be convened in Lima, Peru.

The Fifty-second Session of the Committee would be held in conjunction with the Fifty-fourth Session of the International Tropical Timber Council to be convened in Yokohama, Japan.

Item 14 - Other Business

The Delegation of Panama drew the attention of the Committee to the critical importance and possible financing of PD 774/15 Rev.2 (F) "Implementation of the Forest Management Plan of the Chepigana Forest Reserve, Choco-Darién Eco-Region, as a Conservation and Sustainable Development Alternative for a Protected Area (Panama)" as it reaches the sunset soon. He was further wondering whether this project's validity could be extended taking into account the suspension period of all projects despite the sunset provision.

The Delegation of USA indicated its interest in supporting restoration projects in relation to the Global Partnership for Forest Landscape Restoration (GPFLR) and the CITES-related projects in the list of project awaiting financing. She looked forward to figuring out a final list before the end of this session.

The Delegation of Togo sought clarification of the sunset provision. In response to the inquiry, the Secretariat clarified the current provision and suggested the submission of a revised proposal where appropriate in accordance with a new project cycle in 2017.

The Delegation of Benin expressed its appreciation to the USA for its interest in pending finance projects and encouraged other donors to follow the USA. She drew the attention of the Committee to the two projects awaiting financing which are PD 776/15 Rev.2 (F) "Enhancement of the Wildland Fire Prevention and Control System for the Sustainable Management of ONAB's Plantations (Benin)" and PD 822/16 Rev.1 (F) "Production, Conservation and Sustainable Management of Forest Seeds in Benin". She further highlighted the importance of PD 776/15 Rev.2 (F) in the prevention of wildland fire in Benin.

Item 15 - Recommendations to the International Tropical Timber Council

(A) The Committee recommended that funding be made immediately available for the following projects and pre-project approved under the Project Cycle Spring 2016:

Projects

PD 776/15 Rev.2 (F)	Enhancement of the Wildland Fire Prevention and Control System for the Sustainable Management of ONAB's Plantations (Benin) [ITTO Budget: US\$ 397,936]
PD 780/15 Rev.3 (F)	Sustainable Indigenous Mixed Species Reforestation, Plus Climate-Resilient Women Livelihoods in Six Rural Communities in Ghana's Akwapim and Upper Krobo Districts [ITTO Budget: US\$ 403,570]
PD 802/15 Rev.2 (F)	Building the Capacity of Local Village Communities for the Restoration, Management and Governance of the Founou and Wani Forest Reserves in the Macina District, Segou Region, Mali [ITTO Budget: US\$ 486,586]
PD 822/16 Rev.1 (F)	Production, Conservation and Sustainable Management of Forest Seeds in Benin [ITTO Budget: US\$ 574,448]
PD 824/16 Rev.1 (F)	Promoting Sustainable Development and Utilization of Kemenyan (Styrax spp.) Resource Involving Local Stakeholders in Toba Region of North Sumatra Province, Indonesia [ITTO Budget: US\$ 564,894]

Pre-projects

PPD 184/15 Rev.2 (F)	Development of Payment for Environmental Services Scheme for Local Community Groups and Private Developer Forest Plantations in Degraded Lands, Ghana [ITTO Budget: US\$ 76,440]
PPD 185/16 Rev.1 (F)	Saving Timber Yielding Rare Endemic and Threatened Species of Western Ghats, India by Promoting Agro-forestry and Reforestation of Degraded Lands (India) [ITTO Budget: US\$ 51,700]

(B) The Committee also recommended that the following project and pre-project be terminated:

Project

PD 367/05 Rev.2 (F) Promotion of the Sustainable Management of Tropical Planted Forest in
Congo's Tropical Forest Plantations (Republic of Congo)
[ITTO Budget: US\$ 143,856]

Pre-project

PPD 94/04 Rev.1 (F) Evaluation of the Status of Forest Resources in Côte d'Ivoire
[ITTO Budget: US\$ 52,402]

(C) The Committee adopted the Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects (ESIA Guidelines) subject to amendments proposed by Members during its Fiftieth Session. The Committee recommended the implementation of a pilot phase for the wider application of the ESIA Guidelines and the modification of the ITTO's project-related manuals and guidelines through the submission of project proposals taking into account the ESIA Guidelines, as appropriate, for funding.

Item 16 - Report of the Session

The Committee accepted this Report for submission to the Council. The members of the Committee expressed their appreciation for the able manner in which the Chairperson conducted the session of the Committee with assistance of the Secretariat.

* * *

THIRTY-FIRST SESSION
7 – 12 November 2016
Yokohama, Japan

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

**THIRTY-FIRST SESSION OF THE
COMMITTEE ON FINANCE AND ADMINISTRATION**

Item 1: Opening of the Session

1. The Chairperson of the Committee on Finance and Administration (CFA), Mr. Rob Busink of the Netherlands, welcomed all delegates to the Thirty-first Session of the Committee.

Item 2: Adoption of Agenda and Organization of Work

2. The Chairperson referred to the Provisional Agenda as contained in document CFA(XXXI)/1. He opened the floor for comments. As no issues were raised, the Committee adopted the Provisional Agenda as contained in document CFA(XXXI)/1.

3. The Chairperson proposed that the Committee take up the Agenda items one by one as listed in the Provisional Agenda. The Committee accepted the approach.

4. Before opening the next Agenda item, the Chairperson requested the Secretariat to give an overview of the structure of ITTO's financial accounts so that the members of the Committee could be familiarized with the terms when Agenda item 11 on the Impairment of ITTO Funds was discussed. The Secretariat gave a concise presentation on the structure of ITTO's financial accounts, which was later distributed to all members of the Committee. The Secretariat highlighted that it was proposed in the Draft Decision on "Guidelines for Addressing ITTO Financial Shortfall" that the Council authorize the use of certain funds/reserves to be applied to assist in meeting the shortfall of funds, such as the Working Capital Account and Reserve¹ provided by interest income earned in the Administrative Account excluding interest income under Decision 2(XXXIV). The Secretariat informed the Committee that the Executing Agencies Account, which was created for accounting purposes to measure the amount of committed funds, would be abolished once the proposed financial rules were adopted by Council.

5. The Committee took note of the overview.

Item 3: Admission of Observers

6. The Chairperson advised the Committee that the Council had admitted all applicants, as shown in document ITTC(LII)/Info.3 which listed states, inter-governmental and non-governmental organizations applying for Observer status. The Chairperson noted the importance of transparency in the Committee. Nevertheless, he informed the Committee that it was the normal practice of the CFA that, should any member of the Committee wish to keep the meetings private, the Observers would be asked to leave the meeting.

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

7. The Chairperson advised the Committee that the Report of the Fifty-First Meeting of the Expert Panel for Technical Appraisal of Project Proposals (Documents ITTC/EP-51) was deliberated on and concluded at the Joint Session of the Committees convened on 9 November 2016. The Joint Session had not requested the CFA for any follow-up.

Item 5: Approved Biennial Administrative Budget for the Years 2016 and 2017

8. The Secretariat referred to the approved biennial administrative budget for the financial years 2016–2017, as contained in Document CFA (XXX)/2 Rev.3 dated 21 November 2015, which was approved by the Council at its Fifty-first Session convened in Kuala Lumpur, Malaysia, in November 2015. The document was redistributed at this CFA meeting due to recommendations at the previous Session stating that "given the current uncertainties there might be a need to revisit the biennial budget for 2017".

¹ Note that in the new ITTO Financial Rules and Regulations, if adopted, the Working Capital Account would be renamed the Working Capital Reserve, and the latter term is used hereafter in this report.

The delegate of the European Union (EU) suggested that, in future, the approved administrative budget should be made publicly available by formulating a budget decision, instead of the current practice of the Council to approve the budget by adopting the recommendation of the CFA. The Secretariat informed the Committee that changing the current procedures would require a Council Decision. Nevertheless, the Committee noted that the proposed Council Decisions to be taken at this Session with budgetary implications would most likely be drawn from the Working Capital Reserve, with no implications for the administrative budget.

9. Since there were no other comments, the Committee concluded that no changes would be made to the budget for the financial biennium 2016-2017, as set out in Document CFA(XXX)/2 Rev.3.

Item 6: Review of Contributions to the Administrative Budget

10. The Secretariat introduced document CFA (XXXI)/3 Rev.2 dated 8 November 2016. This document detailed the status of Members' contributions to the Administrative Budgets for the financial years from 1986 to 7 November 2016, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed the Committee that, in 2016, \$2,659,381.00 had been received from Producer Members out of the total net assessment of \$3,468,661.00; and \$3,884,887.32 had been received from Consumer Members out of the net assessed amount of \$3,963,633.00. The Secretariat further informed that Madagascar had joined the Organization on 27 October 2016. The assessed contribution of Madagascar was US\$13,135.42, which had been assessed by the Council on the basis of the number of votes to be held by Madagascar for the period remaining in the current financial year.

11. The Committee noted that the arrearages in contributions to previous years' budgets from Producer Members amounted to \$4,741,325.75 and arrearages from Consumer Members amounted to \$202,453.68. Furthermore, the arrearages in contributions from former members of the Organization amounted to US\$1,823,157.28, bringing the total outstanding arrearages to US\$6,766,936.71.

12. The Committee took note of the report.

Item 7: Current Status of the Administrative Account

13. The Secretariat introduced document CFA (XXXI)/4 Rev.1, dated 7 November 2016, on the current status of the Administrative Account for the financial year 2016, together with the estimated expenditures for the current year. The Secretariat informed the Committee that the estimated total expenditures for the financial year 2016 would amount to \$6,067,801 (i.e. \$1,364,496 less than the total amount approved in the budget for 2016 of \$7,432,297).

14. The Secretariat further informed the Committee that the total contributions received from both Producer and Consumer members amount \$6,544,268.32 and together with contributions expected to be paid by a members before the end of 2016 in the amount of \$45,853.00, it was anticipated that a surplus in the amount of \$522,317.06 would accrue in 2016.

15. The Secretariat drew the attention of the Committee that the current arrears in contribution from Producer members for this financial year amount to \$809,280.00 and for Consumer members amount to \$78,745.68. Arrears in contribution do not take into account estimated contributions expected to be paid before 31 December 2016 (i.e. \$45,853.00). Total arrears from Producer members for the period 1986 -2015 amount to \$3,867,339.30 and Consumer members amount to \$78,745.68 and former members USD1,792,113.72. The interest charges on these arrears in contribution amount to \$82,614.59. Total outstanding contributions to the Administrative Account, including interest charges amount to \$6,753,801.29. If we deduct the contributions expected before 31 December 2016 in the amount of \$45,836.00, the total arrears, including interest charges, amount to \$6,707,948.29.

16. The Secretariat informed the Committee that Section C of page 1 of the document showed the Special Reserve Fund at \$1,500,000, which was to be used only on the approval of Council in the event of liquidation of the Organization.

17. The Secretariat further informed the Committee that the resources of the WCR were estimated to increase from the opening balance of US\$6,267,022.00 at the beginning of 2016 to \$6,639,379.38 by the end of the year 2016.

18. The Secretariat informed that section E of page 1 of the document showed the Interest Income balance of US\$181,858.40 to be used by the Executive Director for hiring consultants in accordance with Council Decision 2(XXXIV).

19. The document also contained details of expenditure for each budget item and where savings were made.

20. The delegate of Ghana inquired of the Secretariat about the Organization's policy regarding arrears in assessed contributions, including cumulative arrears since 1986. The Secretariat explained that reminders were sent on a regular basis to Members with arrears to follow up with their payment. There was also a provision in Decision 7(XXXIII) that the status of arrearages in contribution would affect the Members' eligibility to submit project proposals.

21. Noting the operating surplus of \$486,607 that would be added to the WCR, the delegate of the United States of America (USA) suggested that the WCR should not be bloated. It is usual practice in other international organizations that the balance of the WCR is managed so that it does not exceed the amount equivalent to two months' operating expenses of the organization. The delegate of USA proposed that, when the WCR exceeds this amount, the amount in excess should either be returned to Members, or be utilized to offset a one-time extraordinary expense, as approved by the Members. The Committee noted the proposal of the USA and decided to discuss the matter in Item 11(a) when the financial rules are reviewed.

22. The delegate of the EU supported the statement made by the USA in that the level of the WCR should be controlled more strictly, particularly in view of the fact that the estimated balance of \$6.6 million at the end of 2016 was almost equivalent to the annual Administrative Budget, which was too high. The delegate found it important that Members were regularly informed of the total level of arrears.

23. The delegate of the European Union also noted that the increase of the WCR in the current year is mainly due to less expenditure on salaries because two senior staff members were dismissed and their posts had not been filled during the rest of the year. If there was no financial crisis, and if staff were not dismissed, the administrative account for the current year would have resulted in a deficit because of assessed contributions not paid by Members before the year-end. The delegate of the European Union flagged this to the Committee and encouraged Members to pay their assessed contributions on time.

24. The Committee took note of the report.

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

25. The Secretariat presented document CFA (XXXI)/5 on "Resources of the Special Account and the Bali Partnership Fund, which captures the current balance of funds and commitments under the Special Account and the Bali Partnership Fund (BPF).

26. Under the current extraordinary situation, this statement was prepared to serve as a reference to Document ITTC(LII)/11(a), the Report of the Oversight Committee. The figures presented in this statement were rounded for ease of reference. The current balance of funds under the Special Account and the Bali Partnership Fund amounted to a total of US\$8.86 million, while the commitments owing from the Special Account and the Bali Partnership Fund amounted to US\$18 million. Details of all commitments of ongoing Projects, Pre-projects and Activities are included in Annex 4 of Document ITTC(LII)/11(a), the Report of the Oversight Committee.

27. This document was prepared as of 30 September 2016. The Secretariat informed the Committee that, after this date, a voluntary contribution of US\$750,000 had been received from the USA to the Special Account. Therefore, the current balance of Donor's Funds had increased to US\$1.72 million.

28. The delegate of the EU asked the Secretariat if more details on the figures presented in this document would be given when the Committee visited Agenda Item 11 on the Impairment of ITTO Funds. The Secretariat confirmed that further explanations would be provided when Item 11 was discussed.

29. The Committee took note of the report.

Item 9: Auditor's Report for the Financial Years 2014 and 2015

30. The Secretariat introduced document CFA (XXX)/6 Rev.1 on the "Report of the Independent Public Accountants" for the Financial Year 2014 on the four Accounts of the Organization, namely: (a) the

Administrative Account; (b) the Special Account; (c) the Bali Partnership Fund Account; and (d) the Executing Agencies Account.

31. The Independent Public Accountants' Report for the Financial Year 2014 had already been once presented at the Thirtieth Session of the CFA in Kuala Lumpur in November 2015. However, the Council had decided to suspend the adoption of the report, as contained in document CFA(XXX)/6, until the work recommended by the Chairperson's Working Group on Investment had been completed. As the work as contained in Decision 4(LI) on the Impairment of Investments was now completed, it was being presented again for the Committee's deliberation and to recommend to the Council for approval.

32. Although the Auditor's report itself remained the same as contained in the document that was reviewed in the previous session of the Committee, the current management and the auditor, BDO Toyo, had agreed to slightly modify the presentation of the balance sheet of the Executing Agencies Account. On page 99 of document CFA (XXX)/6 Rev.1, Members' funds were shown with a breakdown of two elements: one as funds committed for specified projects of the Special Account and the Bali Partnership Fund Account, and the other was Impairment of Investments in securities. In the original version of the financial statement of 2014, these two elements had been presented as a net figure. It had been decided that this presentation should be revised to be consistent with the financial statement of 2013, which provided information in a more transparent and relevant form. No other revisions were made to this document.

33. The Chairperson invited officers from BDO Toyo to the podium to respond to inquiries. The delegate of the EU suggested that the auditor's report did not point out the consequences of impairments to the ITTO accounts, and she posed three questions to the BDO officers: 1) Did they think that diligent civil servants more specialized in forestry than accounting could be expected to learn from the audit report of the impairment of US\$6 million? 2) The report ends with a statement indicating that the report was intended solely for ITTO and should not be distributed to or used by anyone other than members of ITTO. Given that ITTO is a public, non-profit organization, what was the purpose of that statement? 3) On page 99 of the report, the impairment of investments changed from US\$6 million to US\$5.967 million. Why did the figure change?

34. An officer from BDO responded that generally no descriptions are provided in financial audits. The auditing industry uses templates, and additional information was not supposed to be provided beyond the financial statement; the role of the auditor was to ensure that financial statements contained everything. There were some exceptions, and descriptions might be provided if there was a need to emphasize certain elements. In this case, the impairment had been clearly stated in the financial statement and the auditor's understanding was that the audit report did not need to refer to that loss. On the second question, the officer stated that, according to the financial rules applied by ITTO, financial statements were not public. The existing text had also been used in previous audit reports, and BDO was comfortable with the restrictions indicated. The financial rules were formulated specifically for ITTO, and under those rules, the restrictions on distribution were appropriate.

35. On the third question, the Secretariat responded that the reduction in the total amount was due to a reimbursement received from the investment advisor. This was indicated in the report of the investigation.

36. The delegate of the EU asked the representatives of BDO that, if the financial rules were to be changed so that the audit report was to be a public document, would they be equally comfortable with that?

37. The representative of BDO replied that, although the statement at the end of the report was not part of the rules of ITTO, it needed to be included because ITTO's financial rules were very specific to ITTO, and these might not be known by those outside ITTO if the document was publicly available.

38. The delegate of the EU proposed a change in the wording to "This audit has been done in accordance with the financial rules of ITTO, which are specific and therefore might not be relevant in other cases". The delegate of Japan supported this suggested change. The delegate of the EU further said to the BDO officer that, as she understood it, BDO found it acceptable for an impairment to be indicated on page 99 of a document that started as an audit statement. She asked if, in his opinion, it was correct that any reader of the document should need to get to page 99 in order to realize that the Organization was broke. She sought his professional comment on this.

39. The representative of BDO said that the role of the auditor was to ensure that financial statements compiled by management had everything needed, and it was the responsibility of management to explain the contents. BDO did not normally provide specific information in its reports because this would imply that information in the financial statements was insufficient, and BDO's role was to ensure that this was not the case. In his industry, he said, there is a concept of "going concern", and this was not presented in figures or numbers but as footnotes. In this instance, there was a note in the financial statement.

40. The delegate of the USA requested that the Secretariat circulate the terms of reference of previous auditors to provide a comparison against changes that would be considered under item 11 of the agenda. She further suggested that this should be done whenever the Committee was selecting an auditor so that members would know what funds were to be used for.

41. The representative of BDO added that standard reporting rules for the international public sector were being increasingly adopted, and it would be an opportune time to update the ITTO rules to reflect current requirements in financial reporting to the international public-sector standard. If this was done, the restriction on circulation could be removed; under the current financial rules, however, the statement was appropriate.

42. The Committee took note of the Report of the Independent Public Accountants for the Financial Year 2014, as contained in CFA(XXX)/6 Rev.1. The delegate of the EU requested that, in the Committee's eventual adoption of the audit report, it should be noted that, in the opinion of the EU, note 2 referred to in the original auditor's report and the financial statements was ineffective or incomplete.

43. The Secretariat further introduced document CFA (XXXI)/6 on the "Report of the Independent Public Accountants" for the Financial Year 2015. The Committee's attention was drawn to pages 9, 10 and 11 of the document, which provided the consolidated financial statement of all four Accounts of the Organization, showing a comprehensive picture of the overall financial status of the Organization.

44. In the Financial Year 2015, the current management had decided to create a provision for Impairment of Investment in Securities, in the amount of US\$12,014,000. The reason for this was detailed in section 2 of the Notes to the Financial Statements, on page 19 of the document.

45. Other highlights of the accounts of Financial Year 2015 include reclassification in the section of Members' fund and some changes in accounting policies that are described in pages 23 through page 26 of the document.

46. The Auditors had provided their satisfactory opinion on ITTO's financial statements, noting that the financial statements were prepared with a going concern assumption.

47. The audit was carried out by BDO Toyo, Tokyo, which was appointed by the Council in December 2013 to audit the accounts of the Organization for the Financial Years 2013, 2014 and 2015. BDO had carried out its final audit for the period ending 2015 in the months of March to August 2016.

48. The delegate of the EU sought clarification as to why the amount shown on page 12 of the auditor's report showed the impairment amount at US\$12,014,000 and not the full amount of US\$12.2 million. The Secretariat responded that the original investment of US\$12.2 million had been made in two amounts, US\$6 million and US\$6.2 million. The former ITTO management had redeemed this investment and consolidated it into one amount, and a fee had been applied to that transaction, reducing the value of the investment from US\$12.2 million to US\$12.014 million. At the time, the difference had been taken from the interest reserve, which was why the amount had been reduced.

49. The delegate of Peru said that, while the auditor's reports were correct from an accounting point of view, an auditing exercise should go beyond the accounts to determine whether correct procedures had been followed and the investments were duly backed by decisions of the Council. He asked whether the auditor had analyzed the procedure used. The auditor responded that, with regard to the investment, it had been made before the auditor's appointment in 2012. With respect to specific rules on investment, the auditor had not seen a clear procedure. In the course of the audit, the auditor had ensured there was an internal memorandum on the

investment to indicate that the investment had not been the decision of a single person but, rather, was an organizational decision. If specific rules and procedures could be added to the internal rules, that would be a great improvement.

50. The Committee took note of the Report of the Independent Public Accountants” for the Financial Year 2015 as contained in CFA(XXXI)/6 and decided to recommend its approval to the Council.

Item 10: Appointment of Auditor

51. The Secretariat introduced document CFA(XXXI)/7 on the Appointment of Auditor for the Financial Years 2016 – 2018.

52. In accordance with Article 23 of the International Tropical Timber Agreement, 2006, as well as Rules 7 and 16 of the Financial Rules and Rules relating to Projects of the ITTO, the Council shall appoint an independent auditor of recognized standing for a term of not more than three consecutive years, from among the auditing personnel who are nationals of the Members of the Organization. The audit firm BDO Toyo & Co. had audited the Accounts of the Organization for three consecutive years (2013, 2014 and 2015), and accordingly, the Council would need to appoint a new Auditor to audit the Accounts of the Organization for the following term of three consecutive years (2016-2018).

53. To meet this requirement, the Secretariat contacted 10 (ten) medium-to-large sized audit firms of recognized standing and invited them to submit estimates of fees for the three consecutive years 2016–2018. Four audit firms had responded to the invitation to submit proposals, whose estimated fees are shown on page 2 of the document. Approximate equivalents in United States dollars are shown for ease of comparison, using the U.N. official exchange rate as of 24 October 2016 of US\$1.00 = Yen 103.76:

54. As introduced in Item 9 of the Agenda, the Secretariat had developed several new accounting policies since the last Council Session in November 2015, with a view to providing more reliable and relevant information about the effects of transactions and conditions on its financial position. Furthermore, a new revision of Financial Rules, as well as Audit Standards and relevant Staff Rules and Regulations, were to be discussed at the present session and may be adopted by Council. During this transitional period, consistency and continuity of audit would be vital to the Organization, at least until various decisions on ameliorative measures on the impairment of investment were incorporated within the financial accounts. The Committee may consider the risk of changing the auditor that could result in an inconsistency in accounting treatment, delays in the preparation of audit report, and increases in the audit fees, while the current auditor will be free of such risks.

55. The Committee was reminded that it is proposed in Rule 14 of the new revision of Financial Rules that ITTO ensures that its financial statements and reports are based on International Public Sector Accounting Standards (IPSAS). Although the Organization is yet to implement IPSAS, the initial phase towards its implementation, which are planning and gap analysis, had already been conducted with the assistance of BDO Toyo & Co. in 2015, as commissioned by the Council. If the revised Financial Rules are adopted and the Organization is to implement IPSAS immediately, the Council would need to select the most cost-efficient auditor who could assist the Organization to complete the implementation at the earliest. BDO Toyo & Co. had the advantage of being familiar with ITTO's current accounts and thus will enable the Organization to complete implementation in the shortest timeframe.

56. Among the audit firms that submitted proposals to audit the accounts of Financial Year 2016, BDO Toyo & Co. was the only auditor whose fee could be accommodated within the approved budget of Year 2017. The Secretariat also reminded the Committee that there was a timing issue and that BDO was the only auditor who could enable the preparation of an IPSAS-based audit report of the 2016 accounts.

57. For the practical reasons given, the Secretariat proposed that the Council consider extending BDO Toyo & Co. for one additional year to audit the Organization's accounts for the financial year 2016 to ensure consistency and continuity in the accounts, as well as the most cost-effective audit. The Committee may note that it is not an unusual practice to appoint the same auditor for more than three consecutive years. As shown in the table attached to the

document, the Council had appointed the same auditor, PriceWaterhouse, twice in the past for more than three consecutive years.

58. The delegate of the USA, while recognizing the potential savings by extending BDO's contract for one additional year, stated that the Committee needed to balance its desire to achieve savings with the level of confidence in, and transparency and accountability of, the auditor selected. The delegate inquired the Secretariat whether all auditors who gave quotations were aware that the Council would be expecting a higher level of engagement and a more robust audit under the revised financial rules and audit standards, and whether the quotations given included the fees for such additional level of service. The Secretariat informed the Committee that the quotations were based on the current financial rules. The bidding auditors had been informed that the financial rules were being revised and that the Organization may adopt an IPSAS-based accounting. The bid for IPSAS would be substantially higher than the normal audit fees.

59. The delegate of the EU asked the Secretariat how the Committee should decide on the appointment if the quotations given in the document did not match the actual service that would be required from the auditors, and how the additional costs would be covered. The Secretariat informed the Committee that the quotation given by BDO Toyo & Co. were at the same level as in previous years, and that they would be able to conduct a standard audit in accordance with the new financial rules within the same quote. For costs to migrate to IPSAS and to increase the scope of the 2016 audit in accordance with the ITTO Audit Standards, the release of up to \$200,000 from the WCR was requested in the draft Decision on Revision of ITTO Financial Rules and Procedures.

60. The delegate of the EU, followed by New Zealand, raised concerns on whether there was a conflict of interest in having BDO provide assistance to ITTO in migrating to IPSAS while they were also auditing ITTO's financial accounts of the same year. The Secretariat replied that although the auditor provided guidance to the Secretariat to prepare IPSAS-based accounts that the auditor itself was to audit, the accounts would be produced by the Secretariat. Therefore there should not be a conflict of interest.

61. The delegate of the EU stated that the revised financial rules set out very clearly how bids were to be done, but that procedure has not been followed in appointing the auditor for the year 2016 because the Council would be adopting new financial rules and at the same time appointing the auditors in accordance with the old financial rules to do a job on the basis of the new financial rules. The delegate of the EU requested that these consequences be spelled out in the report of the Committee.

62. The delegate of China, supported by the EU and the USA, emphasized that the auditors should be responsible for making suggestions to the Organization on how to improve its management of financial resources, and that if the same auditor was to be appointed for one more year, the auditor should assume more responsibility, as set out in the revised financial rules, and provide a report of higher quality. The delegate of New Zealand joined the view of China and added that it was important to get the best advice from the auditors in the future.

63. The delegate of China asked the Secretariat about the procedures for appointing an auditor. The Secretariat informed the Committee that the Council would make the final decision, in accordance with Article 23 of the International Tropical Timber Agreement, 2006. The delegate of China expressed its concern about appointing the same auditor that had been auditing ITTO's accounts during the period when the financial crisis occurred, and reiterated that the Council should appoint an auditor that could point out the financial problems of the Organization, as auditors of other international organizations were required to do. The delegate of Japan also expressed concern about the quality of the work by the current auditor, and informed the Committee that he had conveyed his sentiments directly to the auditors as a representative of the Host Government.

64. The delegate of the USA, followed by the EU, stated that the auditor for the year 2016 should be engaged in accordance with the terms of reference set out in the new financial rules. The Committee noted that the language of the Engagement Letter for the auditor's appointment should be revised in this regard. Copies of the Engagement Letter signed for the audit of the year 2015 were made available to the Members of the Committee for reference.

65. The delegate of the EU sought clarification from the Secretariat about how an IPSAS-based audit report could be prepared for the financial year 2016 while the current bookkeeping of ITTO was not compliant to IPSAS. The Secretariat explained that, if the migration to IPSAS was assisted by BDO, the IPSAS-based financial

accounts could be prepared by converting the opening balance and closing balance in accordance with IPSAS. However, the other auditors would be unable to do this due to a lack of experience and institutional knowledge on ITTO's accounts, and therefore they would only be able to prepare the IPSAS-based audit report for the year 2017 at the earliest, which would be presented to Members in 2018.

66. The Chairperson noted the reluctance of the Committee to engage BDO Toyo & Co. for another year, but also suggested that the Committee needed to be practical and to consider that the accounting of the Organization was now in a year of transition. He concluded that the exact wording of the conditions of recommending BDO Toyo & Co. to audit ITTO's accounts for one more year should be clearly set out in the report of the CFA, and it should be in accordance with the text of the new financial rules to be adopted.

67. Following the language proposed by the delegate of the USA and EU, the Committee decided to recommend to Council to approve the appointment of BDO Toyo & Co. to audit the Accounts of the Organization for the financial year 2016, as an exceptional extension of appointment, provided that the quality and scope of audit is in compliance with the revised Financial Rules; and there is no increase in the bid already made to the Organization.

Item 11: Impairment of ITTO Funds

(a) Revision of ITTO Financial Rules and Procedures, Audit Standards, and relevant Staff Regulations and Rules.

68. The Chairperson introduced document ITTC(LII)/11(b) on "Revision of the ITTO Financial Rules and Procedures, Audit Standards, and Relevant Staff Regulations and Rules Under Decision 1(LI.1)". The Chairperson noted that this agenda item would be the core for a new ITTO to avoid any risk of the impairment of funds in the future. He conveyed his appreciation to those who had contributed to the preparation of the thick document, particularly the members of the Expert Panel on Revision of the ITTO Staff Regulations and Financial Rules established under Decision 1(LI.1) and the consultants, Dr. David Brooks and Mr. D. Dunstan.

69. The Chairperson invited the Expert of the USA, member of the Expert Panel, to give a brief presentation on the work done on the revision of the ITTO Staff Regulations. Before starting her presentation, Ms. Stephanie McFadden O'Neill noted that the issue of staff remuneration was not discussed in the Panel because it had already been addressed and approved in the CFA at its Thirtieth Session in November 2015.

70. The Expert of the USA indicated that the most important issues addressed in the revision of the ITTO Staff Regulations were:

- higher standards of conduct (Regulations 1.6 and 1.12);
- strengthened provisions on conflicts of interest (Rule 103);
- a prohibition on the use of private email for official business (Rule 105);
- provision for ITTO's contributions to the Provident Fund to be returned to the Organization in cases of summary dismissal (rule 501);
- clear definitions of gross negligence and serious misconduct that could lead to dismissal, as well as clarification of disciplinary procedures and termination rules (Regulations 7.1, 8.1 and Rules 803 to 805);
- new provisions on performance evaluation (Rule 906); and
- incorporation of the whistleblower policy (previously adopted by Council in 2013) and adding stronger protection for whistleblowers (Regulation 8.1(c), Rule 906 and the annexed policy).

71. The Expert of the USA stated that there was a lack of examples of provisions for the misconduct of the heads of organizations; generally, there were provisions to instruct an organization head on the misconduct of staff but not on his or her own misconduct. ITTO would therefore serve as a model for others if the proposed provisions were adopted.

72. The Expert Panel had outlined a broader scope of audit requirements for the independent auditor. The Expert of the USA added that, under the current terms of reference described in the Engagement Letter, the auditor was not required to report on the misconduct of the Executive Director or ITTO Management. She also

noted that the expanded scope of audits would cost more than current audit fees, so the bids that would be received in future would be considerably higher.

73. The Chairperson invited the Expert of the EU, member of the Expert Panel, to give a brief presentation on the work done on the revision of Financial Rules and Rules Related to Projects. The Expert of the EU commented that the document has become very thick because it was a comprehensive document with seven annexes. She noted that ITTO was a self-standing body and did not have access to various UN bodies that might perform some of the functions outlined, such as the UN Board of Auditors and Joint Inspection Unit, which was why the document was so large. She added that all members of the Expert Panel had worked in their personal capacity and not as representatives of their governments.

74. The Expert of the EU noted that the document was not shown with track changes because the current financial rules were written in a repetitive way, and the revised version had been restructured to deal issue by issue, indicating how the rules would be applied to the different accounts.

75. The revised financial rules incorporated the contents of Council Decisions relevant to the financial rules so that the rules were all in one place. However, the revised financial rules did not explicitly refer to the Council Decisions that were to be abolished or modified once the financial rules were adopted: i.e. Decision 3(XXXV), which established the Executing Agencies Account, because the EAA would be abolished; and Decision 7(XII), which established the WCR, because it would be renamed as the Working Capital Reserve. The Expert of the EU suggested that, in any decision, it might be advisable to add a paragraph to say specifically which elements were being abolished.

76. The Chairperson proposed to review the revised Staff Rules, section by section, wherever a change was proposed. The Committee accepted this approach, provided that a scrutiny reserve could be placed on certain issues, so that these could be returned to when the document had been reviewed once.

77. The consultant explained that the thinking behind adding a provision to withhold the Organization's share of a staff member's Provident Fund in the case of summary dismissal, under Rule 501 (d), was that there was no provision for penalty on summary dismissal in the current rules. The delegate of Switzerland asked what the mechanism would be for withholding the pension fund, which parties would decide to withhold, and whether it would be legal to impose such a decision.

78. The Panel explained that this provision would only apply to summary dismissal, which was a very high level of disciplinary action that could be executed by the Executive Director when a staff member caused material damage to the Organization. The withheld Pension Fund would be expected to recoup, or partially recoup, such material losses.

79. The delegate of Brazil inquired where such income would be credited. The Expert Panel advised that it should be credited to Miscellaneous Income in the Administrative Account, which was established in the current account structure. As the Panel advised, the Committee decided to add text to the Rule to clarify that the funds were to be deposited in the Administrative Account.

80. On who would decide on such an action, and its legality, the Secretariat informed the Committee that the Provident Fund manager had confirmed that the fund manager could keep a separate account of the contributions by an individual and by the Organization; at the time of departure of the individual, the opportunity would exist for the Organization to say that its contribution to the pension fund would not be released to the staff member.

81. The UNCTAD Legal Advisor raised the need to ensure due process, because the current text of the revised rules did not have a provision for a dispute tribunal. The Panel noted the importance of ensuring due process and considered various options. The delegate of Brazil suggested elaborating the mechanism of the Joint Disciplinary Committee (JDC), so that due process could be ensured without additional costs for external arbitration. The delegate of Switzerland asked if it would be possible to add outside expertise to the JDC to empower due process.

82. The delegate of Peru asked the Panel if the JDC would be able to dismiss the Executive Director in the case of serious misconduct. The Panel explained that the JDC would be an advisory body, with no power to impose dismissal on anybody, including the Executive Director.
83. The Panel replied to the question from Switzerland that the Committee may add more clarity to Rule 501, or the Council may revisit this item at the next session to deliberate on external arbitration.
84. The Panel informed the Committee that the revised staff rules provided two rounds of due process – the JDC as an internal process, and appeal to Council Officers as an external process. The Legal Advisor expressed the opinion that the appeal to Council Officers would not function as external arbitration.
85. The Panel invited the delegate of Japan to inform the Committee of the provision for waiving immunities in Article 20 paragraph 2 of the Headquarters Agreement, which stipulated that: “The Council may waive immunities accorded to the Executive Director under this Agreement”. The delegate of Brazil suggested that text be added to Rule 804 of the revised financial rules to make reference to this provision in the Headquarters Agreement. The Legal Advisor proposed the following text: “In case the staff disagrees with the decision of the JDC, the Council will waive immunities accorded to the Executive Director in accordance with the Headquarters Agreement.” He welcomed the idea of making reference to the Headquarters Agreement because it would provide access to justice at no cost to the Organization. This proposal was considered by the Committee but was not adopted.
86. The consultant explained to the Committee that the Whistleblower Policy, which had been adopted at the Forty-ninth Session of the Council in 2013, had been incorporated in the revised staff rules, with some modifications to add stronger protection for whistleblowers.
87. The delegate of the USA, supported by the EU, commented that it was important for a whistleblower policy to offer staff a means outside the internal reporting mechanism, which was the reason why the policy indicated Council Officers as points of contact, but there was a need to make contact information for those Council Officers available to staff.
88. The Chairperson referred to Appendix 2 of the report of the Expert Panel on the proposed standards of conduct of the ITTO Executive Director and invited comments from the floor.
89. The delegate of the EU fully supported the proposed standards of conduct and thanked the USA member of the Expert Panel for her role in suggesting them and preparing the text. The delegate of the EU suggested that the standards needed to be adopted as a self-standing decision and, if this were done, the first paragraph of the document would be unnecessary.
90. The delegate of the USA noted that there was a need to clarify the mandate of the Panel and outline the procedures to be followed to terminate the Executive Director’s contract. She proposed alternative language for the current paragraph 7, which she dictated to the Secretariat.
91. The delegate of the EU inquired whether the Decision to remove the Executive Director would require a physical meeting, as in such case the process could not be executed in a timely and effective manner. The consultant responded that the Decision could be adopted as Decision without Meeting, under the current provisions.
92. The delegate of Cameroon expressed the view that the first step of the logical process was to formally note the gross negligence, and the proposed text lacked that aspect. The text was modified as requested.
93. The delegate of Switzerland proposed adding a paragraph to the effect that the Executive Director would, at least one year in advance, bring to the attention of the Council the pending end of his or her term, to enable the Council to make an informed decision on whether to extend the term or to start a new recruitment process.

94. The delegate of Cameroon suggested that such an addition was not needed, but the delegate of Switzerland, supported by Australia, expressed the view that experience indicated that it would be helpful.

95. The delegate of Togo inquired whether, should the Proposed Standards of Conduct for the Executive Director be adopted, it would be reviewed by a lawyer before it became binding.

96. The Expert of the USA responded that, no, a lawyer had not looked at it, although it might be a helpful step. She commented that few examples could be found of standards of conduct for heads of organizations, and therefore that this document was largely uncharted territory.

97. The Chairperson asked the Committee whether, on the basis of the discussion, any elements were missing from the draft Decision on Amendments to the Staff Regulations and Rules, noting that this draft decision would also be discussed in the Chairperson's Open-Ended Drafting Group.

98. The delegate of the USA queried the date at which the amended Staff Regulations and Rules would come into effect and pointed out that this date should precede the date of appointment of the new Executive Director. The Chairperson agreed that this should be borne in mind in the drafting process.

99. The Chairperson invited the Consultant, Mr. David Brooks, to introduce the changes to the Financial Rules and Rules Relating to Projects. The Consultant informed the Committee, paragraph by paragraph, about which parts of the Financial Rules had not changed, and which had changed. Thereafter, the Chairperson facilitated the Committee's review of those changes.

100. The delegate of the EU indicated that nowhere in the Financial Rules was the purpose of the Special Reserve explained, and it should be. Moreover, there was a need to review the amount that should be contained in this Reserve. The Secretariat provided a definition of the Special Reserve, drawn from the audit report, and the Consultant suggested, supported by the EU, that an appropriate place for it would be Rule 5, Paragraph 7. The delegate of the EU proposed text to amend Paragraph 7.

101. The Consultant informed the Committee that the new element of Rule 4 was paragraph 5. The delegate of the EU indicated that, in other multilateral environment agreements, information on Member's payments of dues was made available publicly by placing it on the relevant website as a means of transparency, but the delegate of the USA, supported by Benin, indicated that such an alteration would not be acceptable.

102. The Chairperson, supported by the EU, proposed leaving the text as it was and including, in the agenda of the next session of the Committee, the examination of the issue of arrears with a view to developing a policy to reduce them and to encourage members to pay them. The Committee agreed with this proposal.

103. The delegate of the EU requested that the Committee report note that, under the new IPSAS, it would be necessary to write off, as assets, arrears that were more than four years old and that, therefore, this issue would become increasingly evident in the accounts. She further proposed that this issue be placed on the agenda of the Committee at its next session.

104. The delegate of the USA suggested that the existing language in the revised rules on distributing to members such information would be a way of stimulating dialogue about members that were yet to meet their treaty obligations, without making such information available to the public.

105. The delegate of the EU indicated support for the text in paragraphs 5 and 6 of Rule 5 but noted the need to monitor how the two provisions on the Working Capital Reserve worked together. She requested that this be noted in the Committee report.

106. The delegate of the EU reminded the Committee that Decision 2(XXXIV) on Management of the Administrative Budget requested the Executive Director to review the status of the WCR and report to Council should its balance fall below \$2.5 million at any time. This Decision was contradictory to the new financial rules that stipulated that the Executive Director report to Council when the WCR fell below 15% of the annual budget, which would currently be much less than \$2.5 million. The delegate stated that their intention was that they did

not want as much as \$2.5 million in the WCR. The Chairperson suggested this be noted in the Decision on adopting the Financial Rules.

107. The delegate of the EU requested clarification from the Secretariat on the purpose of paragraph 3 of Rule 9 and then proposed an amendment to the text as follows: “the expenses of translation of project and pre-project documents being submitted to the Council and its committees into ITTO working languages”. The Chairperson sought the views of other members to this change, and there were no objections.

108. The delegate of the EU noted that paragraph 1 of Rule 19 mentioned annual performance reviews but did not indicate who was to do these. She proposed adding “by the Council” to the relevant sentence, and the Secretariat confirmed that this was the intention of the sentence.

109. Also on Rule 19, the delegate of the EU requested that the report of this Committee session refer to the need to examine whether it would appropriate or of interest for supreme audit authorities to conduct audits of the Organization’s accounts, given that there was a question about the independence of private firms from the Secretariat. She informed the Committee that her delegation had been advised that there would be no legal difficulties with such an approach.

Japan later submitted clarification on the rules in Japan as follows:

“The Certified Public Accountant Law of Japan stipulates that no person (including both natural person and juridical person) other than a certified accountant or an audit corporation qualified under that law shall operate audit services for fees.

“In meantime, the Headquarters Agreement between the Government of Japan and the International Tropical Timber Organization stipulates that it is the duty of ITTO to observe the laws and regulations, without prejudice to the privileges and immunities accorded by that Agreement (such as, immunity from legal process) to ITTO itself.

“Given these provisions under our domestic law regulating the audit services in Japan and the Headquarters Agreement requiring ITTO to observe such laws, it is the view of the Government of Japan that ITTO obviously needs to select its auditors from the entities qualified under the Certified Public Accountant Law of Japan.”

110. The Consultant introduced Chapter 7, on investment, which was a completely new chapter that provided guidance in the form of definitions and direction, as well as a cross-reference to Annex 6 on the Investment Policy² which is a further elaborated guidance. He noted that an important addition was paragraph 1, subparagraph c, which required that all losses must be reported at once to the Council.

111. The delegate of Peru asked whether such a system for investment existed in other organizations in the UN family. He questioned whether it was correct that an intergovernmental organization such as ITTO had procedures for investment, which entailed risk, since ITTO should place its funds at zero risk.

112. The consultant responded that Rule 21 and the policy in Annex 6 on the Investment Policy to that rule provided detailed guidance and transparency with respect to all aspects, including on the matter of the specific instruments to be used and the level of risk that was acceptable. He pointed out that none of that elaboration was previously available to the Organization. Other parts of the Financial Rules provided for the Organization to benefit from interest earned from various accounts, and to do that required guidance. The concept of risk was also fully elaborated in the Annex 6 on the Investment Policy.

113. The Expert of the USA indicated that a number of international organizations used similar language providing guidance on investment.

² Annexes referred hereto are as contained in Document ITTC(LII)/11(b). The sequences of the annexes were later renumbered when they were adopted as annexes to Decision 4(LII) on Revision of ITTO Financial Rules and Procedures.

114. The delegate of the EU suggested that there might be a linguistic difference in the term “investment” between English and Spanish. She also said that the UN Treasury Department invested the funds of UN bodies, but this facility was unavailable to ITTO and therefore a policy was needed. She also suggested that paragraph 2 of Rule 21, which indicated a role for the CFA, implied a need to amend the terms of reference of the CFA, which currently had no such role, and this should be done in a separate decision.

115. The Chairperson suggested that attention might be paid to the wording on “investment” to avoid linguistic uncertainties. It was noted that “investment” was defined in paragraph 1 of Rule 21.

116. The consultant informed the Committee that Rule 25 was provided for the purpose of assuring reporting on project disbursements to Members in a more frequent and transparent manner. The delegate of Benin asked if the term “periodically” in paragraph 1 of the Rule could be more specific. The Expert of the EU explained that the adequate frequency of reporting would depend on the project: e.g. for a 5-year project, an annual reporting would be sufficient, while it should be more frequent for a project of shorter duration.

117. The consultant gave a general overview of the annexes which were listed as follows:

- Annex 1: Criteria and Priorities to Finance Actions/Activities, Pre-projects and Projects under Sub-Account B of the Bali Partnership Fund;
- Annex 2: Audit & Financial Statements Reporting Cycle Procedural Manual;
- Annex 3: Auditing Standard;
- Annex 4: Financial Delegations Procurement & Disbursements Manual;
- Annex 5: Charter for the Investment Oversight Panel;
- Annex 6: Investment Policy; and
- Annex 7: Procurement & Tender Manual.

118. The consultant informed the Committee that Annex 1 was also in the current financial rules and was unchanged from that. Annexes 2–7 were new; three of them (Annexes 2, 4 and 7) were procedural manuals, two (3 and 6) were policy annexes, and Annex 5 described the charter of the Investment Oversight Panel (IOP), which was one of the new and additional elements related to the financial governance of the Organization.

119. The Expert of the EU requested that the Council Decision draw attention to the creation of the IOP, and she pointed out it would be necessary to indicate how the panel members would be nominated. The Chairperson proposed to return to this point.

120. The Consultant introduced Annex 2, which was related to the preparation of the audit and financial statements of the Organization.

121. The delegate of the EU inquired where the requirement for the audit report to be made public was stated. The Secretariat indicated that this was stated in Appendix 1 of Annex 3.

122. At the request of the Chairperson and in the interest of clarity and transparency, the Secretariat proposed to repeat text from paragraph 12 on page 101 of the document at the end of paragraph 3, sub-paragraph 3 on page 90 of the document, to the effect that “Once Council approves the audited financial statements, the Executive Director shall post the full external audit report on ITTO’s publicly accessible website”. The delegate of the EU endorsed this language and requested that it be added as a separate paragraph, 3 bis.

123. The delegate of Brazil observed that the words “procedural manual” in the title was more indicative of suggestions or instructions and did not fully convey the meaning that the procedures should be followed as an obligation. He proposed, supported by the EU, that the title should be “Audit and Financial Statements Reporting Cycle Procedures”, and the Committee adopted this amendment.

124. There was discussion of whether the auditor’s report should be placed on the Organization’s publicly accessible website before Council approval, with one delegate pointing out that some organizations in the UN

family did so and others did not. The Chairperson suggested that the overall transparency of ITTO documentation could be the subject of discussion at the next meeting of the CFA.

125. The Consultant introduced Annex 3, which provided detailed standards required for the auditing of the Organization's accounts. The Committee adopted this annex.

126. The Consultant provided a brief introduction to Annex 4.

127. The delegate of the EU asked why there were procurement procedures in Annex 4, when procurement procedures were the subject of Annex 7.

128. At the request of the Chairperson, the Consultant suggested a change in the title of Annex 4 to remove the word "procurement", so that the full title would read, "Financial Delegations and Disbursement Procedures". The Committee adopted this suggestion, and the delegate of the EU requested the Secretariat to ensure that any title changes in the annexes were carried through into the main text of the Financial Rules. Annex 4 was duly adopted.

129. The Consultant introduced Annex 5.

130. The delegate of Brazil suggested that, given that the charter of the IOP was directly related to the investment policy in Annex 6, the order of these two annexes might be better reversed. After discussion of both annexes, this suggestion was adopted.

131. The Committee discussed ways of providing greater clarity to the composition of the IOP: for example, whether the two non-Secretariat members should be "external", and what constituted a quorum. The Chairperson requested the Secretariat to develop proposals for amendments to the text.

132. The delegate of the EU requested clarification on whether it would be possible to distribute reports of the IOP to the CFA and the Informal Advisory Group (as stated in Section 11 of the annex) intersessionally. At the request of the Chairperson, the Consultant suggested an amendment to Section 11, paragraph 2, to "provide draft minutes to the chair of the CFA and to the Informal Advisory Group through the Council Chair".

133. The Expert of the USA informed the Council that the Expert Panel had concluded that it was worth the effort to attempt to find relevant experts within government to fill the "external" positions of the IOP. Section 13 of the annex, she said, indicated that the charter would be reviewed by the CFA for its relevance and effectiveness and it would therefore be possible to amend the charter in light of experience.

134. The Chairperson requested that it be pointed out in the Committee report that the creation of the IOP might have budget implications and that the CFA would review the charter on the basis of experience. It was to be a living document, and, if adjustment was needed, it was the CFA's role to do this.

135. The Consultant introduced Annex 6.

136. The delegate of Brazil informed the Council that it had many observations and specific points to make on this annex, most of which related to a concern that there was an overemphasis on "maximizing earnings", whereas a more conservative approach was preferable. He indicated that this emphasis was contradictory to wording in Rule 21.1 (a), which specifically stated "in such a way to minimize risk".

137. The delegate of the EU and the delegate of the USA expressed in-principle agreement with Brazil's concern.

138. The Chairperson invited comments on the two draft Council Decisions related to financial rules. The delegate of the EU indicated a need for further drafting to address several technical issues, such as the nomination of the chair of the IOP, and the financial implications.

139. The delegate of Brazil further observed that the annex on investment did not address long-term investments, even though those were mentioned Rule 21.1 (b).

140. The Chairperson proposed that a small drafting group would be formed to address:

- the language in Annex 6;
- the composition and selection of the members of the IOP to the task of the small working group, including to guarantee balance between producer and consumer members in the panel; and
- the terms of reference of the CFA.

141. The drafting group presented its results in the Chairperson's Open-ended Drafting Group.

142. The Committee adopted Annex 7 without change.

143. The Committee decided to recommend to Council to approve the Revision of the ITTO Financial Rules and Procedures, Audit Standards, and Relevant Staff Regulations and Rules, as contained in document ITTC(LII)/11(b).

(b) Impacts on Projects and Ameliorative Measures

144. The Chairperson invited Mr. Luke Thompson (USA), a member of the Oversight Committee, to introduce document ITTC(LII)/11(a) on "Report to the Chairperson of Council submitted by the Oversight Committee extended under Decision 2(LI.1) to oversee the implementation of ITTC Decision 4(LI)", and the Secretariat provided further detailed explanations of the annexes of the document.

145. The delegate of the EU requested a "state of play" of Table 2 in Annex 2. She further pointed out that there appeared to be two versions of a liability, one called "commitment" in Table 4, "refunds due to donors of US\$3,780,000" and, on page 19, "remaining commitment in completed projects", with a value of US\$3,661,000. The delegate indicated that these values should be the same and requested an explanation of the difference.

146. The Secretariat explained that some anomalies were evident in the process for closing completed projects, especially in the last four years, which appeared to lack explanation, despite the best efforts of the Secretariat to determine the facts.

147. The delegate of the EU explained that the tables had been provided to the Oversight Committee at their second-to-last meeting and it had been difficult for the Oversight Committee to fully digest them. She said that a decision to specify a "haircut" of the budgets of existing projects of, for example, 20%, would also imply a "haircut" of all unknown liabilities of donors about which they had not been informed.

148. The delegate of Australia extended her gratitude to the Oversight Committee and the Secretariat for their efforts. Although Australia's losses were relatively small when compared with other donors, she said, the projects funded were worth continuing and Australia had sought to return all unallocated funds to those projects. Noting the concerns of the delegate of the EU about the decision text, she agreed that the path forward proposed in the decision was sound. She volunteered Australia's assistance in the reallocation of funds made available under the decision because continuing the projects was essential.

149. The Secretariat informed the Committee that all donors had been notified by letter of every project impacted in their accounts. He further responded to the delegate of the EU by informing the Committee that it was not quite correct that adoption of the decision would imply the writing off of US\$3.8 million because this amount would remain as a liability in the accounts. Nevertheless, it was implied that the donors of impacted funds would be agreeing they would be unlikely to retrieve those funds, and perhaps the operative decision should be more explicit of this.

150. The delegate of the EU stressed that the discussion did not imply criticism of anyone. She asked the Secretariat whether the letters that were sent to donors were explicit about which part of the funds to be returned to donors remained in the accounts. She expressed concern that it might take years before donors might be able

to receive their funds back, if ever. One option would be for projects to take a bigger “haircut”; she was not necessarily advocating this, but there was a need to acknowledge this option.

151. The delegate of Japan indicated that Japan was ready to reallocate the remaining balance from completed projects to help address the shortfall, and he expressed the hope that all donors would do the same to avoid the possibility of “free-riders”.

152. The delegate of Côte d’Ivoire indicated that he had taken note of the concerns of Japan and the EU and proposed that the decision provide donors with the choice of whether to have the funds returned or to leave them.

153. The Secretariat informed the Council that the letters sent to donors had been structured to inform donors of those ongoing projects to which they had contributed funds that had been impacted, how much had been impacted, and their portion of that. In addition, they were informed of which completed regular-cycle projects with balances remaining were impacted and the amount of the balance that had been impacted. Many projects were funded by multiple donors, he explained, so this had been a complicated process. There were also projects funded in the thematic programmes – including those that were completed and those that were ongoing. This was even more complicated because such projects were funded from pooled funds. The same process was done for completed and ongoing activities in the Biennial Work Programme. Donors were requested to inform the Secretariat about what they wanted done with their unallocated funds. All letters sent had a standard format. Responses to the question on what should be done with unallocated funds were either “we agree” to reallocate the funds, or “we disagree”. Approximately US\$500,000 had been returned to donors from the original approximately US\$1.5 million.

154. The delegate of the EU assured the Committee that it was not in the nature of the donors of the EU to act as free-riders. She requested further clarity from the Secretariat that each donor had been told that there were completed impacted projects, with an amount of donor funds attached to it, and each donor was also given a figure for projects for which the balances remained in the donor accounts, and the letters therefore covered a grand total of US\$19.5 million. The Secretariat indicated that this was correct.

155. The delegate of Switzerland confirmed that the letter received by the Government of Switzerland was indeed complicated, and further explanation had been sought and obtained from the Secretariat. There had been a request to indicate what to do with the unallocated funds, but not what to do with the funds in Section 4. The Secretariat indicated that there were no funds in Section 4, which was why the question had not be posed to donors.

156. The delegate of the EU reiterated that what was to be resolved was what to do about US\$14.2 million. She proposed inserting preambular text to the decision noting that it dealt with US\$14.2 million and not the refunds due to donors, which were no longer available.

157. The Chairperson drew the attention of the Committee to Annex 1 on page 6 and the table related to the decision in Annex 1. He requested interventions on the substance of the text, rather than precise wording, which would be dealt with in the Chairperson’s Open-ended Drafting Group.

158. The delegate of the EU proposed that, after the preamble, where the text is “acknowledging”, that the following further clause be added: “Also acknowledging that the guidelines below deal with the commitments to ongoing technical projects and activities of the Organization and do not deal with refunds due from completed projects except to the extent that those refunds were in the donor’s fund account.” Further, the Council should reiterate its desire to resume operation of “as many [rather than “all”] projects and activities as possible”.

159. On bullet 2 on page 7, the delegate of the EU requested that text be inserted as follows: “including ITTO’s contractual obligations to donors, including those set out in the final two sections of Table 4.2 of the Oversight Committee’s report”. The delegate of Japan confirmed that this caveat, if adopted, should also apply to Japan, as indicated.

160. On the final bullet of paragraph 1, the delegate of the EU requested that the Secretariat ensure that the language in the bullet be consistent with the decision on the Biennial Work Programme.

161. The delegate of the EU requested clarification of the necessity of placing an extra US\$1 million in the Special Reserve, and bracketed text was added to the draft decision for consideration in the Chairperson's Open-ended Drafting Group. The delegate asked the Secretariat to comment on whether the additional funds were needed.

162. The Secretariat clarified that, assuming all posts in the Secretariat were filled, which currently they were not, there were insufficient funds in the Special Reserve to wind up the Organization, should that be required. The delegate of the EU suggested that a contribution be made to the Special Reserve from the Working Capital Reserve that was less than the proposed US\$1.5 million, which would make more funds available for current purposes. She requested that it be noted in the report of the Committee that the issue of the Special Reserve should be revisited at the next CFA meeting. The Chairperson also proposed that this proposal be considered in the Chairperson's Open-ended Drafting Group.

(c) Legal Implications

163. The Chairperson referred to document ITTC(LII)/11(a), with particular attention to legal proceedings against the investment advisor who sold the products that led to the loss of US\$18.2 million of ITTO funds. The Chairperson advised the Committee that this matter would be discussed in the Council Sessions and thus the Committee would not deliberate in detail.

Item 12: Biennial Work Programme of the Committee for 2017-2018

164. The Secretariat informed the Committee that due to the extension of the Biennial Work Programme 2015–2016 there was nothing to discuss under this item.

Item 13: Request by the Central African Republic for 'Relief from Obligations'

165. The Committee, at its Thirtieth Session, had deliberated on the request made by the Central African Republic to consider write-off of its arrears in line with Article 30 of the ITTA, 2006, on "Relief from Obligations" and decided that the letter should be circulated to all Member countries. The letter has been made available to Member countries as contained in CFA(XXX)/CRP-1. The Committee, at its Thirtieth Session, concluded to positively consider the request submitted by the Central African Republic to write off its arrears of Assessed Contribution to ITTO for the period of 2005–2011 and that the matter be listed as priority item in the agenda of the Committee at the Thirty-first Session. At the present session, the Committee was informed that the Council Chair had determined that, given that there was no representative of the Central African Republic present, this item should not be considered at this session.

Item 14: Election of Chairperson and Vice-Chairperson for 2017

166. The Vice-Chairperson of the Committee for 2016, Mr. Mad Zaidi Mohd Karli of Malaysia, was elected Chairperson of the Committee for 2017 and Mr. Luke Thompson of the USA was elected Vice-Chairperson of the Committee for 2017.

Item 15: Dates and Venue of the Thirty-Second and Thirty-Third Sessions

167. The Committee agreed that its Sessions may be held on the same dates and at the same venues as the Fifty-third and Fifty-fourth Sessions of the Council.

Item 16: Other Business

There was no other business.

Item 17: Recommendations to the International Tropical Timber Council

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

- (1) To adopt the Report of the Independent Public Accountants on the Accounts of the Organization for the

Financial Year 2014 as contained in document CFA(XXX)/6 Rev.1;

(2) To adopt the Report of the Independent Public Accountants on the Accounts of the Organization for the Financial Year 2015 as contained in document CFA(XXXI)/6;

(3) To approve the appointment of BDO Toyo & Co. to audit the Accounts of the Organization for the financial year 2016, as an exceptional extension of appointment, provided that the quality and scope of audit is in compliance with the revised Financial Rules and there is no increase in the bid already made to the Organization;

(4) To approve the transfer of \$350,000 from the Working Capital Reserve to increase the amount of Special Reserve to \$1.85 million; and

(5) To examine and take actions to secure the needed resources to achieve the objectives of the Organization.

Item 18: Report of the Session

168. The Committee adopted this report as amended.

* * *

ANNEX V

REPORT OF THE INFORMAL ADVISORY GROUP (IAG)

DOCUMENT: ITTC(LII)/2

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

**REPORT OF THE INFORMAL ADVISORY GROUP (IAG)
AT ITS THIRTIETH MEETING**

**6 November 2016
Yokohama, Japan**

**Thirtieth Meeting of the Informal Advisory Group (IAG)
Yokohama, Japan, 6 November 2016**

Report of the Chairperson

1. The Thirtieth Meeting of the IAG was convened on Sunday, 6 November 2016, chaired by Ms. Jennifer Conje (U.S.A.), Chairperson of the Council. The meeting was attended by Mr. Tabi Agyarko (Ghana), Vice-chairperson of the Council, Ms. Alicia Grimes (U.S.A.), Chairperson of the Committee on Economics, Statistics and Markets (CEM), Ms. Akiko Nakano (Japan), Chairperson of the Committee on Forest Industry (CFI), Mr. Rob Busink (Netherlands), Chairperson of the Committee on Finance and Administration (CFA), Dr. Mohammed Nurudeen Iddrisu (Ghana), Chairperson of the Committee on Reforestation and Forest Management (CRF), Ms. Anna Tyler (New Zealand), Consumer Spokesperson, Mr. Hiroyuki Nishiura (Japan), Representative of the Host Government of the Headquarters, and Dr. Steven E. Johnson, the Officer-in-Charge (OIC), together with other senior members of the Secretariat. The OIC reported that the Producer Spokesperson indicated that he was not able to attend the Council Session and the IAG urged the Producer Caucus to nominate an alternate spokesperson for this Session as soon as possible.
 2. The IAG considered and adopted the following agenda for discussion:
 - A. Brief background of the IAG:
 - Decision 2(LI);
 - Report of the IAG at its Twenty-ninth Meeting, 15 November 2015;
 - General observations by the IAG Members;
 - B. Matters Related to Article 14 of the ITTA, 2006
 - C. Opening of the Fifty-second Session of the Council
 - D. Status of the parties to the International Tropical Timber Agreement, 2006
 - E. Impairment of ITTO Funds
 - F. Extension of the Biennial Work Programme 2015-2016
 - G. Expert Panel (EP) for the Technical Appraisal of Project Proposals
 - H. Fellowship Programme
 - I. Filling Positions of Council Officers/Bodies
 - J. Consideration of draft decisions/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII)
 - Projects, Pre-Projects and Activities [Decision 1(LII)];
 - Matters related to Article 14 of the ITTA, 2006 -- *submitted by the Secretariat*;
 - Extension of the ITTO Biennial Work Programme 2015-2016 -- *submitted by the Secretariat*;
 - Revised ITTO Financial Rules, Audit Standards -- *submitted by the Secretariat*;
 - Revised Staff Regulations and Staff Rules of ITTO -- *submitted by the Secretariat*;
 - Dealing with Projects and Activities Impacted by the Impairment in ITTO Funds -- *submitted by the Secretariat*;
 - Further Legal Action Against the Investment Advisor(s) and Against Former Staff Members -- *no draft decision submitted*;
 - K. List of possible decisions for the Fifty-second Session of the ITTC and report to the Council; and
 - L. Other matters
 - Reallocation of US\$1 million from the Working Capital Reserve to the Special Reserve;
- A. Brief background of the IAG**
3. In its deliberations, the IAG noted and made reference to Decision 2 (LI) and the Report of the Informal Advisory Group (IAG) at its Twenty-ninth Meeting held on 15 November 2015 in Kuala Lumpur, Malaysia as contained in document ITTC(LI)/2 dated 15 November 2015.
- B. Matters Related to Article 14 of the ITTA, 2006**
4. The Chairperson informed that six candidates were shortlisted for the position of ITTO Executive Director, including Ms. Stephanie Caswell (U.S.A.), Mr. Putera Parthama (Indonesia),

Mr. Gerhard Dieterle (Germany), Ms. Sheamala Satkuru (Malaysia), Mr. Torgny Soderman (Sweden) and Mr. Ivan Tomaselli (Brazil). All candidates have been invited to attend the Fifty-second Session of the ITTC. The IAG noted the importance of reaching agreement on this issue at this Session of the Council. The IAG was briefed by the OIC on the selection panel process. The IAG recommended that all candidates address Council on the first day of the ITTC for an equal time allocation, to enable equity in the process. The order of speakers should alternate between consumer and producer countries in alphabetical order. The IAG recommended that each caucus develop two questions which are to be posed to all candidates. The OIC advised that candidates will be available until the fourth day of the ITTC period. If requested by the respective caucuses and to allow flexibility for further questions to be asked, the IAG recommended the possibility of the candidates meeting with each caucus after the list of candidates had been further reduced.

5. The IAG was briefed on the status of contributions to the administrative budget for 2016 and Member Countries that are eligible to vote. The IAG was also briefed on the Credentials of delegates, including countries that have delegated their votes, and the voting procedure to be adopted in case of voting, which will follow the procedure applied in Kuala Lumpur at the Fifty-first Session of the ITTC. Provisions have been made in the schedule for the caucuses to meet as early as possible in order to nominate members for the Credentials Committee. The Chairperson urged the members of the IAG to convey to their respective caucuses the importance of their members submitting their credentials to the credentials committee as soon as possible.

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

6. The OIC introduced the proposed agenda for the opening session of the Fifty-second Session of the ITTC. The OIC informed the IAG that the registration of observers was done in accordance with Decision 3(LI). The OIC further informed that the deadline for observer registration was 10 October 2016 and that in accordance with the decision, the list of registered observers was posted 2 weeks before Council.

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

7. The IAG was informed on the current status of the parties to the IAG. The OIC reported that Madagascar has become a member of ITTO. There are now 73 parties to the Agreement comprising 38 consumer members including the EU and 35 producer member countries. The IAG welcomed the new member of the Organization.

E. Impairment of ITTO Funds

8. The IAG was briefed on the impairment of ITTO funds and work done intercessionally, including issues of legal matters, revision of staff rules and regulations, and how to utilize the remaining ITTO funds to continue projects and operations. The IAG noted all the sub-items listed under this agenda item will be introduced in Council, but two of the sub-items will be discussed in-depth within the CFA. The IAG noted that a separate, informal Working Group may need to be set up if the work in the CFA proved to be time constrained. In addition, the Secretariat brought to the IAG's attention the proposed changes recommended by the Expert Panel established under Decision 1(LI.1) on the Terms of Reference of the IAG. The IAG recommended that, given the workload of this current session, consideration of the changes to the Terms of Reference for the IAG be postponed to the Fifty-third Session of the ITTC.

F. Extension of the Biennial Work Programme 2015-2016

9. Given the various challenges facing the Organization due to the impairment of funds, the IAG recommended that the BWP 2015-2016 be extended for one year and that a new BWP 2018-2019 be presented for consideration of the Council at the Fifty-third Session of the ITTC in 2017, after a brief introduction.

G. Expert Panel (EP) for the Technical Appraisal of Project Proposals

10. The IAG was briefed on the suspension of the 52nd EP due to the impairment of ITTO funds and the insufficient level of payments of 2016 assessed contributions to the administrative budget. Given the current financial impairment of the Organization, the IAG recommended as a temporary measure under extraordinary circumstances, that the EP be convened for one meeting in mid-2017.

Recognising the importance of projects, it was noted that this should not be regarded as a normal situation and that Members should be encouraged to continue to contribute to funding of projects especially in light of the revised ITTO regulations and policies being put in place.

H. Fellowship Programme

11. The IAG was briefed on the suspension of awards under the Fellowship Programme in 2016 due to the impairments of ITTO funds. The IAG recommends that the Fellowship Selection Panel meets at the Fifty-second Session of the ITTC if sufficient funds are made available.

I. Filling Positions of Council Officers/Bodies

12. The IAG was informed on the vacant positions of Council Officers/bodies for the Fifty-second Session of the ITTC and the need for new nominations for the Fifty-third Session of the ITTC. The IAG noted the increased responsibility required for these positions under the proposed revisions to financial and staff rules and the need to consider suitably qualified officers for these positions.

J. Consideration of Draft Decisions/Elements of Decisions Submitted Pursuant to ITTC Decision 7(XXXIII)

13. The IAG considered the draft decisions/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII) as follows:
 - i. Projects, Pre-Projects and Activities [Decision 1(LII)];
 - ii. Matters related to Article 14 of the ITTA, 2006 -- *submitted by the Secretariat*;
 - iii. Extension of the Biennial Work Programme 2015-2016 for one year -- *submitted by the Secretariat*;
 - iv. Revised ITTO Financial Rules, Audit Standards -- *submitted by the Expert Panel established under Decision 1(LI.1)*;
 - v. Revised Staff Regulations and Staff Rules of ITTO -- *submitted by the Expert Panel established under Decision 1(LI.1)*;
 - vi. Dealing with Projects and Activities Impacted by the Impairment in ITTO Funds -- *submitted by the Expert Panel established under Decision 2(LI.1)*;
 - vii. Further Legal Action Against the Investment Advisor(s) and Against Former Staff Members – *no draft decision submitted*;

The IAG noted that a draft for item vii would be drafted, as needed, based upon discussion at Council.

K. List of Possible Decisions for the Fifty-second Session of the ITTC and Report to the Council

14. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Fifty-second Session as follows:
 - i. Projects, Pre-Projects and Activities [Decision 1(LII)];
 - ii. Matters related to Article 14 of the ITTA, 2006 -- *submitted by the Secretariat*;
 - iii. Extension of the Biennial Work Programme 2015-2016 for one year -- *submitted by the Secretariat*;
 - iv. Revised ITTO Financial Rules, Audit Standards -- *submitted by the Expert Panel established under Decision 1(LI.1)*;
 - v. Revised Staff Regulations and Staff Rules of ITTO -- *submitted by the Expert Panel established under Decision 1(LI.1)*;
 - vi. Dealing with Projects and Activities Impacted by the Impairment in ITTO Funds -- *submitted by the Expert Panel established under Decision 2(LI.1)*;

The IAG noted that a draft for item vii under agenda item J would be drafted, as needed, based upon discussion at Council.

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

L. Other Matters

15. The IAG was advised by the OIC that there were insufficient funds in the Special Reserve and that it would require a transfer of US\$ 1 million from the Working Capital Account to the Special Reserve Fund in order to reflect the updated estimate of costs necessary in case of liquidation of the

Organization. Based on past procedures which required a recommendation in the CFA report, there may be no requirement for a Council decision.

M. Adjournment

16. The Thirtieth meeting of the IAG was adjourned with a vote of thanks to the Chairperson of the meeting.

ANNEX A

Draft Decisions

Only text of draft Decisions is appended to this Report.



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

Distr.
GENERAL

ITTC(LII)/
12 November 2016

Original: ENGLISH

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

DECISION(LII)

APPOINTMENT OF THE EXECUTIVE DIRECTOR

The International Tropical Timber Council,

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

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

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

Further recalling Decision 5(LI) on matters related to Article 14 of the ITTA, 2006, and in particular the Annex to Decision 5(LI) on the Vacancy for the Position of the Executive Director of ITTO;

Also further recalling the Report of the Panel on Matters Related to Article 14 of the ITTA, 2006, [ITTC(LII)/6];

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

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

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

* * *



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DECISION (LII)

EXTENSION OF THE ITTO BIENNIAL WORK PROGRAMME 2015-2016

The International Tropical Timber Council,

Appreciating the work of the Secretariat in implementing the Biennial Work Programme for the years 2015-2016;

Taking note of ITTO's financial impairments, leading to the suspension of a significant number of activities under the BWP 2015-2016;

Also taking note of the recommendation of the Informal Advisory Group to extend the BWP 2015-2016;

Decides to:

5. Extend the Biennial Work Programme for 2015-2016 as contained in the Annex to this Decision for a period of one year;
6. Authorize the Executive Director to seek additional voluntary contributions from Member Countries and other funding sources to finance the continued implementation of the activities listed in the Annex;
7. Request the Executive Director to report to Council on the progress in implementing the Biennial Work Programme during the Fifty-third session of the Council.

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DRAFT DECISION ...(LII)

REVISION OF ITTO FINANCIAL RULES AND PROCEDURES

The International Tropical Timber Council,

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

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

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

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

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

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

Decides to:

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

as contained in Annex 1 to this Decision.

8. Approve the establishment of the Investment Oversight Panel as soon as practical.

9. Approve the implementation of the revised Financial Rules and Rules Relating to Projects of the ITTO and the associated policies and manuals with effect from 1 January 2017 or as soon as practical thereafter.
10. 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.

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DRAFT DECISION ...(LII)

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

The International Tropical Timber Council,

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

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

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

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

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

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

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

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

Decides to:

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

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DECISION(LII)

GUIDELINES FOR ADDRESSING ITTO FINANCIAL SHORTFALL

The International Tropical Timber Council,

Welcoming the ongoing work of the Oversight Committee pursuant to decisions 4(LI) and 2(LI.1) in providing advice to the Chair, Secretariat, and IAG to address financial losses, including issuance of this decision;

Recalling the loss of \$18.2 million USD in ITTO funding due to the failure of investments as described in the Oversight Committee Report and Addendum delivered pursuant to decision 4(LI);

Noting that as a result of the financial losses the ITTO Special Account and the Bali Partnership Fund no longer contain sufficient funds to fulfill outstanding ITTO commitments to on-going technical projects and activities of the organization (\$14.2M), and donor refunds due from completed projects (\$3.8M);

Acknowledging the need for a fair and transparent process to allocate limited resources to outstanding commitments;

Recognizing that the financial losses have impacts on all of the ITTO membership and that any solution needs to provide sufficient flexibility to enable the Executive Director and the ITTO Secretariat to effectively address the financial shortfall;

Further recognizing that the recent audit of ITTO accounts and associated work by the Secretariat allowed the closure of several past projects and identification of extra reserves in other accounts, providing the possibility of drawing upon the reserves in other ITTO accounts as described in the report of the extended Oversight Committee under the provisions of Decision 2(LI.1);

Welcoming the efforts that the Secretariat has already undertaken to minimize administrative and project costs, and the need for its continuous efforts to achieve even further savings through efficiencies in project management and administration as far as possible;

Acknowledging that even with all reserves from other accounts that may be applied to the funding gap, ITTO will still have a shortfall in meeting outstanding commitments and that cost saving measures, closure of some projects, and prioritization of activities will need to occur;

Seeking partnership, solidarity and understanding from both producer and consumer members in the face of likely budget limitations and the need to write off relevant approved project expenses as per the terms of this Decision;

Reiterating the desire to immediately resume the operation of all projects/activities without significant impacts on their expected results/outputs;

Decides to:

8. Request the Executive Director to apply the following guidelines to projects and activities pledged before ITTC51, in a fair and transparent manner, in addressing the financial shortfall:
 - Minimize administrative and project costs as far as possible to achieve further savings through efficiencies in project management and administration;
 - Ensure that project expenses already legitimately incurred by implementing agencies and/or treated as liabilities in ITTO's accounts, including ITTO's contractual obligations to donors, are met as expeditiously as possible;
 - Consult with donors;
 - Consult with executing agencies, country contact points, project managers and regional officers on the recommencement of impacted projects/activities, making all savings possible in the budgets of these projects;
 - Take into account the desirability of balancing impacts between geographic regions and diversity of project activities
 - Consider recommending projects for termination that have not started for at least two years following funding, provided that the donor(s) to the projects thus terminated must approve of any use of funds thus derived from termination; and
 - Close, scale back, or postpone selected activities of the Biennial Work Programme 2015-2016, except activities for which contracts have been signed governing their implementation, which do not have sufficient funds for their completion, or which are not considered to be a priority for 2017 under the extension of the 2015-2016 BWP [adopted in Decision XX (LII)] and provided the donor(s) to the activities must approve of any use of funds thus derived;
9. Request donors with unallocated funds in ITTO's accounts to use these funds in so far as possible to help to address the funding shortfall;
10. Urge all members to consider contributing additional resources to address the financial shortfall, be it through voluntary contributions, in kind resources to projects and activities, or other means;
11. Authorize the Executive Director to utilize the following amounts to be applied to assist in meeting the shortfall of funds:
 - Up to a maximum of \$5.24 million from the following reserves of the Special Account and Bali Partnership Fund:
 - o Unearmarked Funds and Bali Partnership Fund Sub-Account B (up to \$2.80 million)
 - o Thematic Programme Pooled Account (up to \$0.84 million)
 - o Programme Support fund (up to \$0.8 million)
 - o Ex-post Pooled fund (up to \$0.8 million)
 - As an extraordinary measure and to indicate the shared commitment of members to addressing this problem, up to a maximum of \$4.16 million from the reserves of the Administrative Account:
 - o Reserve provided by Administrative Account interest income excluding interest income under Dec 2 (XXXIV) (up to \$1.66 million)
 - o Working Capital Reserve (up to \$2.50 million) while retaining sufficient funds in the Reserve to comply with the Financial Rules;
12. Request the Executive Director to consult with implementing agencies on possible cost saving measures in remaining projects/activities, including administering a proportionate cut across all remaining projects and activities as the most immediate, fair and transparent solution for ensuring the resumption of the maximum number of projects/activities possible;
13. Confirm that no payment is due with respect to the demands made to date by the liquidators of the Ardent funds, taking into account ITTO's Headquarters Agreement with the government of Japan;
14. Request the Executive Director to provide transparent, detailed reporting to the Council on how the provisions of this Decision have been applied, including a preliminary report within three months of the adoption of the Decision and an annual summary report at ITTC53.

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SAMPLE

DECISION(LII)

FURTHER LEGAL ACTION

The International Tropical Timber Council,

* * *