



**Summary Report on the Implementation of Decisions
Dealing with the Impairment of ITTO Funds**

(Item 15 of the Provisional Agenda)

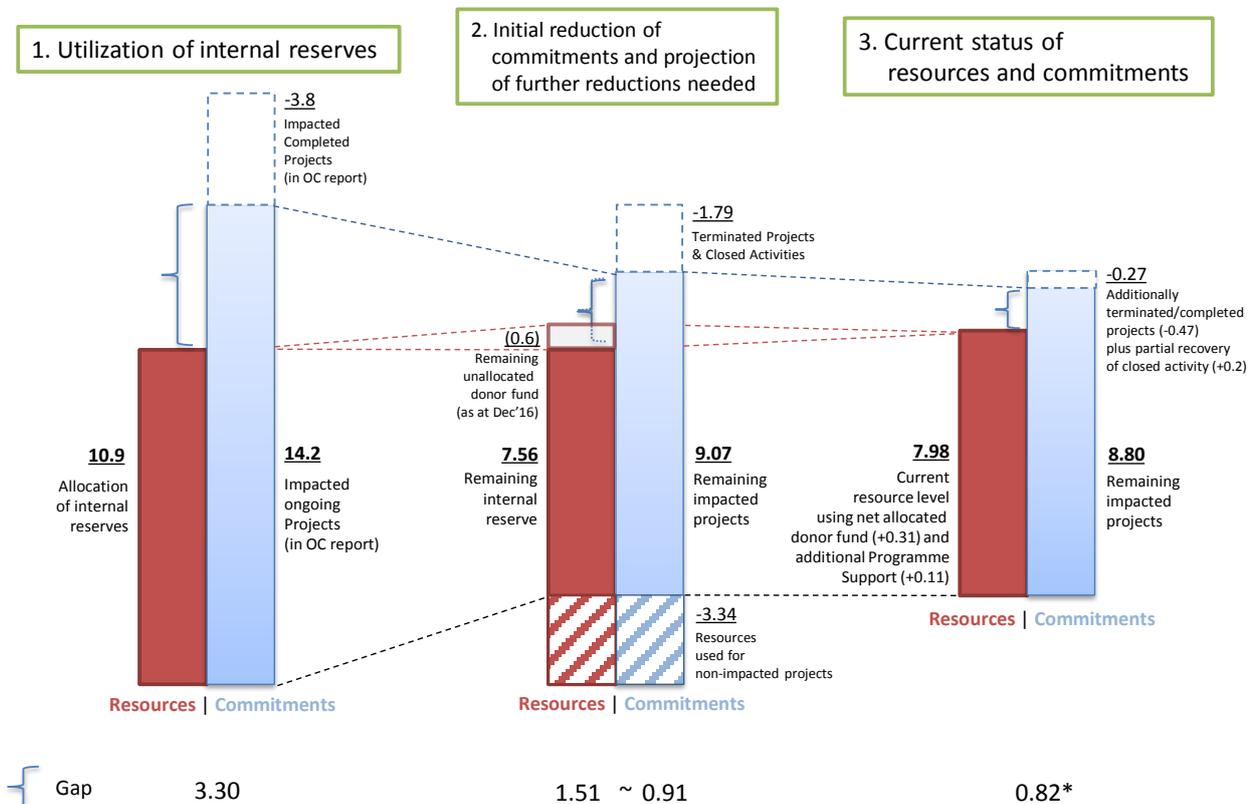
A. Introduction

As reported in Council document ITTC(LII)/11(a) (the Oversight Committee(OC) Report), all payments to projects and activities of the Organization were suspended during 2016 due to the loss of \$18.2 million in ITTO funding resulting from the failure of investments made by ITTO's previous management. Subsequently, the OC, established under Decision 4(LI) and 2(LI.1), addressed in its report strategies for prioritizing projects and managing impacts of the loss of project funds. Based on the OC's recommendations, the Council at its 52nd Session in November 2016 adopted Decision 6(LII) establishing guidelines for addressing ITTO's financial shortfall.

Decision 6(LII) authorized the Executive Director to utilize internal reserves as well as request members to contribute additional resources (including their unallocated funds) to assist in meeting the shortfall of funds. Furthermore, the Decision's provisions for administering a cut or closing certain projects/activities were formulated with the intention to immediately resume the operations of as many projects/activities as possible without significant impacts on their expected results/outputs.

Chart 1: Process for Addressing ITTO's Financial Shortfall

(in US\$ million)



* Gap eliminated through budget cuts

B. Process for addressing ITTO's financial shortfall (See Chart 1)

1. Utilization of internal reserves

To ensure that the largest number of projects/activities could be resumed as soon as possible, the Secretariat, in accordance with Decision 6(LII), decided to utilize the maximum amount (\$10.9 million) authorized for use from the internal reserves to address the funding shortfall as follows:

- \$5.24 million from the following reserves of the Special Account and Bali Partnership Fund:
 - Unearmarked Funds and Bali Partnership Fund Sub-Account B (\$2.80 million)
 - Thematic Programme Pooled Account (\$0.84 million)
 - Programme Support fund (\$0.8 million)
 - Ex-post Pooled fund (\$0.8 million)
- \$5.66 million from the reserves of the Administrative Account:
 - Reserve provided by Administrative Account interest income excluding interest income under Decision 2(XXXIV) (\$1.66 million)
 - Working Capital Reserve (\$4 million)

With the above allocation, all of these reserves except for the Working Capital Reserve are essentially depleted as of the time of this report. For the Working Capital Reserve, sufficient funds are being kept in accordance with the new Financial Rules approved at the ITTC52; the current balance is approximately \$4 million (including arrears received in 2017).

2. Initial reduction of commitments and projection of further reductions needed

a.) Reducing the amount required for addressing the shortfall of funds

Decision 6(LII) identified ITTO commitments of \$14.2 million for ongoing projects/activities (referred to in Annex 4, Table 4.2 of the OC Report) to which the guidelines would be applied in addressing the financial shortfall. As an initial step to narrow the funding gap between this amount and available funds, a review of projects/activities that could be terminated and/or closed was conducted. After careful consideration, 14 projects and activities amounting to \$1.37 million in remaining commitments were identified as follows:

- In accordance with the Decision which called for "recommending projects for termination that have not started for at least two years following funding", 2 projects amounting to \$0.26 million in remaining commitments were identified (Annex 1, Table 1.1).
- The Decision also called on the Secretariat to "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". Under this provision 12 BWP activities amounting to \$1.11 million in remaining commitments were identified (Annex 1, Table 1.2).

Additionally, \$0.42 million which was borrowed from the Programme Support fund prior to the adoption of the Decision to make urgent payments for expenses already legitimately incurred by implementing agencies was written-off.

In conclusion, \$1.79 million of commitments were deducted from the total remaining commitments in accordance with Decision 6(LII), leaving a balance of \$12.41 million.

b.) Allocation of resources to non-impacted projects/activities

The following projects/activities with remaining commitments of \$3.34 million received the full amount of resources originally approved as per Decision 6(LII) and were therefore not impacted:

- Projects/activities listed in the final two parts of Annex 4, Table 4.2 of the OC report, representing projects/activities with ITTO contractual obligations to donors, were resumed with no impact on their budgets (also included in Annex 2, Table 2.1 and 2.2 of this report). These include projects implemented under an exchange of notes between ITTO and the government of Japan as well as projects implemented under contracts signed between ITTO and the European Commission. With regard to the latter, the full amount indicated in Table 2.2 for the EU-funded IMM activity was made available to allow IMM implementation to re-commence in early 2017 following negotiations with the EC. With regard to the ITTO CITES program projects listed in Table 2.2 (including TMT component), all of these have been completed without impact using ITTO's resources (other donor contributions to the CITES program plus programme support) pending payment of the final installment of funds under the contract with the EC. The EC undertook an audit of the ITTO CITES programme in June 2017 and the final payment (Euro 59,674) is expected before the end of the year. When received, these funds will be credited to the on-going BWP activity under which the ITTO CITES programme is implemented.
- It was determined that the executing agency for PD620/11 Rev.1 (M) had already legitimately incurred expenses accounting for all remaining funds for this project prior to adoption of Decision

6(LII). Therefore, in accordance with the Decision, there was no budget cut imposed on this project and the executing agency was reimbursed for the full amount of expenses already incurred (Annex 2, Table 2.3).

Safeguarded projects/activities which were funded at or after ITTC 51 are being implemented without any impact or need of additional resources, as per Decision 6(LII) (Annex 2, Table 2.4).

In summary, following the allocation of resources (\$3.34 million) to projects/activities that Decision 6(LII) dictated would remain unaffected, a total of \$7.56 million (\$10.9 less \$3.34 million) remains from the resources authorized by the Decision to address a shortfall of \$9.07 million (\$12.41 less \$3.34 million).

c.) Projection of further reductions needed and communication with members/executing agencies

Following the adoption of Decision 6(LII) at ITTC52, letters were sent out from the Officer-in-Charge in December 2016 to all affected members to inform them of the steps to be taken to apply the Decision to recommence projects/activities.

In preparing the letter, a preliminary projection was made to determine reductions to the remaining ITTO budgets to be consistent with the available resources. After applying the steps mentioned in the previous paragraphs, the total remaining resources available were determined to be \$7.56 million while the total remaining commitments to impacted projects/activities were \$9.07 million. This difference of \$1.51 million or 17% of remaining commitments would be the maximum reduction required to project budgets assuming no other resources could be brought to bear and all projects recommenced as envisioned. Additionally, after taking into account instructions received up to that point by donors on the usage of funds remaining with ITTO (a full refund request by Switzerland and UK, and partial retention of funds for future new pledges by USA), \$0.6 million in unallocated donor funds were potentially available for use pending approval by donors. If all of this amount were to be approved by donors to assist impacted projects, the potentially available resources could increase to \$8.16 million and the difference with the \$9.07 million in remaining commitments would be reduced to \$0.91 million, which would be 10% of the remaining commitments. This was used to set a minimum bound on the scale of reductions to individual projects, i.e. the range of reductions to the remaining ITTO budget of affected projects was determined to be between \$0.91-1.51 million or 10-17% of remaining commitments.

Accordingly, members were informed that the process of recommencing operations of impacted projects/activities would involve the negotiation of a reduction of a minimum of 10% in the ITTO remaining budget balance. An initial reduction of 10% of the balance of the ITTO budget would be applied to the next installment due on all projects/activities following agreement on a revised budget and work plan to allow for this. Furthermore, members were alerted to the possibility of a further reduction to the remaining ITTO budget (not greater than an additional 7%) based on the outcome of negotiations with donors on the use of unallocated funds remaining in the Organization's accounts. Projects with only one installment remaining would be assessed the maximum 17% reduction on this remaining payment since there would be no other opportunity to impose any further reduction; impacted projects which had not yet commenced would also be assessed the maximum 17% reduction on the total ITTO budget since such projects were few in number and could more easily incorporate such a budget cut prior to beginning implementation. After the letters were sent to members, ITTO project managers contacted the relevant staff in the executing agencies to finalize the logistics of recommencing operations of all impacted projects/activities.

Additionally, donor members were informed of the status of all projects/activities they had pledged funds to and, in accordance with the Decision, members were requested to consider contributing additional resources to address the financial shortfall, be it through voluntary contributions, allocation of (increased) in kind resources to projects and activities, or other measures. Members with a balance in the Donors' Funds account were also requested to consider using their funds in so far as possible to help to address the funding shortfall.

3. Current status of resources and commitments

Subsequent to the communication with members described above, the Secretariat received instructions from Australia, Japan, New Zealand, Sweden and USA to utilize their donors' funds amounting to a total of approximately \$0.31 million for helping to address the funding shortfall (See Annex 3, Table 3.1 and 3.2). Out of the total, \$145,000 (from Sweden and USA) was authorized to be used generally for all impacted projects/activities and \$170,000 (Australia, Japan and New Zealand) was authorized to be used for specific projects.

Additionally, ITTO received a refund of nearly \$100,000 in early 2017 from the Common Fund for Commodities (CFC) to cover monitoring and programme support costs incurred for PD457/07(I), a project terminated in 2015 which had been funded by CFC. These funds were credited to the Programme Support fund and transferred to the Special Account along with the remaining Programme Support balance by decision of the Officer-in-Charge. This gave ITTO sufficient funds in the Special Account to preclude the need for any additional cuts to impacted on-going projects beyond the 10% cut initially imposed. Accordingly, an additional \$0.11 million was allocated to the ongoing impacted projects needing a cut higher than 10% (see Annex4, Table 4.1).

By combining the additional donor funds (\$0.31 million) and the refund from CFC plus remaining Programme Support funds (\$0.11 million) with the remaining allocated internal reserves (\$7.56 million), the Secretariat had available \$7.98 million for addressing the remaining shortfall of funds in resuming impacted projects/activities.

Furthermore, the following events that happened between ITTC52 and preparation of this report reduced the remaining amount of commitments to impacted projects by an additional net amount of \$0.27 million:

- TFL-PD014/09 Rev.1 (M) was scheduled to recommence in accordance with Decision 6(LII). However, no progress and audited financial reports were submitted for this project between 2014 and 2017. The executing agency missed the final deadline (15 January 2017) to submit these reports, and thus in accordance with the rules governing ITTO's thematic programmes, this project was terminated, with a write off of approximately \$0.1 million in remaining commitments (Annex 1, Table 1.3).
- PD700/13 Rev.2 (I) was completed in late 2016 subsequent to the issuance of the OC report for ITTC52 and therefore the remaining commitment to ongoing impacted projects has been reduced by the remaining balance in the project account which was \$0.37 million (Annex 1, Table 1.4). As per the terms of Decision 6(LII) and ITTO's financial rules, the funds generated from that remaining balance were placed under the discretion of the donor (Japan) as per section 2c, and the Secretariat subsequently received instructions from the donor to reallocate the funds to specific impacted projects as shown in Annex 3, Table 3.1, including \$0.2 million reallocated to the fellowship programme funds that were written off under the terms of Decision 6(LII) (Annex 1, Table 1.2). Therefore, this reallocated amount of \$0.2 million was added back to the total remaining commitments for impacted projects (Annex 4, Table 4.4).

Therefore, the current amount of resources available is \$7.98 million which is to be used for remaining commitments of impacted projects/activities amounting to \$8.80 million (\$9.07 less \$0.27 million). The final amount required to be generated from reductions in project budgets is therefore \$0.82 million.

C. Recommencing/commencing impacted projects/activities by applying a budget cut

In conclusion, the ITTO commitments to be addressed by Decision 6(LII) have been reduced from \$14.2 million to \$8.8 million after taking into consideration the above provisions spelled out in section B. However, as mentioned, there was still a shortfall of \$0.82 million (\$8.8 million commitment less \$7.98 million available resources) which was dealt with as follows by administering a budget cut to all impacted projects/activities addressed in the Decision (see Annex 4):

- 23 projects/activities with an amount of \$6 million in remaining commitments recommenced their operations with a 10% reduction in the next installment due. All of these payments to projects have now been made with the corresponding 10% cuts. Funds that were allocated directly to specific projects at the instruction of donors were added to the respective project's budget after the appropriate reduction was made (Annex4, Table 4.1).
- 10 projects and one activity with an amount of \$2.8 million in remaining commitments received the maximum possible 17% reduction before recommencing/commencing due to having either only one installment remaining or having not yet commenced. Funds that were allocated directly to specific projects at the instruction of donors were added to the respective project's budget after the appropriate reduction was made (Annex4, Table 4.2, 4.3 and 4.4). All of these payments to projects were made with the corresponding cuts before it became clear that it would not be necessary to impose more than a 10% budget cut to the other 23 ongoing projects described above. All of these projects and the activity are either already completed or nearly completed with no significant impact on the attainment of their outputs/objectives.

With the application of the above cuts, ITTO's commitments to ongoing projects were reduced by an additional \$0.82 million, which eliminated the gap between resources and commitments entirely. Nevertheless, from the viewpoint of securing the fairness among donors in their contributions to resolving the fund loss, donors who have remaining unallocated funds available with ITTO (Annex 3, Table 3.5) are urged to make best use of such funds for the benefit of the entire membership, particularly by providing them for new projects/activities versus requesting refunds.

D. Implementation of Other Provisions of Relevant Decisions

- Decision 3(LII) – Amendments to the Staff Regulations and Rules (Second Edition) of the ITTO
 - The amendments to regulations and rules have been adopted and are being applied.
 - Among other things, provisions are in place for ITTO's contributions to the Provident Fund to return to the Organization in case of future summary dismissal; stronger protection is provided for whistle-blowers who report misconduct; and a prohibition on the use of private email for official business has been put into place.

- Decision 4(LII) – Revision of ITTO Financial Rules and Procedures
 - The revised rules and procedures have been adopted and are being applied.
 - The transition to the IPSAS accounting standard has been completed and the 2016 audit of ITTO's accounts using the IPSAS standard and the newly adopted ITTO auditing standard was also successfully completed with an unmodified opinion given by the auditors. The 2016 audited financial accounts are expected to be approved by Council at its 53rd session.
 - An investment policy has been established as well as the charter for the investment oversight panel. Following consultations with the chair of Council in 2016, the first meeting of the investment oversight panel will be decided on at ITTC 53 since there will be no funds invested or available to invest at any time prior to that. The quarterly reports on investments called for by the new investment policy will commence after the first meeting of the investment oversight panel.
 - ITTO's internal controls have been strengthened with the adoption of new financial signing authorities, procurement and disbursements policies, and an internal audit framework. All disbursements over \$100,000 require signatures of four senior ITTO officers.

- Decision 5(LII) – Further Measures Regarding the Financial Impairment
 - Letters were sent out in December 2016 to former management/staff as required by Decision 5(LII) seeking the return of the ITTO-paid portion of their provident funds. A reply from Mr. Emmanuel Ze Meka, the former Executive Director, was received on 16 June 2017 (See Annex 5). No replies from the other two former staff have been received to date and it appears unlikely that ITTO will receive any refund of its portion of these individuals' provident funds.
 - As informed in the OC Report, the Secretariat, assisted by the host government representative, has submitted a report to Japan's Financial Services Agency (FSA) regarding the conduct of the investment advisor. In response to these efforts, on 8 December 2016 the FSA included the entity which the investment advisor professed that he was affiliated with in its online list, which indicates the names of brokers unregistered under Japanese legislation and to whom the FSA has issued a warning. This suspected violation of law was also informed to Japan's police authorities (National Police Agency and Metropolitan Police Department) by both the FSA and the Secretariat, the latter again assisted by the host government representative. Whether or not a prosecution will be made in this case is solely in the hands of those authorities.
 - Multiple court hearings in the case against the investment advisor for the LM fund were held in 2017 at the district court in Yokohama, Japan. At the hearings, the investment advisor's representative denied that his client solicited ITTO funds and provided misleading information to ITTO. ITTO refuted these claims, and the judge requested the former ITTO Finance Officer and his assistant at the time, as well as the investment advisor to appear in court to testify in November. The former Finance Officer has refused to travel to Japan to appear in court (despite ITTO's offer to cover all costs). ITTO plans to have his assistant provide testimony at what may be the final hearing on this matter in November 2017; details of the outcome of that hearing will be provided to Council when this report is presented at ITTC 53 by the Secretariat.
 - Regarding the issuance of third party notice to former management referred to in Decision 5(LII), ITTO is not yet legally advised to proceed, given that a clear ruling has still not been made in the on-going case against the investment advisor on whether (or to what extent) the former management of ITTO bears responsibility for the loss of funds. The Secretariat will provide an update on this matter at ITTC53 by which time the court proceedings are expected to have been finalized.
 - The details of the Ardent case and the New York-based factoring companies involved were passed to the US Department of Justice in early 2017 but no response or information on follow-up has been received.
 - No updates from the liquidators of either the LM or Ardent funds have been received by ITTO since mid-2016. The last communication from the LM fund liquidators made clear that there would be no return to investors, with legal and liquidators' fees expected to exceed any recoverable resources from the LM fund. The last communication received from the Ardent fund liquidators indicated that they would be suspending their work due to lack of available funds and

minimal prospects of recovering any of the failed fund's resources. The court case launched in 2016 by the liquidators against the New York-based factoring companies involved in the Ardent fund has not proceeded due to an inability of the authorities to locate any representatives of these companies.

- Decision 6 (LII) – Guidelines for Addressing ITTO Financial Shortfall
 - In accordance with the Decision, ITTO has not made any payments in respect to the demands made in 2016 by the liquidators of the Ardent funds. An alleged representative of the creditors of Ardent funds in Japan attempted to contact ITTO on this matter in late 2016 but, after conferring with lawyers, ITTO decided not to enter into any communications whatsoever with this individual and there have been no further efforts at contact during 2017.

E. Conclusions

As of the date of this report, all impacted projects/activities addressed under the Decision have been resumed either with a budget cut or without any impact. The allocation of resources and reduction of commitments undertaken according to the Decision has allowed ITTO to completely bridge the gap in funding for approved projects/activities created from the impairment and has enabled ITTO to fully meet its financial obligations.

Projects/activities that were closed/terminated/completed without refunds of remaining balances to donors (as contained in Annex 1 Tables 1.1 – 1.3 of this report and Annex 4 Table 4.1 of the OC Report), together with the reductions in project budgets as described in Section C are proposed to be written-off from ITTO's books unless Council takes other decisions regarding these balances.

In conclusion, all Decisions adopted at ITTC52 relating to the financial impairment have been implemented as envisioned and ITTO is well on the road to recovery, with all impacted projects fully operational and achieving their expected outputs and objectives. However, ITTO's finances have been weakened substantially as its reserves have been essentially depleted except for the Working Capital account which has also been significantly reduced. This has already had an impact on ITTO operations/activities, such as not being able to renew contracts of the regional officers in 2017 and scaling back/reallocating project related translation costs due to the lack of funds in the Programme Support reserve. Members are urged to carefully consider how to rebuild ITTO's reserves to ensure the future smooth functioning of the Organization in line with decisions of Council. In rebuilding the Organization, the importance of retaining qualified managers/staff and providing adequate supervision of their work (both internal Secretariat supervision and external Council-mandated supervision) cannot be overemphasized.

ANNEX 1
Projects/activities closed or terminated in accordance with the Decision

Table 1.1 Projects that have not started for at least two years following funding

Project ID	Title	Remaining Commitment	Country
TFL-SPD 043/13 Rev.1 (M)	Chain of custody verification for timber operators in PNG	\$131,500.00	PNG
RED-SPD 058/11 Rev.2 (F)	Developing REDD+ES in the Brazilian Atlantic rainforest	\$131,503.88	Brazil
Total		\$263,003.88	

Table 1.2 Closed activities of the Biennial Work Programme 2015-2016

Project ID	Title	Remaining Commitment	Country
PP-A/47-260	[BWP 2015-2016 Activity 12 (a)] Continue to study the implications of climate change for tropical forests and the contribution of tropical forests to the mitigation of the effects of climate change	\$40,416.61	ITTO
PP-A/48-272	[BWP 2013-2014: Activity 10a] Continue to monitor progress in the application of criteria and indicators for sustainable forest management - make provision for additional 2-3 national workshops on C&I	\$26,765.03	ITTO
PP-A/48-279	[BWP 2013-2014: Activity 22] Develop an ITTO knowledge management strategy and knowledge management guidelines	\$204,452.38	ITTO
PP-A/49-292	[BWP 2015-2016: Activity 4] Promote the publication, dissemination and application of the ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests	\$43,478.00	ITTO
PP-A/50-298	[BWP 2015-2016: Activity 10] Promote the conservation, restoration and sustainable management of mangrove ecosystems	\$22,244.42	ITTO
PP-A/50-302	[BWP 2015-2016: Activity 20] Improve branding, positioning and marketing of ITTO	\$43,478.00	ITTO
PP-A/50-304	[BWP 2015-2016: Activity 26] Consider advice from and facilitate involvement of the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG)	\$49,598.38	ITTO
PP-A/50-306	[BWP 2015-2016: Activity 29] Enhance the technical capacity of member countries, particularly developing member countries, to meet the statistics and reporting requirements	\$7,101.10	ITTO
PP-A/50-307	[BWP 2015-2016: Activity 32] Improving forestry extension schemes to ensure the implementation of sustainable forest management and contribute to the conservation of tropical forest ecosystems	\$86,956.00	ITTO
PP-A/50-310	[BWP 2015-2016: Activity 51] Study on regional ITTO presence and representation	\$2,487.04	ITTO
PP-A/50-311	Ensure the smooth transition of the organization	\$34,783.00	ITTO
PP-A/52-319	Freezailah Fellowship Fund (pre-ITTC51 funding)	\$552,383.28	ITTO
Total		\$1,114,143.24	

Table 1.3 Project terminated due to failure to meet reporting requirements

Project ID	Title	Remaining Commitment	Country
TFL-PD014/09 Rev.1 (M)	Reduction of illegal logging through better governance of community forests in Lorn et Djerem Division, East Region	\$88,802.91	Cameroon

Table 1.4 Project completed subsequent to the issuance of the OC report

Project ID	Title	Remaining Commitment	Country
PD 700/13 Rev.2 (I) Ph.I	Development of intra-African trade and further processing in tropical timber and timber products - Phase I Stage 1	\$368,024.10	ITTO

ANNEX 2
Non-impacted projects/activities

Table 2.1 Projects implemented through Exchanges of Notes between Government of Japan and ITTO which are treated as liabilities in ITTO's accounts

Project ID	Title	Country	Donor
PD419/06R.3(F)-EXT.TICAD	Forest seeds management and conservation: Project for rehabilitation and restoration of degraded forests in Cote d'Ivoire with the involvement of local communities (refugees, internally displaced people and local populations)	Cote d'Ivoire	Japan (MoFA)
PD 456/07 Rev.4 (F)/JICA	Building the capacities of forestry training institution members of the Central African Forestry and Environmental Training Institutions (RIFFEAC) for providing SFM training for forest concessions	Cameroon/R ep. of Congo/DRC/ CAR	Japan (MoFA)
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)	Cambodia/ Thailand	Japan (MoFA)

Table 2.2 Projects covered by contracts between the European Commission and ITTO as the implementing agency

Project ID	Title	Country	Donor
PP-A/49-291	[BWP 2013-2014: Activity 25b] Promote trade in tropical timber and tropical timber products from sustainably managed and legally harvested sources - Independent timber market monitoring	ITTO	EU/European Commission
TMT-SPD 010/12 Rev.1 (M)	Preparation of the publication "Atlas of tropical timber species – 1 st edition: Technological characteristics and uses of 273 tropical timber species (and 17 temperate species)"	CIRAD (France)	EU/EC and other ITTO-CITES donors
TMT-SPD 014/13 Rev.1 (M)	Enhancing the sustainable management and commercial utilization of the CITES-listed species <i>Cedrela odorata</i> (red cedar) in Guyana	Guyana	EU/EC and other ITTO-CITES donors
TMT-SPD 017/15 Rev.2 (M)	Improving sustainable <i>Pericopsis elata</i> conservation and trade regulation in Ghana	Ghana	EU/EC and other ITTO-CITES donors
TMT-SPD 020/15 (M)	Support for ANAFOR for optimum operation of the database management of <i>Pericopsis elata</i> (Assamela) in Cameroon	Cameroon	EU/EC and other ITTO-CITES donors
TMT-SPD 023/15 R.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	EU/EC and other ITTO-CITES donors

Table 2.3 Project with expenses already legitimately incurred by implementing agency

Project ID	Title	Country	Donor
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	Thunen Institute (Germany)	Germany

Table 2.4 Safeguarded projects/activities (funded at or after ITTC 51)

Project ID	Title	Country	Donors
PD 563/09 Rev.5 (F)	Community based forest management in Sungai Medihit watershed, Sarawak, Malaysia	Malaysia	APFNet
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, Quiche	Guatemala	Japan (MoFA)
PD 732/14 Rev.2 (M)	Improve forest governance in Mozambique	Mozambique	Japan (Forestry Agency)
PD 737/14 Rev.2 (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	Japan (MoFA)
PD 741/14 Rev.3 (F)	Capacity building for the sustainable management of tropical dry forests on the north coast of Peru	Peru	Japan (MoFA)
PD 754/14 Rev.3 (F)	Rehabilitation and sustainable management of sacred forests on RAMSAR sites 1017 AND 1018 in Benin	Benin	Japan (MoFA)
PD 770/15 Rev.1 (I)	Promotion and sustainable management of lesser-used timber species in the moist forests of the departments of Atlantida, Colon and Northern Olancho, Honduras	Honduras	Japan (Forestry Agency)
PP-A/39-162A	[BWP 2015-2016: Activity 8] Enhance cooperation between ITTO and CITES	ITTO	USA
PP-A/48-274	[BWP 2013-2014: Activity 10c][BWP 2015-2016: Activity 6b] Monitor progress in the application of criteria and indicators for sustainable forest management - participate in international C&I related meetings/discussions/initiatives	ITTO	USA
PP-A/50-301	[BWP 2015-2016: Activity 19c] Further enhance public relations, education and outreach activities to best convey the achievement of the objectives of the Organization - coverage of ITTC Session by the Earth Negotiations Bulletin (ENB)	ITTO	USA
PP-A/50-305	[BWP 2015-2016: Activity 27] Provide for ITTO's cooperation and consultation with the Collaborative Partnership on Forests (CPF) in support of the United Nations Forum on Forests (UNFF) and other relevant organizations, institutions and initiatives	ITTO	USA
PP-A/52-315	[BWP 2015-2016: Activity 4] Promote the publication, dissemination and application of the ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests	ITTO	Japan (Forestry Agency)
PP-A/52-316	[BWP 2015-2016: Activity 10] Promote the conservation, restoration and sustainable management of mangrove ecosystems	ITTO	Japan (Forestry Agency)
PP-A/50-304	[ITTO BWP 2015-2016: Activity 26] Consider advice from and facilitate involvement of the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG)	ITTO	USA
PP-A/52-317	JFIWA consultancy	ITTO	JFIWA
PP-A/52-319	Freezailah Fellowship Fund	ITTO	USA

ANNEX 3
Utilization of donors' funds

Table 3.1 Funds allocated to specific impacted projects/activities

Country	Amount allocated	Allocated to
Australia	\$22,592.53	TFL-PD 037/13 Rev.2(M)
Japan (Forestry Agency)	\$146,610.19	PD470/07 Rev.1(F), PD477/07 Rev.4(F), PD599/11 Rev.1(M), PD600/11 Rev.1(I), PD646/12 Rev.3(F), PP-A/50-308, TFL-PD044/13 Rev.2(M)
Japan (MoFA)	\$204,426.79	Fellowship Programme (pre-ITTC51 funding)
	\$102,397.23	PD764/14 Rev.2(F), PD 777/15 Rev.2(F)
New Zealand	\$913.80	TFLET projects
Total	\$476,940.54	

Table 3.2 Funds allocated generally to impacted projects/activities

Country	Amount allocated
USA	\$140,960.98
Sweden	\$4,382.55
Total	\$145,343.53

Table 3.3 Funds allocated to new projects/activities

Country	Amount allocated	Allocated to
Finland	\$1,806.75	Fellowship Programme
Korea	\$44,693.79	Allocated to new activity after ITTC52
USA	\$94,000.00	Allocated to new projects/activities at ITTC52
	\$346,000.00	Retained for future pledges by donor
Total	\$486,500.54	

Table 3.4 Funds returned to donors

Country	Amount allocated
Switzerland*	\$348,810.74
UK	\$20,614.68
Total	\$369,425.42

* Refunded to donor prior to the release of the OC report

Table 3.5 Funds unallocated as of this report

Country	Amount	Comments
Austria	\$9,278.36	No instructions received as of this report
Denmark	\$18,057.99	No instructions received as of this report
France	\$41,516.40	No instructions received as of this report
Netherlands	\$26,798.85	No instructions received as of this report
Norway	\$15,473.22	No instructions received as of this report
Total	\$111,124.82	

ANNEX 4

Projects/activities recommenced/commenced with a budget cut

Table 4.1 Projects/activities recommenced with initial 10% cut

Project ID	Title	Country	Impacted donors	1.Original remaining commitment in OC Report	2. Initial cut imposed (10%)	3.Further cut needed after allocating general funds	4. Donor funds allocated to specific projects	5. Allocation of Programme Support in 2017	New commitment using available resources (Sum of 1-5)
PD 124/01 Rev.5 (M) P.III St. 3	PROMOTION OF SUSTAINABLE MANAGEMENT OF AFRICAN FORESTS-PHASE III STAGE 3	ITTO	China	\$111,464.17	-\$11,146	-\$2,832	\$0	\$0	\$97,486
PD 454/07 Rev.3 (F)	COMMUNITY FOREST MANAGEMENT: A SUSTAINABLE ALTERNATIVE FOR THE MAUES STATE FOREST, AMAZONAS STATE	BRAZIL	Japan (MoFA)/USA	\$232,091.77	-\$23,209	-\$5,896	\$0	\$5,896	\$208,883
PD 456/07 Rev.4 (F) Non-JICA	BUILDING THE CAPACITIES OF FORESTRY TRAINING INSTITUTIONS MEMBERS OF THE NETWORK OF CENTRAL AFRICAN FORESTRY AND ENVIRONMENTAL TRAINING INSTITUTIONS (RIFFEAC) FOR PROVIDING SFM TRAINING FOR FOREST CONCESSIONS	GABON	Japan (MoFA)/ Switzerland	\$377,708.92	-\$37,771	-\$9,594	\$0	\$9,594	\$339,938
PD 470/07 Rev.1 (F)	DEVELOPMENT AND IMPLEMENTATION OF CRITERIA AND INDICATORS FOR SUSTAINABLE MANAGEMENT OF PLANTED FORESTS AND COMMUNITY FORESTS (THAILAND)	THAILAND	Japan (Forestry Agency)	\$115,888.86	-\$11,589	-\$2,944	\$11,536	\$0	\$112,892
PD 477/07 Rev.4 (F)	IMPROVING FOREST FUNCTIONS IN BENGKULU PROVINCE THROUGH COMMUNITY PARTICIPATION IN REHABILITATION OF DEGRADED FOREST BY USING LOCAL PROSPECTIVE COMMODITIES	INDONESIA	Japan (Forestry Agency)	\$223,462.64	-\$22,346	-\$5,677	\$22,244	\$0	\$217,684
PD 552/09 Rev.1 (F)	ENCOURAGING CUSTOMARY LANDOWNERS IN THE LOWLANDS OF PAPUA NEW GUINEA'S CENTRAL PROVINCE TO REFOREST THEIR GRASSLANDS WITH HIGH VALUE TREES	PAPUA NEW GUINEA	Japan (MoFA)	\$232,359.28	-\$23,236	-\$5,902	\$0	\$5,902	\$209,123
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	Australia/ Japan (Forestry Agency)/ Korea/USA	\$282,556.57	-\$28,256	-\$7,177	\$28,127	\$0	\$275,251
PD 600/11 Rev.1 (I)	MODEL CAPACITY BUILDING FOR EFFICIENT AND SUSTAINABLE UTILIZATION OF BAMBOO RESOURCES IN INDONESIA	INDONESIA	Australia/ Japan (Forestry Agency)/ Switzerland	\$176,790.54	-\$17,679	-\$4,491	\$17,599	\$0	\$172,220
PD 601/11 Rev.3 (F)	STRENGTHENING MANGROVE ECOSYSTEM CONSERVATION IN THE BIOSPHERE RESERVE OF NORTHWESTERN PERU	PERU	Japan (MoFA)/ USA	\$226,880.70	-\$22,688	-\$5,763	\$0	\$5,763	\$204,193
PD 617/11 Rev.1 (F)	PROMOTING BIODIVERSITY CONSERVATION IN BETUNG KERIHUN NATIONAL PARK (BKNP) AS THE TRANS-BOUNDARY ECOSYSTEM BETWEEN INDONESIA AND STATE OF SARAWAK MALAYSIA (PHASE III)	INDONESIA	Japan (MoFA)/USA Switzerland	\$336,106.89	-\$33,611	-\$8,537	\$0	\$8,537	\$302,496
PD 646/12 Rev.3 (F)	INITIATING THE CONSERVATION OF CEMPAKA TREE SPECIES (ELMERRILLIA SPP) THROUGH PLANTATION DEVELOPMENT WITH LOCAL COMMUNITY PARTICIPATION IN NORTH SULAWESI, INDONESIA	INDONESIA	Japan (Forestry Agency)	\$308,523.42	-\$30,852	-\$7,837	\$30,712	\$0	\$300,546
PD 668/12 Rev.1 (F)	INTEGRATED MANAGEMENT OF NATURAL RESOURCES AND BIODIVERSITY IN THE TACANA VOLCANO AND ITS RANGE OF	MEXICO/ GUATEMALA	Japan (MoFA)/	\$305,071.10	-\$30,507	-\$7,749	\$0	\$7,749	\$274,564

Project ID	Title	Country	Impacted donors	1.Original remaining commitment in OC Report	2. Initial cut imposed (10%)	3.Further cut needed after allocating general funds	4. Donor funds allocated to specific projects	5. Allocation of Programme Support in 2017	New commitment using available resources (Sum of 1-5)
	INFLUENCE IN MEXICO AND GUATEMALA		USA						
PD 696/13 Rev.2 (F)	COMMUNITY BASED RESTORATION AND SUSTAINABLE MANAGEMENT OF VULNERABLE FORESTS OF THE REWA DELTA, VITI LEVU, FIJI	FIJI	Japan (MoFA)	\$161,318.94	-\$16,132	-\$4,098	\$0	\$4,098	\$145,187
PD 710/13 Rev.1 (F)	PROMOTING CONSERVATION OF SELECTED HIGH-VALUE INDIGENOUS SPECIES OF SUMATRA	INDONESIA	Japan (MoFA)	\$320,404.52	-\$32,040	-\$8,140	\$0	\$8,140	\$288,365
PD 725/13 Rev.2 (F)	REHABILITATION OF DEGRADED FOREST LAND IN THE AHUA FOREST RESERVE BY THE WOMEN MEMBERS OF ASSOCIATION MALEBI IN COMPENSATION FOR THE FOREST RESOURCES REMOVED TO MEET THE NEED FOR FUEL WOOD (CHARCOAL AND FIRE WOOD)	COTE D'IVOIRE	Japan (MoFA)/ USA	\$80,120.05	-\$8,012	-\$2,035	\$0	\$2,035	\$72,108
PD 740/14 Rev.2 (F)	SUSTAINABLE FOREST MANAGEMENT THROUGH REDD+ MECHANISMS IN KAMPONG THOM PROVINCE, CAMBODIA	CAMBODIA	Japan (MoFA)	\$342,500.13	-\$34,250	-\$8,700	\$0	\$8,700	\$308,250
PD 756/14 Rev.1 (M)	DEVELOPMENT OF A BUSINESS MANAGEMENT SERVICES PROGRAM FOR FOREST MSMEs (MICRO, SMALL AND MEDIUM ENTERPRISES) IN GUATEMALA	GUATEMALA	USA	\$93,287.33	-\$9,329	-\$2,369	\$0	\$2,369	\$83,958
PP-A/47-266:	[Decision 6(XVLI)] Building Capacities for ACTO Member Countries in Ecologically Responsible Forest Management and Biodiversity Conservation in Managed Forests of the Amazon	ITTO	Japan (MoFA)	\$1,014,212.68	-\$101,421	-\$25,763	\$0	\$25,763	\$912,792
PP-A/50-308	[ITTO BWP 2015-2016: Activity 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	ITTO	Japan (Forestry Agency)/ USA	\$113,235.95	-\$11,324	-\$2,876	\$11,272	\$0	\$110,308
TFL-PD 032/13 Rev.2 (M)	STRENGTHENING THE CAPACITY OF LOCAL INSTITUTIONS TO SUSTAINABLY MANAGE COMMUNITY FORESTRY IN SANNGGAU FOR IMPROVING LIVELIHOOD	INDONESIA	Australia	\$202,318.74	-\$20,232	-\$5,139	\$204	\$4,935	\$182,087
TFL-PD 033/13 Rev.2 (M)	STRENGTHENING THE GOVERNANCE OF COMMUNITY FOREST THROUGH IMPROVED CAPACITY TO ADEQUATELY PERFORM TIMBER ADMINISTRATION IN JAVA AND NUSA TENGGARA REGION IN INDONESIA	INDONESIA	Australia	\$137,318.72	-\$13,732	-\$3,488	\$138	\$3,350	\$123,587
TFL-PD 037/13 Rev.2 (M)	IMPLEMENTING A DNA TIMBER TRACKING SYSTEM IN INDONESIA	AUSTRALIA	Australia	\$313,207.05	-\$31,321	-\$7,956	\$22,908	\$0	\$296,838
TFL-PD 044/13 Rev.2 (M)	STRENGTHENING OF ANAM'S MANAGEMENT CAPACITY TO REDUCE ILLEGAL LOGGING AND TRADE IN THE EASTERN REGION OF PANAMA (BAYANO AND DARIEN) THROUGH MONITORING AND CONTROL MECHANISMS	PANAMA	Japan (Forestry Agency)/ USA	\$254,906.95	-\$25,491	-\$6,475	\$25,378	\$0	\$248,319
Total				\$5,961,735.92	-\$596,174	-\$151,436	\$170,117	\$102,831	\$5,487,074

Table 4.2 New projects commencing with 17% cut

Project ID	Title	Country	Impacted Donors	1.Original Remaining Commitment in OC Report	2. Cut imposed (17%)	3.Further cut needed after allocating general funds	4. Donor funds allocated to specific projects	5. Allocation of Programme Support in 2017	New commitment using available resources (Sum of 1-5)
PD 452/07 Rev.5 (F)	SUSTAINABLE MANAGEMENT OF PRODUCTION FORESTS AT THE COMMERCIAL SCALE IN THE BRAZILIAN AMAZON - PHASE II	BRAZIL	Japan (MoFA)	\$586,277.00	-\$99,667	\$0	\$0	\$0	\$486,610
PD 764/14 Rev.2 (F)	ENABLING CUSTOMARY LANDOWNERS TO PARTICIPATE EFFECTIVELY IN COMMUNITY FOREST MANAGEMENT SCHEMES WITHIN 6 PILOT AREAS OF PNG	PNG	Japan (MoFA)	\$663,829.00	-\$112,851	\$0	\$55,335	\$0	\$606,313
PD 777/15 Rev.2 (F)	ACCELERATING THE RESTORATION OF CIBODAS BIOSPHERE RESERVE (CBR) FUNCTIONS THROUGH PROPER MANAGEMENT OF LANDSCAPES INVOLVING LOCAL STAKEHOLDERS	INDONESIA	Japan (MoFA)	\$564,491.00	-\$95,963	\$0	\$47,062	\$0	\$515,590
Total				\$1,814,597.00	-\$308,481	\$0	\$102,397	\$0	\$1,608,513

Table 4.3 Projects recommencing with 17% cut due to only having one installment left

Project ID	Title	Country	Impacted Donors	1.Original Remaining Commitment in OC Report	2. Cut imposed (17%)	3.Further cut needed after allocating general funds	4. Donor funds allocated to specific projects	5. Allocation of Programme Support in 2017	New commitment using available resources (Sum of 1-5)
PD 495/08 Rev.4 (F)	GUATEMALAN FOREST PRODUCTIVITY INFORMATION SYSTEM	GUATEMALA	Japan (Forestry Agency)/ USA	\$88,150.52	-\$14,986	\$0	\$0	\$0	\$73,165
PD 507/08 Rev.1 (F)	DEVELOPMENT OF THE NATIONAL REFORESTATION POLICY AND AFFORESTATION STRATEGY CONSISTENT WITH THE LIBERIAN 3C-APPROACH	LIBERIA	Japan (MoFA)/ Switzerland /USA	\$61,824.22	-\$10,510	\$0	\$0	\$0	\$51,314
PD 602/11 Rev.3 (F)	TROPICAL FOREST GOVERNANCE IN THE REGION OF DARIEN, PANAMA	PANAMA	Japan (Forestry Agency)/ USA	\$101,973.05	-\$17,335	\$0	\$0	\$0	\$84,638
PD 682/13 Rev.1 (F)	DEVELOPMENT OF QUALITY-OF-GOVERNANCE STANDARDS FOR REDUCING EMISSION FROM DEFORESTATION AND FOREST DEGRADATION (REDD) IN PAPUA NEW GUINEA	PNG	Japan (MoFA)	\$23,700.00	-\$4,029	\$0	\$0	\$0	\$19,671
RED-PD 029/09 Rev.1 (F)	MONITORING DEFORESTATION, LOGGING AND LAND USE CHANGE IN THE PAN AMAZONIAN FOREST – PANAMAZON II	BRAZIL	Japan (MoFA)/ Norway	\$262,334.50	-\$44,597	\$0	\$0	\$0	\$217,738
PD 635/12 Rev.2 (F)	BUFFER ZONE MANAGEMENT FOR PULONG TAU NATIONAL PARK WITH INVOLVEMENT OF LOCAL COMMUNITIES IN SARAWAK, MALAYSIA	MALAYSIA	Japan (MoFA)/ Switzerland	\$124,727.27	-\$21,203	\$0	\$0	\$0	\$103,524
PD 692/13 Rev.1 (M)	IMPLEMENTATION AND OPERATIONALIZATION OF A NATIONAL INFORMATION SYSTEM FOR THE SUSTAINABLE MANAGEMENT OF FOREST RESOURCES	COTE D'IVOIRE	Japan (MoFA)/ USA	\$151,982.68	-\$25,837	\$0	\$0	\$0	\$126,146
Total				\$814,692.24	-\$138,496	\$0	\$0	\$0	\$676,196

Table 4.4 Closed Biennial Work Plan activity partially recovered using reallocated funds

Project ID	Title	Country	Impacted Donor(s)	1.Original Remaining Commitment in OC Report	2. Originally written-off by Decision	3.Further cut needed after allocating general funds	4. Donor funds allocated to specific projects	5. Allocation of Programme Support in 2017	New commitment using available resources (Sum of 1-5)
PP-A/52-319	Freezailah Fellowship Fund (Pre-ITTC51 funding) - Japan (MoFA) funded portion	ITTO	Japan (MoFA)	\$204,426.79	-\$204,427	\$0	\$204,427	\$0	\$204,427

Table 4.5 Summary of reduction achieved from adjustments

				1.Original Remaining Commitment in OC Report	2. Cut imposed	3.Further cut needed after allocating general funds	4. Donor funds allocated to specific projects	5. Allocation of Programme Support in 2017	New commitment using available resources (Sum of 1-5)
				\$8,795,452	-\$1,247,578	-\$151,436	\$476,941	\$102,831	\$7,976,210

Total Reduction (original commitment less new commitment): \$819,242

Annex 5

Letter from Mr. Emmanuel Ze Meka dated 16 June 2017
(Attached in French as originally received)

Emmanuel Ze Meka

Yaounde, le 16 Juin 2017

Ancien Directeur Executif

De l'OIBT (2007-2015)

B.P. 15117 Yaounde

Monsieur le Directeur Executif,

Objet: Decision 5(LII) de la 52eme Session du CIBT

Je voudrais faire suite a la lettre No. L.16-0154 du 9 Decembre 2016 que Monsieur Steven Johnson, agissant alors comme Interimaire du Directeur Executif de l'OIBT, m'a fait parvenir en relation avec la Decision 5(LII) de la 52eme Session du Conseil International des Bois Tropicaux (CIBT). Cette lettre de Monsieur Johnson, en conformite avec la Decision sus-mentionnee, m'invite a retourner a l'OIBT les contributions, plus les interets, que cette institution a effectuees dans mon fond de pension, d'un montant de \$1,152,004.44. Cette Decision indique par ailleurs que cette operation serait faite sans reconnaissance de responsabilite de ma part, mais que l'OIBT se reserve le droit de toute poursuite judiciaire qu'elle estimerait necessaire a mon encontre.

Je voudrais, par la presente, reiterer les termes de ma lettre ouverte du 29 Juin 2016 adreesee aux membres du CIBT, et dans laquelle je leur presentais mes excuses profondes suite aux investissements qui avaient ete faits avec les fonds de l'OIBT. En tant que Responsable du Secretariat au moment des faits, j'etais extremement concerne par cette situation et endossais, de ce fait, toute la responsabilite morale de cette situation. Bien que cette situation m'afflige au plus haut point, car l'OIBT est une Organisation que j'ai fidelement servie pendant plus de 24 ans, il n'etait pas question de rembourser les pertes financieres enregistrees; d'autant plus les investissements entrepris ont ete faits pour le benefice exclusif de l'OIBT et ils ne m'ont procure aucun gain financier personnel. En effet, sur la base de la documentation qui m'avait alors ette fournie, les actes que j'avales poses pour autoriser ces financements etaient en accord avec les regles de l'OIBT suivant la reglementation en vigueur.

Je vous prie de croire, Monsieur le Directeur Executif, les assurance de ma haute consideration.



Emmanuel Ze Meka

Mr Gerhard Dieterle

Directeur Executif de l'OIBT

Yokohama - Japon