



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

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FIFTY-FOURTH SESSION
5 – 9 November 2018
Yokohama, Japan

**REPORT OF THE INFORMAL ADVISORY GROUP (IAG)
AT ITS THIRTY-SECOND MEETING**

**4 November 2018
Yokohama, Japan**

**Thirty-second Meeting of the Informal Advisory Group (IAG)
Yokohama, Japan, 4 November 2018**

Report of the Chairperson

1. The Thirty-second Meeting of the IAG was convened on Sunday, 4 November 2018, chaired by Mr. Zhang Zhongtian (China), Chairperson of the Council. The meeting was attended by Mr. John Leigh (Peru), Vice-chairperson of the Council, Mr. Luke D. Thompson (U.S.A.), Chairperson of the Committee on Finance and Administration (CFA), Ms. Anna Tyler (New Zealand), Consumer Spokesperson and Chairperson of the Committee on Forest Industry (CFI), Mr. Jorge Malleux (Peru), Producer Spokesperson, Mr. Tadashi Sato (Japan), Representative of the Host Government of the Headquarters, and Dr. Gerhard Dieterle, Executive Director, together with other senior members of the Secretariat.

Mr. Björn Merrell (Sweden), Chairperson of the Committee on Economics, Statistics and Markets (CEM), and Mr. Dambis Kaip (Papua New Guinea), Chairperson of the Committee on Reforestation and Forest Management (CRF), were absent with apologies.

The Chairperson opened the meeting and welcomed the members of the IAG.

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 Thirty-first Meeting, 26 November 2017;
 - General observations by the IAG Members;
 - B. Opening of the Fifty-fourth Session of the Council
 - C. Status of the parties to the International Tropical Timber Agreement, 2006
 - D. Filling positions of Council officers/bodies
 - E. Implementation of decisions dealing with the impairment of ITTO funds
 - F. Improving ITTO's Financing Infrastructure and Fundraising Strategies – Decision 9(LIII)
 - G. Rotation in the Framework of the Selection of the Executive Director – Decision 9(LII) and Decision 10(LIII)
 - H. Consideration of draft decisions/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII)
 - Projects, Pre-Projects and Activities [Decision 1(LIV)];
 - Environmental and Social Safeguards Guidelines
 - Revision of Staff Rules and Regulations on the Age of Retirement in keeping with Prevailing UN Rules on the Age of Retirement
 - Fundraising
 - Anti-Money Laundering Provisions in the Financial Rules in order to be Compliant with GCF Accreditation Requirements
 - Rotation in the Framework of the Selection of the Executive Director.
 - I. List of possible decisions for the Fifty-fourth Session of the ITTC and report to the Council; and
 - J. Other matters
 - To be Decided.

A. Brief background of the IAG

3. The IAG noted and made reference to Decision 2(LI) and the Report of the Informal Advisory Group (IAG) at its Thirty-first Meeting held on 26 November 2017 in Lima, Peru, as contained in document ITTC(LIII)/2 dated 26 November 2017.
4. Dr. Dieterle provided background on the work of the Secretariat over the last year, and he thanked Japan's Forestry Agency, Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Foreign Affairs for their strong interactions. He also thanked the City of Yokohama for hosting the planned field trip to the city's watershed during the Council Session.

5. Mr. Malleux welcomed the opportunity for the field trip but expressed concern that there might be insufficient time due to the shorter duration of the Fifty-fourth session to address the important items on the Council agenda, especially on ITTO's Financing Infrastructure and Fundraising Strategies (agenda item 15) and the issue of rotation (agenda item 16). The caucuses needed more time to discuss these items.
6. The Secretariat informed the IAG of the intention to introduce agenda items 15 and 16 in the opening session of the Council, after which the caucuses would have the opportunity to convene for discussions and coordination. The IAG appreciated the early introduction of these items at the Session to enable as much time as possible to discuss them.

B. Opening of the Fifty-fourth Session of the Council

7. The Secretariat introduced the proposed agenda for the opening of the Fifty-fourth Session of the ITTC. The IAG discussed the protocols in place to ensure the smooth running of the opening.
8. The Chair sought comments from IAG members on issues he should mention in his opening speech. Proposals included urging Council members to resume or increase their voluntary contributions in light of the important role of the Organization and the measures taken by the Secretariat to enhance internal governance; making a strong, positive statement on the future of the Organization; that ITTO now meets or exceeds international governance standards; and the importance of productive forests in the battle against climate change.

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

9. Dr. Dieterle informed the IAG that Venezuela has become a member of ITTO. There are now 74 parties to the Agreement comprising 38 consumer members including the EU and 36 producer member countries. The IAG was informed that there had been active interaction with potential members during the course of the past year and the Solomon Islands would be at the Session as an observer. The IAG welcomed Venezuela to the Organization.

D. Filling Positions of Council Officers/Bodies

10. The IAG was informed of vacancies in the position of the Chairperson of the Credentials Committee, for which the Consumer Caucus was expected to provide a nomination before the Credentials Committee meets for the first time on Tuesday, 6 November. The IAG was further informed of the need for nominations of Council officers for the Fifty-fifth Session of the ITTC. The Consumer Caucus will need to provide nominations for the positions of Vice-Chairpersons of Council, the Committee on Economics, Statistics and Markets, the Committee on Forest Industry and the Committee of Finance and Industry, while the Producer Caucus will need to provide a nomination for the position of Vice-Chairperson of The Committee on Reforestation and Forest Management.
11. The IAG noted that some recommendations contained in the report of the Ad Hoc Working Group on Financing Infrastructure and Fundraising Strategies, if adopted by the Council, could have implications for nominations for the Expert Panel.
12. The Secretariat reminded the IAG that the Producer and Consumer caucuses would each need to nominate three members of the Fellowship Panel for 2019.

E. Implementation of Decisions Dealing with the Impairment of ITTO Funds

13. The IAG was briefed by the Secretariat on the latest developments in the lawsuit against the investment advisor and possible next steps in legal action that the Council may need to consider. The representative of the host government introduced Japan's proposed draft decision on possible measures to be taken in 2019 based on the outcome of the lawsuit against the investment advisor. A discussion ensued on the operative paragraphs of this draft decision, especially paragraph 3. The IAG recommended that the Council could consider amendments to this paragraph through the Chairperson's Open-ended Drafting Group.

F. Improving ITTO's Financing Infrastructure and Fundraising Strategies – Decision 9(LIII)

14. The IAG took note of the **Report of the ad hoc Working Group on Financing Infrastructure and Fundraising Strategies**, which will be presented to Council. The IAG discussed the report's recommendations, especially those to suspend the Project Cycle for 2019 and to revise procedures for project proposal submissions, as well as the general need to take a more programmatic and proactive approach to fundraising. The IAG noted that it was crucial for all members to fully understand the importance and opportunity for ITTO represented by the report. The IAG recommended that Council consider the need for a decision to indicate how and which of the recommendations of the report would be addressed, and it further recommended that the Council carefully consider the opportunities that may present themselves through some of the new suggested approaches and the need for work on this important issue to continue.
15. The IAG recommended that the Council consider whether to extend the mandate of the Ad Hoc Working Group or to convene an advisory group to collaborate with the Secretariat on continuing work under this initiative, as per the Working Group's recommendations.

The Chair suggested that ITTO should convene a ministerial-level meeting as a way of building understanding of, and confidence in, ITTO and its role in the international setting. After discussion, the IAG recommended to Council that it consider convening a regional-level ministerial segment at the Fifty-fifth Session of the Council in Togo in 2019 and a full ministerial segment at the Fifty-sixth Session in Yokohama in 2020. Such a segment could involve ministers with responsibility for trade as well as those with responsibility for forests, along with private-sector leaders and other high-level stakeholders interested in developing legal and sustainable supply chains for tropical forest products.

G. Rotation in the Framework of the Selection of the Executive Director – Decision 9(LII) and Decision 10(LIII)

16. The IAG noted the intention expressed by Council in Decision 10(LIII) to take a decision on this matter at the Fifty-fourth Session. The IAG stressed the importance of allocating sufficient time for coordination within the producer and consumer caucuses in order to reach consensus on this item at this Session.

H. Consideration of Draft Decisions/Elements of Decisions Submitted Pursuant to ITTC Decision 7(XXXIII)

17. 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(LIV)];
 - ii. Environmental and Social Safeguards Guidelines – *submitted by the Secretariat*;
 - iii. Revision of Staff Rules and Regulations on the Age of Retirement in keeping with prevailing UN Rules on the Age of Retirement – *no draft decision submitted*;
 - iv. Fundraising – *no draft decision submitted*;
 - v. Anti-Money Laundering Provisions in the Financial Rules in order to be Compliant with GCF Accreditation Requirements – *submitted by the Secretariat*;
 - vi. Rotation in the Framework of the Selection of the Executive Director – *no draft decision submitted*;
 - vii. Legal Measures Regarding the Financial Impairment – *submitted by the Government of Japan*.
18. The Secretariat explained the purpose of the draft decision on the Environmental and Social Safeguards Guidelines, which was due to changes made to the guidelines since their endorsement by the Committee on Reforestation and Forest Management at its Fiftieth Session in 2016 with a view to aligning them with the gender guidelines approved in 2017. The Secretariat informed the IAG that an informal document highlighting the changes made will be considered during the Committee on Reforestation and Forest Management at its current Session with a view to recommending to Council to adopt the amended guidelines at this Session.
19. There was discussion on a potential decision on Revision to Staff Rules and Regulations on the Age of Retirement in keeping with Prevailing UN Rules on the Age of Retirement. The Secretariat informed the IAG that the financial implications of such a revision were likely to be minor. The IAG

recommended that the Committee on Finance and Administration develop the elements of a draft decision on this matter for submission to the Chairperson's Open-ended Drafting Group.

20. The IAG noted that drafts for decisions (iv) and (vi) would be prepared by the Secretariat, as needed, based on discussion at Council.
21. The IAG noted that a decision might be needed on elements contained in the report of the Ad Hoc Working Group on Financing Infrastructure and Fundraising Strategies, but this was dependent on discussions on the report to take place during the Session.
22. The Secretariat explained that decision (v) had previously been considered in 2015 but had been deferred at that time.
23. The IAG discussed the need or otherwise to further extend the Strategic Action Plan to allow time to prepare a new plan that takes into account fundraising objectives in pursuit of ITTO's objectives. In 2019 there will be negotiation on a new Biennial Work Programme, a new biennial administrative budget, and a new Strategic Action Plan; moreover, the first opportunity to renegotiate the ITTA would be in 2021. The IAG recommended that the Council consider the timing of these processes to ensure as much coherence between them as possible.

I. List of Possible Decisions for the Fifty-fourth Session of the ITTC and Report to the Council

24. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Fifty-fourth Session as follows:
 - i. Projects, Pre-Projects and Activities [Decision 1(LIV)];
 - ii. Environmental and Social Safeguards Guidelines -- *submitted by the Secretariat*;
 - iii. Revision of Staff Rules and Regulations on the Age of Retirement in keeping with prevailing UN Rules on the Age of Retirement – *no draft decision submitted*
 - iv. Fundraising – *no draft decision submitted*;
 - v. Anti-Money Laundering Provisions in the Financial Rules in order to be Compliant with GCF Accreditation Requirements -- *submitted by the Secretariat*;
 - vi. Rotation in the Framework of the Selection of the Executive Director – *no draft decision submitted*;
 - vii. Legal Measures Regarding the Financial Impairment – *submitted by the Government of Japan*.

Draft decisions ii, v and vii are included in Annex A to this report.

J. Other Matters

25. No other matters were discussed and considered by the IAG.

K. Adjournment

26. The Thirty-second meeting of the IAG was adjourned at 1:04 p.m. 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.

The full text of the Environmental and Social Safeguards Guidelines will be circulated as an informal document in the Committee on Reforestation and Forest Management and the Anti-Money Laundering and Counter Terrorism Financing Policy (AML/CFT) can be found in document CFA(XXX)/9, respectively.



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DECISION ... (LIV)

GUIDELINES FOR THE ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS ASSESSMENT (ESIA) IN ITTO PROJECTS

The International Tropical Timber Council,

Recalling the ITTA 2006, Article 1, (r) on encouraging Member Countries to recognize the role of forest-dependent indigenous and local communities in achieving sustainable forest management and develop strategies to enhance the capacity of these communities to sustainably manage tropical timber producing forests;

Acknowledging the outcomes of the Meta-evaluation of ITTO completed projects which highlight the importance of improving the environmental and social sustainability;

Further acknowledging that the accreditation standards of the Global Environment Facility and Green Climate Fund include environmental and social safeguards and that accreditation assessment reviews the competency of entities seeking accreditation in the assessment and management of environmental and social risks and impacts;

Emphasizing the importance of environmental and social risks and impacts assessment to screen the projects submitted to ITTO by Member Countries for funding in order to avoid, minimize, mitigate and manage the adverse environmental and social impacts of projects;

Noting the draft Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects [Document CRF(XLIX)/13] and the approval of the revised draft Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects [Document CRF(L)/5] by the Committee on Reforestation and Forest Management at its Fiftieth Session;

Decides to:

1. Adopt the Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects contained in Annex 1 of this decision;
2. Request the Executive Director to publish the Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects (ESIA) in the three official languages of ITTO to be widely distributed;
3. Request the Executive Director to undertake the following actions to promote the Guidelines:
 - a. Make necessary adjustments in the appraisal tools of the ITTO Expert Panel for Technical Appraisal of Project Proposals to ensure that proposals duly incorporate the guidance of ESIA in project design; and

- b. Urge Member Countries submitting projects for funding to apply the Guidelines in their proposals as an important contribution to the development and implementation of quality projects towards sustainable forest management in the tropics.
4. Request the Executive Director to revise the ITTO Project-related Guidelines and Manuals, incorporating the adopted Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects and the ITTO Policy Guidelines on Gender Equality and Empowering Women (GEEW) for Council approval at the Fifty-fifth Session of ITTC; and
5. Authorise the Executive Director to seek voluntary contributions to meet the financial requirements of this Decision, not exceeding US\$150,000. In the absence of sufficient voluntary contributions, the Executive Director is requested to use funds from the Working Capital Reserve.

ANNEX

GUIDELINES FOR THE ENVIRONMENTAL AND
SOCIAL RISKS AND IMPACTS ASSESSMENT (ESIA) IN ITTO PROJECTS
TO BE INSERTED BELOW
IF COUNCIL AGREES TO DECISION



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DECISION ... (LIV)

ITTO ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCING POLICY (AML/CFT)

The International Tropical Timber Council,

Recalling that the Anti-money Laundering and Counter Terrorism Financing Policy (AML/CFT) was first introduced at the Committee on Finance and Administration (CFA) at its 30th meeting in 2015 in connection with reviewing required polices for the application for accreditation to the Green Climate Change Fund;

Also recalling that the decision to adopt the AML/CFT policy was deferred at the 30th CFA meeting due to the accreditation to the Green Climate Fund put on hold until the investigation on the impaired investments was completed;

Is aware that the Green Climate Fund requires implementing agencies to meet certain criteria to be accredited for programme/project funding, including criteria on financial management;

Noting the reports on the AML/CFT guidelines contained in documents CFA(XXX)/9, and the comments provided by Members on this report,

Decides to:

1. Adopt the Anti-money Laundering and Counter Terrorism Financing Policy (AML/CFT) contained in Annex 1 of this decision;
2. Request the Secretariat to take immediate steps to implement and publish the policy as a new annex to the ITTO Financial Rules and Regulations;
3. Periodically review and, as needed, update the AML/CFT policy to reflect experience gained and new developments in the field of anti-money laundering and counter terrorism financing.

ANNEX

ITTO ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCING POLICY (AML/CFT)
TO BE INSERTED BELOW
IF COUNCIL AGREES TO DECISION



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DECISION ... (LIV)

RECONFIRMATION OF FURTHER MEASURES AND MANDATING OF LEGAL ACTIONS REGARDING THE FINANCIAL IMPAIRMENT

The International Tropical Timber Council,

Recalling Decision 4(LI), Decision 4(LI.1), Decision 5(LII) and Decision 7(LIII) dealing with the loss of 18.2 million USD of ITTO funds;

Noting the findings of the independent investigation carried out under Decision 4(LI);

Acknowledging that the total loss of 18.2 million USD had to be fully covered at the expense of the entire Membership in addressing the financial shortfall pursuant to Decision 6 (LII), of which concrete measures were finalized and approved by the Council as set out in document ITTC(LIII)/12;

Bearing in mind the need to take necessary and appropriate legal actions, within legal time limits if any, according to the developments in the ongoing court case against the investment advisor filed in accordance with Decision 4(LI.1);

Decides to:

1. Request the Executive Director, without prejudice to any legal recourse that ITTO may have, to further continue his efforts in requesting the former ITTO 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 according to the developments in the ongoing court case, to maintain the ability of ITTO to pursue further legal action by initiating a third party notice to the former ITTO employees as necessary and without delay;
3. Request and authorize the Executive Director to use every effort and necessary financial resources to exhaust all possible legal procedures / recourse against all potential parties on this matter; and
4. Request the Executive Director to provide regular updates on the implementation of this Decision to the Chair and Vice-Chair of the Council, and provide periodic reports to the Council on the implementation of this Decision as well as of the above-mentioned Decisions.

* * *