



**INTERNATIONAL TROPICAL  
TIMBER ORGANIZATION**

Distr.  
GENERAL

ITTC(LV)/10  
1 November 2019

*Original: ENGLISH*

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FIFTY-FIFTH SESSION  
2 - 7 December 2019  
Lomé, Togo

**Report of the ad hoc Working Group on Financing Infrastructure and  
Fundraising Strategies**

(Item 14 of the Provisional Agenda)

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### **List of Recommendations from the ad hoc Working Group on Financing Infrastructure and Fundraising Strategies**

1. Pilot the new streamlined project cycle (“programmatic approach”) starting from 2020;
  - Details of the pilot are contained in “D. Proposal for a new streamlined project cycle concept”
  - In the review of the pilot, an online survey could be considered in order to receive feedback from members. Subsequent periodic online surveys could also be considered as resources allow.
2. Integrate a feedback and transparency element within the new financing infrastructure especially in regards to (1) competitive tenders and (2) funding agreements negotiated by ITTO with a donor to undertake a set of activities (herein referred to as “contracts”).
3. Extend the current Strategic Action Plan (SAP) to the end of 2020 with a draft SAP based on new programmatic lines to be presented for adoption by Council in 2020;
4. Consider and assess, during the next renegotiation of the ITTA, the continued relevance and effectiveness of the Thematic Programmes and Bali Partnership Fund. Furthermore, Council may consider simplifying the finance architecture by migrating elements of the Thematic Programmes and Bali Partnership Fund into the new Programmatic Lines, based on their performance and fundraising ability;
5. Support the Secretariat to become a non-accredited partner with GEF, including engagement with GEF focal points of member-states, in view of material synergies between ITTO’s mandate and new GEF-7 priorities,
6. Continue efforts to become formally accredited to the GCF, while exploring near-term opportunities to become a non-accredited partner;
7. Invite the GCF, GEF and other funding entities to speak during a plenary session in future Council Sessions on upcoming priorities, initiatives and work programmes to explore potential synergies; and consider holding an informal information sharing session on their funding opportunities on the margins of the Council, with a view towards informing the development of future project concept notes.
8. Consider reallocating the 2020-2021 “Expert Panel” budget to be used for “Resource Mobilization” at the CFA; and
9. Request the Secretariat to develop core indicators for assessing the impact of programmatic lines and their contribution to achieving SAP and ITTA goals starting from 2020, taking into consideration existing indicators (SDGs, AICHI, GFGs, UNFF, etc).

## **A. Introduction and Mandate of the Working Group**

### **1. Background**

At the 52<sup>nd</sup> Session (2017) held in Lima, Peru, the Executive Director (ED), Dr. Gerhard Dieterle emphasized to Council the need to examine the current funding structures of the International Tropical Timber Organization with the intention to improve or review the current financing infrastructure to enable the organization to respond more effectively to funding opportunities.

The ED stressed the urgency of this issue given that the organization was recovering from a very difficult predicament following the unfortunate financial impairments that became apparent between 2015-2017 which affected the organization's funding, credibility and integrity. In response to the financial impairment, the organization went to great lengths to stabilize the financial standing of the organization in order to ensure the continued operations of the organization whilst dealing with the crippling financial loss.

Substantive corrective matters as recommended by the Council have been implemented, including strengthening internal controls and decision-making process to increase transparency and minimize risk to the organization. The ITTO Secretariat undertook considerable effort - to successfully implement the IPSAS accounting requirements well within the timeline as recommended by Council, making ITTO the first organization in Japan to have done so.

The loss of credibility to the organization following the above period was immense, impacting negatively on voluntary contributions from members as well as badly eroding trust in the organization. However, it must be noted that incoming voluntary contributions had already been steadily decreasing over the last 15 years for numerous reasons which are further explained within this report, but hit rock bottom following the full extent of the financial impairment from 2015 through to 2017/8.

These events and ensuing extensive discussions at Council prompted the Council to issue DECISION 9(LIII)/22 IMPROVING ITTO'S FINANCING INFRASTRUCTURE AND FUNDRAISING STRATEGIES (Annex II). This Council decision created the ad hoc Working Group (WG) to look at options and table proposals for the Council's consideration with the aim of improving ITTO's financing infrastructure and fundraising strategies.

The WG convened at ITTO Headquarters during 3-5 September 2018, deliberations of which are reported in Annex V and were considered at the Fifty-fourth Council Session in November 2018. Taking into consideration a number of recommendations made by the WG, Council issued DECISION 5(LIV) ENHANCING THE FINANCING ARCHITECTURE AND FUNDRAISING OF THE ORGANIZATION (Annex II).

This Council decision extended the mandate of the working group for one year whilst requesting the ED to pilot an additional fundraising approach focused on pro-active development of proposals with potential sources of funding and/or participate in tenders which address/contribute to the objectives of the ITTA and strategic priorities of the Organization. Additionally, the Secretariat was requested to carry out an electronic survey to gain information from Members on what they see is the value of ITTO and how it should transform.

### **2. Operational mode of the Working Group**

In accordance with Decision 5(LIV), the mandate of the WG established under Decision 9(LIII) was extended for one year. Specific tasks assigned for the WG under this decision were to:

- Closely collaborate with Secretariat, to develop a proposal for a new "streamlined project cycle" concept to be presented at the 55<sup>th</sup> Council Session;
- Assist in the development of appropriate themes to be used in fundraising proposals

The Executive Director decided that the mandate of the WG would be facilitated by a second physical meeting. The work of this WG was assisted and informed by the Executive Director, the Director of Operations, one external consultant, and other secretariat staff. The list of the WG members and the meeting agenda are attached in Annex I.

One external consultant, Mr. Alexander Knapp from AKCGlobal Group, was hired to assist the work of the Secretariat in implementing Decision 5(LIV). The Terms of Reference for the consultant were:

- To conduct an electronic survey among ITTO member governments in accordance with para 3 of Decision 5(LIV).
- To conduct an analysis on the findings of the survey, identifying the key matters for the consideration of the Secretariat and the ad hoc WG.
- To identify and assist with the introduction to 2 additional competitive Programmatic Lines (in addition to the existing LSSC Programmatic Line) for the ITTO to pilot with potential donors as part of its new approach to fundraising
- Participate at the meeting of the WG to be held in Yokohama, Japan from 3-5 September 2019 and provide support in the preparation of the final WG Report as necessary.

The WG convened at ITTO Headquarters during 3-5 September 2019 and was provided with the following documents beforehand:

- Working Group Report 2018 (Annex V)
- Decision 5(LIV) and Decision 9(LIII) (Annex II)
- ITTC54 CFA Report
- Results of the Member Survey (Annex III)
- Background document prepared by the Secretariat on the new 'streamlined project cycle' concept

Ms. Jennifer Conje and Mr. Boniface Bounoungue Fouda were re-elected by the WG as the Co-chairs of the WG for 2019. The outcome and recommendations from the discussions of the WG are captured in this report.

### **3. ITTO Member Survey 2019**

Decision 5(LIV) requested the Secretariat, building upon the results of the past 2013 survey, to carry out an electronic survey prior to the 55<sup>th</sup> Council Session in order to gain more information on what Members see is the value and competitive advantage of ITTO and how it could transform to become a more attractive investment for members/partners/funders.

The online survey was developed by the Secretariat with the assistance of AKCGlobal. It contained questions aimed at gaining feedback from Members on steps taken so far by the Secretariat on piloting programmatic fundraising strategies and questions aimed at receiving inputs and suggestions on how ITTO should develop its financing architecture and strengthen its services for the benefit of member countries.

The survey was sent to all ITTO members on 23 July 2019. A total of 73 responses were received (a small number of countries submitted multiple responses) by the deadline of 17 August 2019. Not all respondents completed all the questions in the survey, while some questions allow more than one response ("Choose all that apply"); hence not all subsequent questions have exactly 73 answers. In any case, the survey represented an impressive response rate, far higher than the industry average for internal surveys. . For these reasons, the survey results have been statistically represented where possible. Additionally, members' thinking on several important issues relating to the financing of the organization has resulted in the emergence of several clear themes.

The survey questions, responses and results, contained in Annex III, were shared with the WG and discussed at its second meeting in 3-5 September 2019.

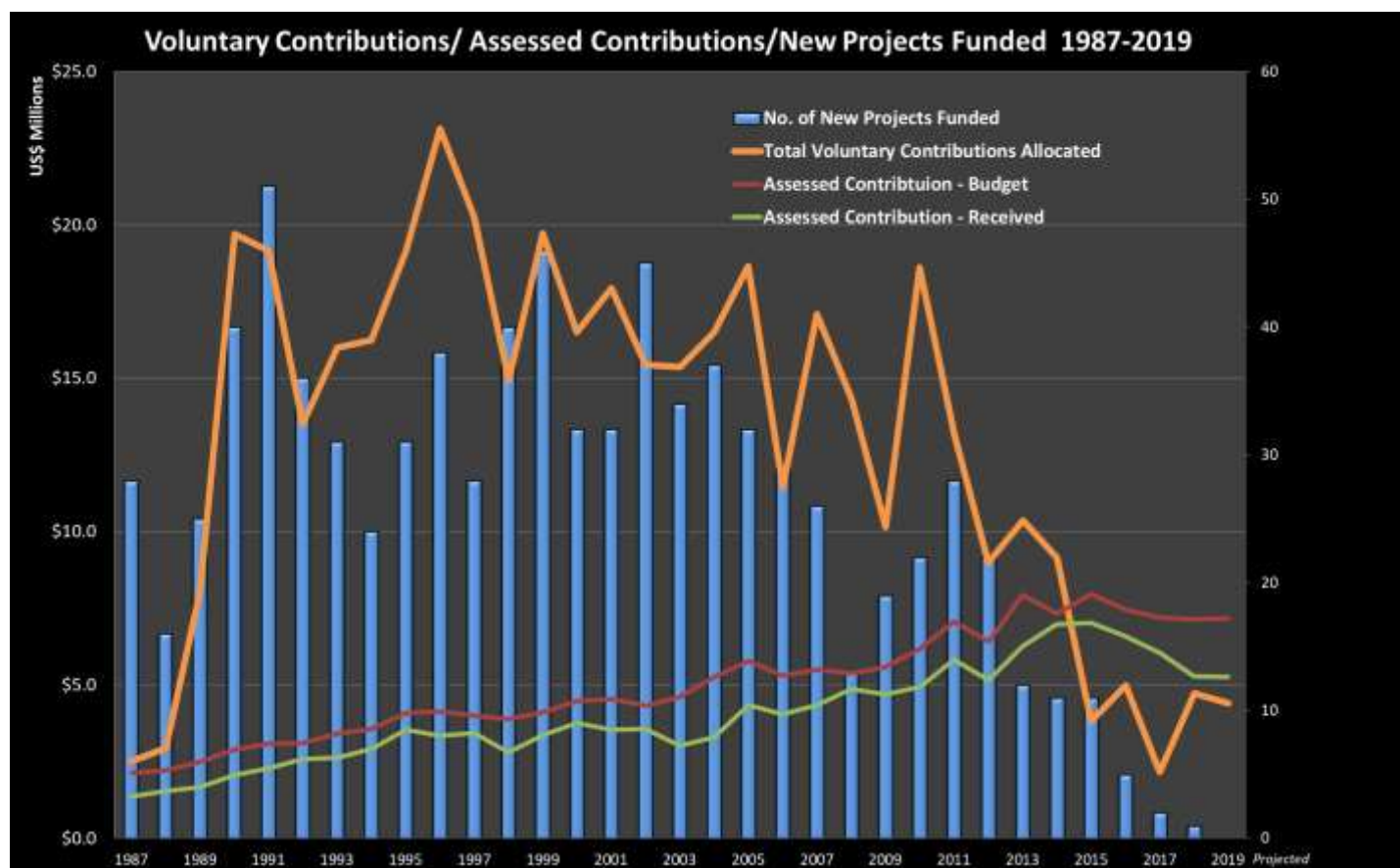
## B. ITTO's Financial Situation

### 1. Current financial situation of ITTO

After ITTO's establishment in 1986, voluntary contributions flowed steadily into the Organization between 1990 and 2007 at an average of about \$17 million per year. In 2008, the pilot for the Thematic Programmes commenced and voluntary contributions temporarily increased. However, after 2010, these pledges peaked out and voluntary contributions rapidly decreased until the financial impairment in 2016. Between 2010 and 2017, voluntary contributions decreased from \$18.6 million to \$2.2 million, reaching its lowest point in history. In 2018 and 2019, voluntary contribution levels marginally recovered to a level close to \$5 million per year.

The ratio between Assessed Contributions received before the end of each budget year compared to the total budget remained relatively constant until the financial impairment in 2016. While the overall administrative budget has had no nominal increase since 2015, the assessed contributions received before the end of each budget year has been decreasing during 2015-2018. The decreasing trend stopped during 2018-2019 and the gap, which is equal to the annual arrears of assessed contributions, sits at \$1.9 million for 2019 (projection as at the date of this report) out of the \$7.1 million total assessment.

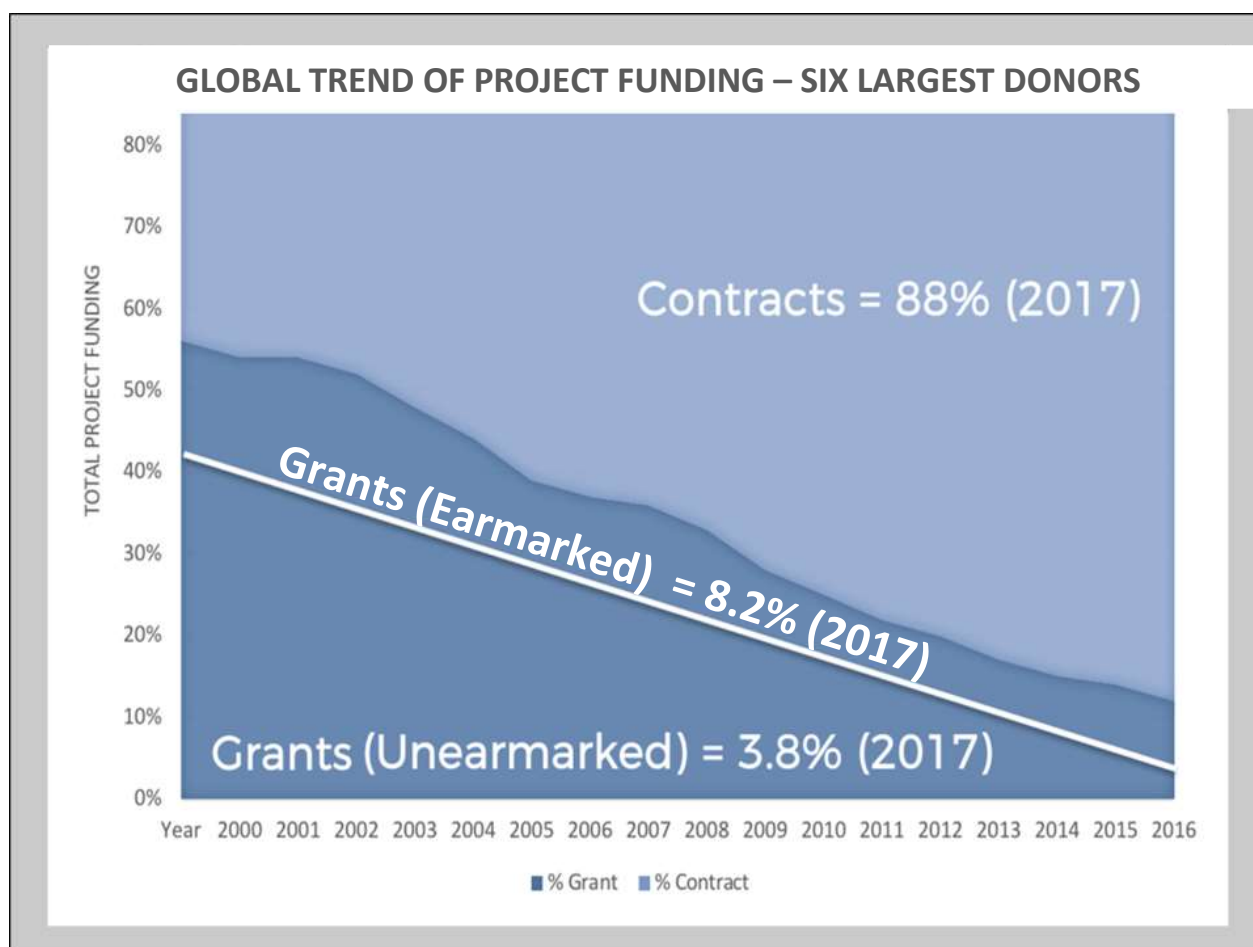
The number of new projects (excluding activities) funded each year has been decreasing and has been generally following the trend of decreasing voluntary contributions. One potential explanation for this trend is a potential misalignment between donor priorities/interest and the needs of producer countries as expressed through the project cycle process. However, funding to activities has increased in recent years indicating continued donor interest in BWP activities. The funding of the majority of ITTO project proposals (especially those with high budgets) is usually a collaborative effort between multiple donors. Thus, with less incoming funds into the organization, smaller donors may have instead reallocated their funding toward BWP activities where they could be ensured that activities/objectives could be carried out fully.



## 2. Underlying factors of the decrease in funds

Analysis was undertaken, based on the input from the members in the survey and the consultant's report, on the underlying factors of the decrease in ITTO's voluntary contributions. The main factors that were identified are:

- Global trend in declining un-earmarked voluntary contributions/grants and increases in competitive tenders /contracts (see graph below on "Global trend of project funding – six largest donors")
- Increasing international competition for donor funds among a growing number of international organizations (e.g. many new treaties post the Rio Summit) and between development and environmental organizations (IGOs, CSOs, etc.)
- The establishment of large funding vehicles, such as the GEF and GCF, which drew significant resources away from other areas perceived to be linked to sustainability issues.
- Structural impact of the 2008 Great Financial Crisis on donor finances and financial policy.
- Mismatch between producer and donor expectations
- Impact of the financial impairment (with the caveat that the decline commenced and continued well before the impairment)
- Disconnect with the broader international development and climate agenda
- Overall negative perception of tropical timber production, and tropical timber as a cause of climate change and biodiversity loss
- Lack of awareness of the role and contribution of productive forests (although bearing in mind that there are potential opportunities currently due to the conclusions of the recent IPCC report indicating the importance of productive forests in combatting climate change.)
- Lack of core indicators which did not allow for effective reporting of ITTO's global impact



*Source: Summary compiled from BOND "Funding" Group data from UK DFID, USAID, GIZ, EU, and AFD procurement data from 2000-2016, with additional analysis by OECD DAC internal audits, and the "Overseas Special Interest Group", a branch of the Charity Finance Group of UK-based international development organisations.*

## **C. Unlocking International Finance for Achieving ITTO's Goals**

### **1. Unlock untapped sources of funding**

The WG discussed potential sources of funding which the Secretariat should pursue in its fundraising efforts, acknowledging that there have been substantial changes in the international development and climate finance agenda in the past decades and that funding sources have become more diverse. Therefore, limited fundraising resources should be strategically allocated to achieve the optimal outcome. The following potential sources were suggested:

- One of the GEF-7 Replenishment's emphases is on supply chain issues and commodities, which is very relevant to ITTO's work. CITES has gained access to US\$131 million from GEF for its members by being part of their work programme and project steering committees without obtaining GEF accreditation. ITTO should pursue a similar partnership as an Organization highly relevant to GEF's mission.
- Continue efforts to be formally accredited with the Green Climate Fund.
- Continue to cultivate relationships with major contractors bidding on tenders that are of relevance to ITTO's mandate with a view to be a sub-contractor under a competitive tender, as appropriate.

### **2. Undertake active fundraising in areas affecting the global development agenda, where funding is available and synergies with ITTO exist**

In an effort for the Secretariat to undertake active fundraising it is important for the Secretariat to improve its strategy and improve its core external communications messages. The following suggestions were made:

- The latest IPCC report stresses the importance of productive forests for combatting climate change. In other reports, the supply gap for tropical forest resources shows significant impact on the wellbeing of people, affecting the global development agenda. The findings of these reports should be used to create opportunities for turning around the current negative perceptions of productive forests.
- Efforts should be made to increase visibility of ITTO's work and identify the niche/specialization of the Organization. Council should consider inputs into the post-2020 biodiversity framework (as well as the SDG Agenda 2030), through the use of productive forests and support the uptake of legality and sustainability measures.
- The WG discussed the merits of hiring a marketing/fundraising member of staff, continuing the discussion had at the 1<sup>st</sup> WG meeting in 2018. Although the advantages of doing so would benefit the organization in increasing its international visibility and enhance its fundraising efforts, it was also accepted that this would have a financial impact on the organization. ITTO's current financial resources leave very little room to hire such a person. The organization has however contracted short-term consultants in the last 2 years to assist with its fundraising efforts. Current consideration is to seek a secondee with such expertise. No firm decision was taken on this matter.

## D. Proposal for a New Streamlined Project Cycle Concept

### 1. Why there is a need to improve the mechanisms at this point

Based on the discussions of the WG and Members' feedback through the survey, it is clear that the current project cycle mechanism needs to be updated as soon as possible to not only improve the funding situation of ITTO, but also balance expectations and the effort put into initial proposal development with the flow of incoming funds. There is an expectation that the Secretariat should be playing a bigger role in convincing the donors on the importance of ITTO's projects by developing flexible programmatic proposals which meet the funding policies and priorities of the donors, while also addressing the needs expressed by the producers. As mandated in Decision 5(LIV), the WG collaborated with the Secretariat in developing a proposal for a new streamlined financing infrastructure called the "Programmatic Approach", which includes "Programmatic Lines" that specify areas of focus for funding opportunities.

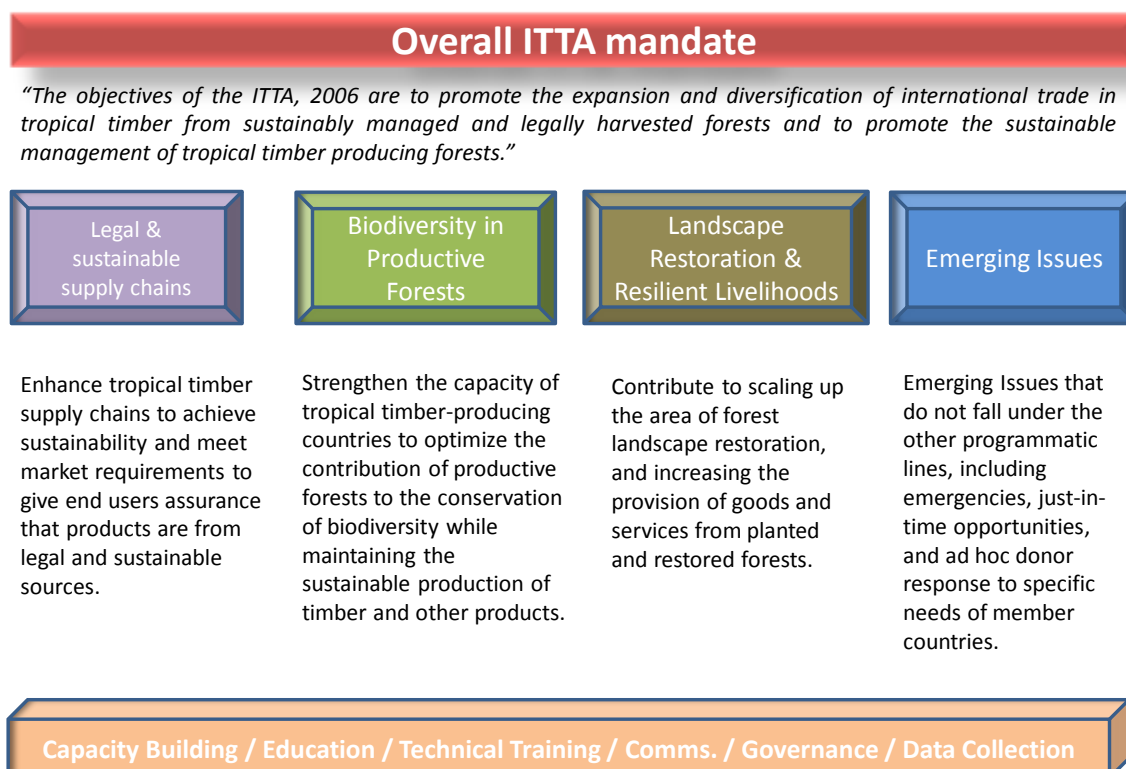
### 2. The concept of the "programmatic lines" and its importance

The WG assisted the Secretariat in the development of the titles for the following 4 "Programmatic Lines" which could be used in fundraising proposals and would facilitate the integration of different projects under the new "programmatic approach" for creating better results, reports and impact:

- Legal and Sustainable Supply Chains;
- Biodiversity in Productive Forests;
- Landscape Restoration and Resilient Livelihoods;
- Emerging Issues.

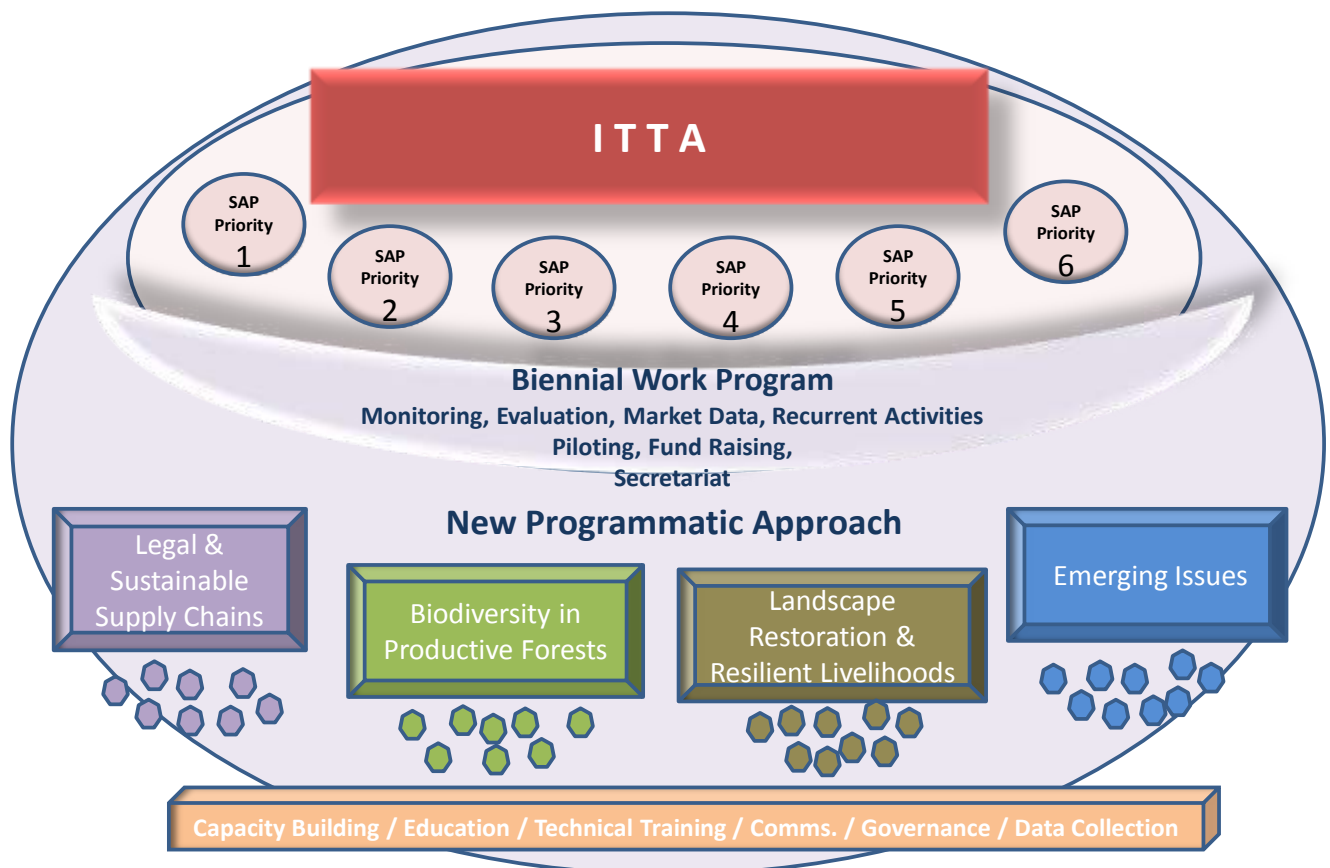
The programmatic lines take into account the discussions in section C, where funding appears to be available from a wider range of sources, while synergies were perceived to exist between ITTO and the broader global development agenda, enhancing ITTO's impact and visibility. Other potential areas of interest are to be captured in "emerging issues".

## Proposed Programmatic Lines

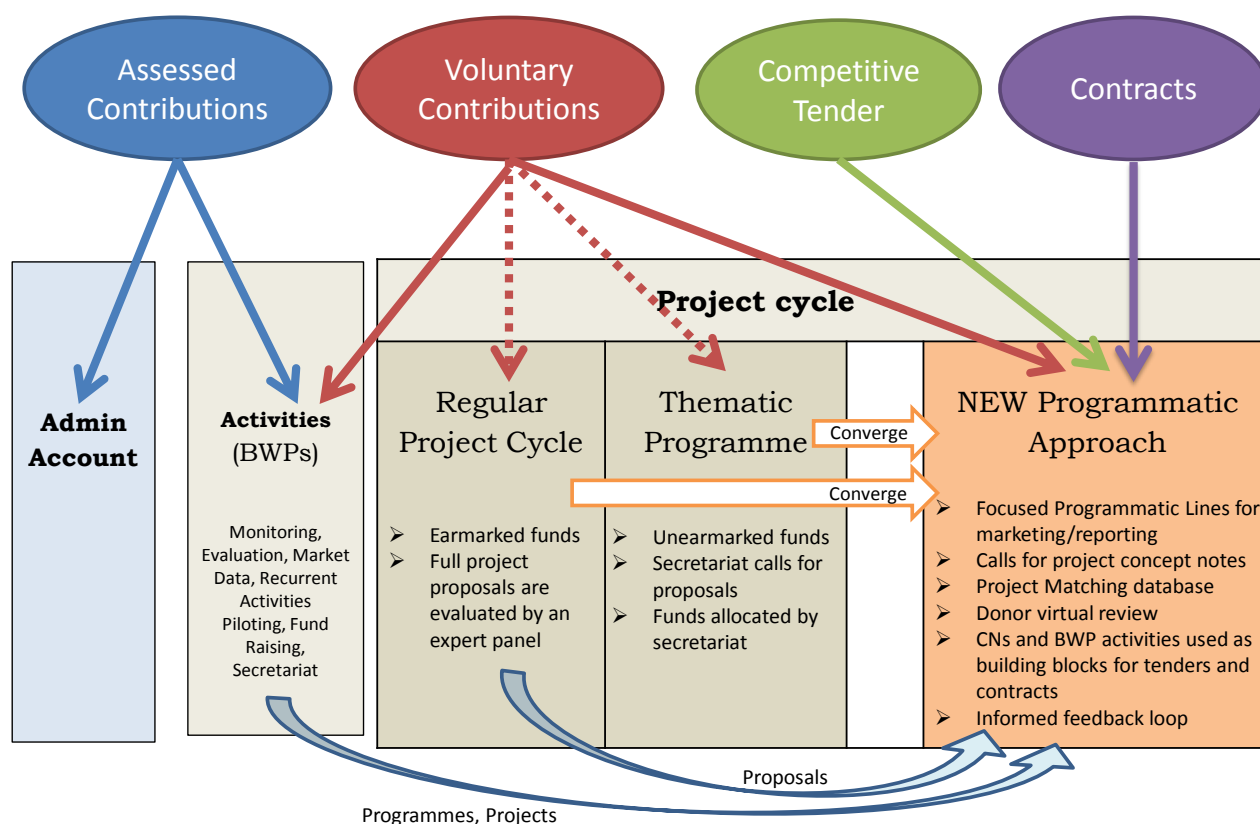


In accordance with the ITTA and SAP objectives, the programmatic lines would provide a simple structure for integrating and arranging/matching projects and activities that come through the project cycle, BWP, competitive tenders, and contracts. The programmatic lines approach will enable external partners to better understand ITTO's structures, as well as focus the funding priorities/niche areas of ITTO in a programmatic way so that they are more easily marketed to external donors. Having simple yet focused programmatic lines will also enable ITTO to better utilize core indicators and effectively report its global impact through internationally recognized formats such as the International Aid Transparency Initiative (IATI) which could potentially enhance ITTO's fund-raising ability.

## Proposed Future Financing Architecture



## Financing Mechanism and Funding Sources



### 3. The “Programmatic Approach” – a new streamlined project cycle concept

Traditionally, ITTO has had two funding sources: Assessed Contributions and Voluntary Contributions. Assessed Contributions are used to fund the administrative budget in the administrative account and core operational budget, which is part of the Biennial Work Programme (BWP) activities. Voluntary Contributions are used to fund projects and BWP activities. As Voluntary Contributions continue to decrease, there is a need to tap into funds coming from competitive tenders and contracts where global trends show the availability of such funds increasing. However, as currently designed, the current two project cycle mechanisms -- the Regular Project Cycle and the Thematic Programmes -- do not allow the flexibility to align the needs expressed within project proposals in a manner which could potentially access funds available through competitive tenders and contracts. Furthermore, the Thematic Programmes only allow for unearmarked donor funds to be received.

Under the new Programmatic Approach, future proposal ideas to ITTO would come in the form of streamlined project concept notes in response to a yearly call. The project concept notes would be put in a database that would be reviewed periodically by the donors, and would still be subject to sunset provisions. If there is an interest by a donor in a specific project concept note, then ITTO would be alerted and a co-development project process commences between the project developer, ITTO, and the donor. This would ensure that both funding and programmatic interests are taken on board in the development of the full proposal and expectations aligned. This approach recognizes that in the old project process considerable effort was put into developing full blown proposals, including undergoing a lengthy expert panel review process, and the resulting disappointment that ensued when the proposal was not funded. Under this new process, the project concept notes allow producers to put forth their needs/ideas in a streamlined manner requiring less investment and time, while still conveying their needs. Significant effort would not be invested in the development of a full project proposal until donor interest is signaled. Given the co-development process, the expert panel's role is no longer necessary. Assessing the technical merits of the project design and compliance with safeguards would be the joint

responsibility of the donor, ITTO, and the project developer – this will be reinforced through the co-development process.

Moreover, the project concept notes would serve a dual process outside of the project cycle process – they can be used as building blocks to be combined with other activities when the Secretariat seeks out competitive tenders and contracts, and other funding opportunities along the programmatic lines.

Ideally, pending Council's approval, this proposed "Programmatic Approach" including the streamlined project cycle would commence at the beginning of 2020. The proposals that have not yet been sunset as of Jan 2020 and those proposals that were ranked Category 2 (revision requested) by the 2019 Expert Panel and resubmitted would automatically be included within the on-line database.

In summary, the new proposed Programmatic Approach includes the following elements to ensure efficiency and transparency:

### **Informed Feedback Loop**

The WG had an extensive discussion on transparency under the new Programmatic Approach. In particular, how to balance providing the Secretariat flexibility in exploring multiple fundraising avenues, while at the same time keeping members informed on applicable obligations and other elements of the process until an agreement is reached between a potential donor and Secretariat. The following was recommended by the WG:

- Institutionalize a virtual Informed Feedback Loop where all members are informed about potential project agreements before it is formalized by the Organization. The ED will base his/her decision on whether or not to proceed with the agreement based on the feedback received from the Members.

### **Project Matching Database**

- Create a donor/project matching database where the Secretariat will have all fundable proposals and concepts available for the consideration of donors.
- Unfunded projects proposals which have not yet been sunset by January 2020 or those proposals which formerly received a category 2 or 3 during the Expert Panel in 2019 and were resubmitted will go directly into the matching database without review by an expert panel
- Secretariat will make an effort to balance the needs of producer countries with donor policies and match proposals with donor funds.

### **Concept Notes (CN) and proposal development process**

- Any new project ideas after the 55<sup>th</sup> Council Session should come in as project concept notes in response to a yearly call per programmatic line (date(s) to be determined by the Secretariat)
- A project concept note template should be drafted by the Secretariat to be considered by the 55<sup>th</sup> Council Session in Togo.
- The CN should state which programmatic line it comes under and include a core set of indicators and means of verification (ie SDGs, etc.)
- Calls for CN under selected Programmatic Lines will be made by the Secretariat once a year and will be limited to 2 prioritized CN per country per call.
- Secretariat is to assist in providing sample CNs for Producer countries' reference.
- CN will be reviewed by the Secretariat to ensure it complies with the agreed template and ITTO mandate. It will not be reviewed by an Expert Panel
- There will be no Expert Panel starting from 2020
- Once a donor expresses interest in a CN, it will then be developed into a full proposal. The format of the proposal will be determined by the needs of the donor in order to access the funds. If no specific format is requested, then the ITTO proposal format shall be utilized.

#### **Framework of compliance**

- All projects and contracts, despite having varying legal requirements and formats according to its agreement, will maintain the same high standards of the ITTO for project monitoring, evaluating, auditing and reporting, and conform with ITTO's mandate, operational and policy decisions, and ESIA guidelines

### **E. Implications for a New Strategic Action Plan and the ITTA**

The Strategic Action Plan (SAP) defines ITTO's long-term objectives and goals under the ITTA 2006. The current SAP is due to be renewed by the end of 2019; however, if the new programmatic approach project cycle is to be piloted in 2020, it is advisable to reflect upon the outcome of the pilot in the development of a new SAP. Therefore, the extension of the current SAP for one year until end 2020 is recommended with the aim of having a draft new SAP to be presented to Council in 2020.

The renegotiation of the ITTA 2006 could be considered once a new SAP reflecting the new project cycle concepts is developed and implemented. Furthermore, during the renegotiation of the ITTA 2006, Council may want to assess and consider the continued relevance and effectiveness of the Thematic Programmes and Bali Partnership Fund in the next ITTA. Additionally, Council may consider simplifying the finance architecture defined in the ITTA 2006 by migrating elements of the Thematic Programmes and Bali Partnership Fund into the new Programmatic Lines, to be determined based on their performance.

## ANNEX I

### Decision 5(LIV) 'Enhancing the Financing Infrastructure and Fundraising of the Organization'

Meeting of the Ad Hoc Working Group  
3-5 September 2019, ITTO Secretariat, Yokohama

#### **PARTICIPANTS:**

##### **Ad Hoc Working Group**

Mr. Thomas Baldauf (TB), EU  
Mr. Barney Chan (BC), TAG  
Mr. Francis Colee (FC), CSAG  
Ms. Jennifer Conje (JC), USA – *Chairperson*  
Mr. Boniface Bounoungue Fouda (BBF), Cameroon - *Chairperson*  
Mr. Che Yeom Freezailah (CYF), Malaysia  
Mr. Shigeki Hata (SH), Japan  
Mr. Jorge Malleux (JM), Peru

##### **ITTO Secretariat**

Mr. Gerhard Dieterle (GD), Executive Director  
Ms. Sheam Satkuru (SS), Director Operations Division  
Mr. Steve Johnson (SJ), Director Trade & Industry Division  
Mr. Osamu Hashiramoto (OH), Director Forest Management Division  
Mr. Gerhard Breulmann (GB), Planning, Monitoring & Evaluation Officer  
Mr. Simon Kawaguchi (SK), Finance/Administrative Officer  
Ms. Naho Tamura, Programme Assistant

##### **Consultants**

Mr. Alexander Knapp (AK), AKCGlobal, London

## AGENDA

| DAY/TIME                 | ITEM  |
|--------------------------|---|
| <b>Tuesday, 03.09.19</b> |   |
| 09:30 – 10:00            | Coffee & Preparation for Meeting  |
| 10:00 – 10:15            | Welcome Remarks/Introduction – Dr. Gerhard Dieterle, Executive Director ITTO  |
| 10:15 – 10:30            | Introduction of Meeting Participants & election of 2 Co-Chairs  |
| 10:30 – 11:00            | Review of findings/recommendations from the report of the previous WG   |
| 11:00 – 11:15            | Coffee break  |
| 11:15 – 11:45            | Overview of financial status of ITTO and experience with LSSC pilot (GD/SS/SK)  |
| 11:45 – 12:30            | Presentation of background paper by the consultant, Mr. Alexander Knapp ( <i>incl. preliminary findings of the Member survey and presentation of two new themes</i> ) |
| 12:30 – 13:00            | Q&A and open discussion   |
| 13:00 – 14:30            | LUNCH   |
| 14:30 – 16:00            | Cont. open discussion   |
| 16:00 – 16:30            | Coffee break  |
| 16:30 – 17:30            | Consolidation of Day 1 Discussions  |

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| <b>Wednesday, 04.09.19</b> |   |
| 09:30 – 11:00              | Review of the current finance mechanisms and the need for streamlining/integration of the different funding streams |
| 11:00 – 11:30              | Coffee Break  |
| 11:30 – 13:00              | Introduction and discussion of potential new programmatic lines   |
| 13:00 – 14:30              | LUNCH   |
| 14:30 – 15:30              | Continued WG discussion of potential new programmatic lines   |
| 15:30 – 16:00              | Coffee break  |
| 16:00 – 17:00              | ITTO as a specialized partner in broader development approaches   |
| 17:00 – 18:00              | Consolidation of Day 2 Discussions  |
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| <b>Thursday, 05.09.19</b> |   |
| 09:30 – 11:00             | WG Discussion & Conclusions on Ways Forward           |
| 11:00 – 11:30             | Coffee break  |
| 11:30 – 13:00             | Continued WG Discussion & Conclusions on Ways Forward |
| 13:00 – 14:30             | LUNCH   |
| 14:30 – 17:30             | Draft WG Report & Recommendations to ITTC 55          |
|                           |   |

**ANNEX II**  
**Decision 5(LIV) and Decision 9(LIII)**



**INTERNATIONAL TROPICAL  
TIMBER COUNCIL**

Distr.  
GENERAL

ITTC(LIV)/15  
8 November 2018

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

**DECISION 5(LIV)**

**ENHANCING THE FINANCING ARCHITECTURE AND  
FUNDRAISING OF THE ORGANIZATION**

The International Tropical Timber Council,

Recognizing the need to examine and improve the current funding structure of the Organization;

Recalling Decision 9(LIII) that called for the establishment of an ad-hoc working group to consider options and make proposals in its report to the Executive Director for improving ITTO financing infrastructure and fundraising strategies;

Taking note of the report of the Ad Hoc Working Group on Financing Infrastructure;

Further recognizing that international donor trends have changed significantly since 2000 and as well as the mechanisms of Official Development Assistance (ODA) transfers;

Acknowledging that the Organization has taken substantive steps to strengthen internal controls and decision making processes, including through the implementation of the IPSAS accounting requirements and development of gender, social, and environmental safeguards, in order to increase transparency and re-establish the Organization's credibility, effectiveness and integrity since the financial impairment that occurred 2015-2017;

Further recognizing that in order to increase funding for ITTO, additional approaches to fundraising must be undertaken by the Organization;

Urging Members to make additional resources available through voluntary contributions and pay their assessed contributions in a timely manner;

Understanding the need to streamline the ITTO project development process and to improve chances of project proposals being financed;

Decides to:

1. Request the Executive Director to pilot an additional fundraising approach focused on pro-active development of proposals with potential sources of funding and/or participate in tenders which address/contribute to the objectives of the ITTA and the strategic priorities of the Organization, taking into consideration the need for transparency, and opportunities for member engagement;

2. Authorize the Secretariat to engage appropriate short term fundraising and/or marketing specialist(s) to build and supplement internal capacity related to fundraising efforts of the Organization, as necessary;
3. Requests the Secretariat, building upon the results of the past 2013 survey, to carry out an electronic survey prior to the next Council Session in order to gain more information on what Members see is the value and competitive advantage of ITTO and how it could transform to become a more attractive investment for members/partners/funders. The survey will help inform the development of ITTO's services and fundraising strategies;
4. Extend for one year the mandate of the ad-hoc working group established in accordance with Decision 9(LIII) to:
  - Closely collaborate with Secretariat, to develop a proposal for a new "streamlined project cycle" concept to be presented at the Fifty-fifth Council Session;
  - Assist in the development of appropriate themes to be used in fundraising proposals.
5. Urge prioritization in the submission of projects, to the extent possible, by individual Members with numerous projects in the pipeline to facilitate efforts for their financing;
6. Requests the Executive Director to cluster existing projects awaiting financing and incoming ones under appropriate themes and to explore emerging funding opportunities;
7. Request the Executive Director to report annually to Council on the progress made in the implementation of this Decision;
8. Requests the Secretariat to include in the annual financial report for calendar years 2019, 2020 and 2021 the revenue, direct and indirect costs associated with implementing the pilot;
9. Request the Executive Director to undertake a review of the implementation of this Decision in 2022, including the long-term effectiveness and feasibility of the pilot approach, and that the outcome report will be provided to Members no later than 90 days prior to its consideration at the Fifty-eighth Session of Council;
10. Authorizes the Executive Director to utilize the remaining funds from Decision 9(LIII), which allowed for an amount not exceeding US\$300,000 from the Working Capital Reserve and authorize up to an additional US\$50,000 from the Working Capital Reserve in 2019, if needed;
11. Request the Executive Director to develop an estimated budget for additional funding requirements, if needed, to be considered at subsequent Council Sessions.

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## INTERNATIONAL TROPICAL TIMBER COUNCIL

Distr.  
GENERAL

ITTC(LIII)/22  
2 December 2017

FIFTY-THIRD SESSION  
27 November – 2 December 2017  
Lima, Peru

### DECISION 9(LIII)

#### IMPROVING ITTO'S FINANCING INFRASTRUCTURE AND FUNDRAISING STRATEGIES

The International Tropical Timber Council,

Recognizing the strong need to develop a more coherent programme and further improvements of its current complex financing infrastructure;

Also recognizing the importance of effective fund management to attract and utilize funding efficiently;

Also recognizing the importance of enabling ITTO to monitor and respond to existing and emerging funding opportunities in a timely manner;

Recalling Biennial Work Plan 2013-2014 Activity 54 "Mobilize New Funding and Partnerships for ITTO and its Objectives" and its report contained in CFA(XXVIII)/8, which establishes the foundation for ITTO's fundraising and partnership building activities;

Noting that donor funds have in some cases been left idle for many years with ITTO despite multiple requests to relevant donors for instructions on the utilization of such funds;

Decides to:

1. Request the Executive Director to convene an ad-hoc working group consisting of 3 experts nominated by consumer members, 3 experts nominated by producer members and one representative from each of the Civil Society Advisory Group and the Trade Advisory Group to consider options and make proposals for improving ITTO's financing infrastructure and fundraising strategies;
2. Authorize the Executive Director to utilize an amount not exceeding US\$300,000 from the Working Capital Reserve to convene the above working group and to undertake measures to improve ITTO's fund raising and partnership building policies and activities;
3. Authorize the Executive Director to transfer to the unearmarked fund of the Special Account the donor funds specified in Table 3.5 of ANNEX 3 to the document ITTC(LIII)/12 left with ITTO without instructions from those donors on how to utilize such funds;
4. Request the Executive Director to provide a report to the Fifty-fourth Session of the ITTC on the implementation of this Decision, including the outcome of fundraising efforts.

### **Annex 1: Terms of Reference of Ad Hoc Working Group on Financing Infrastructure**

ITTO and its objectives are critical in a world where the sustainable management and conservation of tropical forests is receiving increasing attention and concern. As the organization recovers from a period of turbulence, ITTO must develop and implement an innovative and proactive fundraising strategy. This will require the Executive Director, the Secretariat and ITTO's members to think creatively and learn from the successful strategies of other intergovernmental organizations, NGOs, and others. This effort should be led by an energized Secretariat, actively supported by ITTO members and partners in the NGO and private sector worlds.

To assist the Secretariat in this effort, an ad hoc working group will be convened in Yokohama for 3 days in the first half of 2018, and remotely [before and/or after] as needed. Its mandate will be, under the leadership of the Executive Director, to make recommendations or present options related to improving ITTO's financing infrastructure and fundraising strategies. Specifically, it will review, discuss and (as relevant) present options/recommendations on:

1. Seeking voluntary contributions or other mechanisms for the immediate financing of the long list of projects formulated in line with the core objectives of the ITTA and approved by the ITTC;
2. The effectiveness and coherence of ITTO's current funding windows (including regular project cycle, thematic programs, biennial work program, Bali Partnership Fund) and possible changes to improve their value and appeal;
3. Possible means to shorten or streamline the project development and approval process (including a review of the sunset provision of Decision 3(X) under which unfunded projects lose their approved status after a defined period);
4. Possible adjustments to thresholds or conditions to launch projects;
5. Possible steps for project proponents and donors to interact, in order to help identify themes or projects of mutual interest with a reasonable chance of receiving funding;
6. Development of a concise and compelling fundraising message;
7. Identification of potential sources of financing and tailoring any fundraising message for different potential donors;
8. Possibilities for co-financing activities and projects as well as for income generation from ITTO products;
9. Opportunities to combine funding streams or build collaboration with other initiatives and mechanisms for forest financing, such as the Green Climate Fund, the Global Environment Facility, and the Global Forest Financing Facilitation Network; and
10. Other matters deemed relevant.

The ad hoc working group should also consider and provide guidance on a draft plan to be produced by the Secretariat for utilizing the resources provided by Council to implement this Decision. The ad hoc working group should produce a report of its work and submit this to the Executive Director so that he can include it in his briefing to Council on the implementation of this Decision.

\* \* \*

## ANNEX III

### Results of the Member Survey



#### ITTO Member Survey 2019 - Funding Priorities and Strategies

#### 1. Introduction and Survey Objectives

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**Decision 9(LIII) *Improving ITTO's Financing Infrastructure and Fundraising Strategies*, taken by Council at the ITTC(LIII) in Lima, Peru (November 2017), mandated a substantial review of options to reverse or replace Voluntary Contributions that had been declining since 1997.**

**The Working Group that was convened under Decision 9(LIII) reviewed options, including analysis by external fundraising consultants at its first meeting in September 2017. Their recommendations were presented to Council in November 2018, which mandated a pilot test of a proactive fundraising approach and the collection of additional input through a survey of Members.**

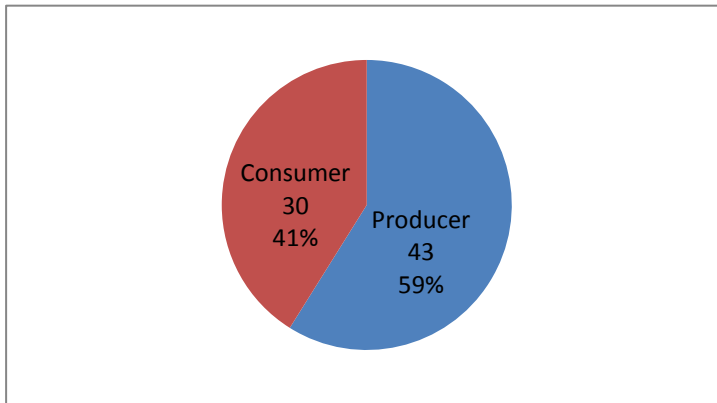
**This document, which contains the questions and responses to the survey that was sent to all ITTO members, will inform the Working Group's second meeting in September 2019 and contribute to their report to Council to be held in Lome, Togo 2-7 December 2019.**

**Analysis** – A total of 73 respondents to the survey were submitted - 30 responses were received from Consumer Countries and 43 responses from Producer Countries. Not all respondents completed all the questions in the survey, which implies that some Countries may have inadvertently submitted more than one response each. Additionally, some questions allow more than one response (“Choose all that apply”); hence, not all subsequent questions have exactly 73 answers.

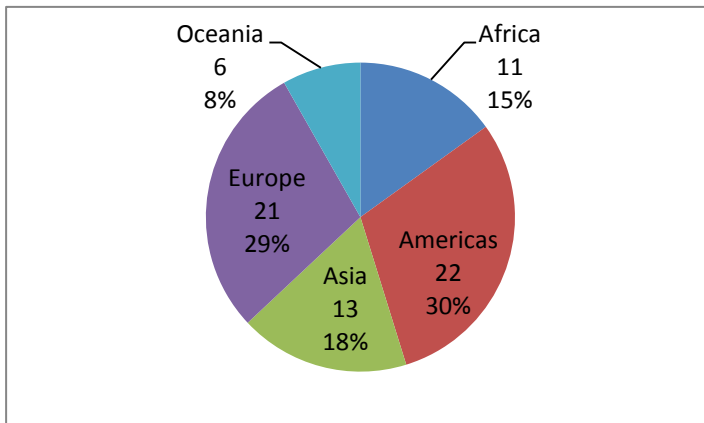
In any case, this represents an impressive response rate, far higher than the industry average for internal surveys.

## 2. Respondent Demographics

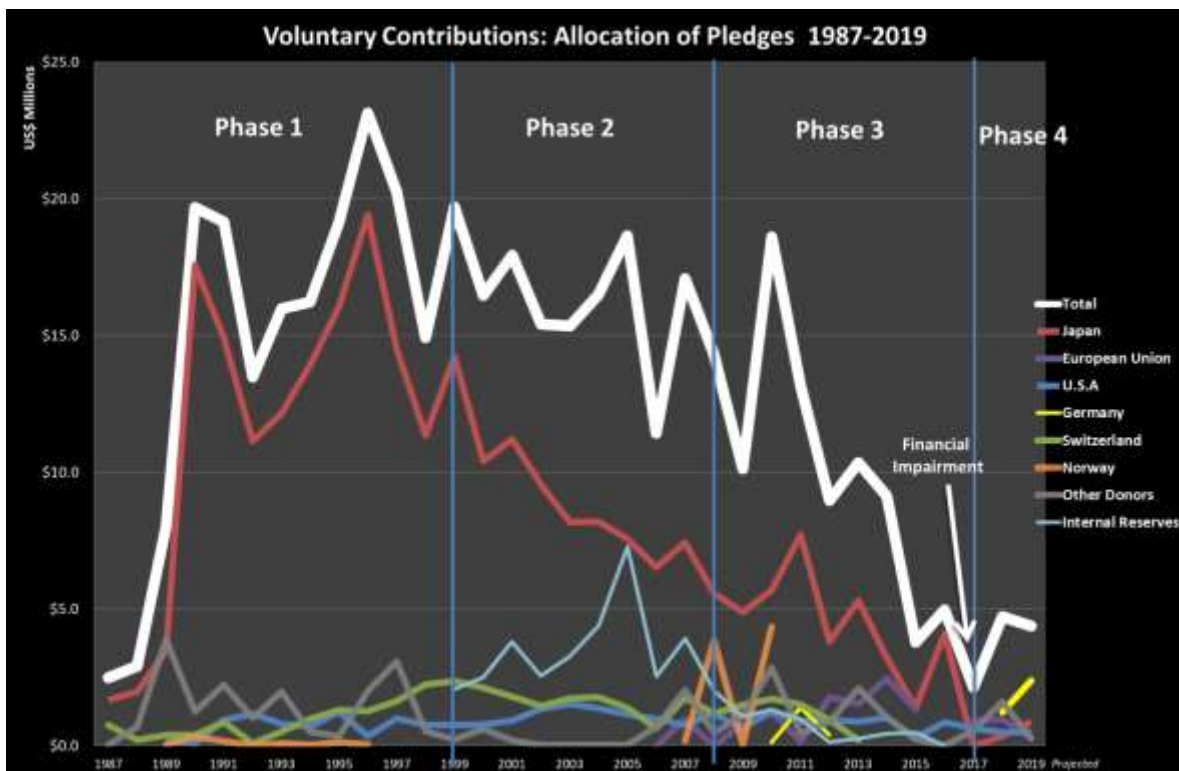
### \* 1. Are you answering on behalf of a Producer or a Consumer Country?



### \* 2. Which region does your country belong to?

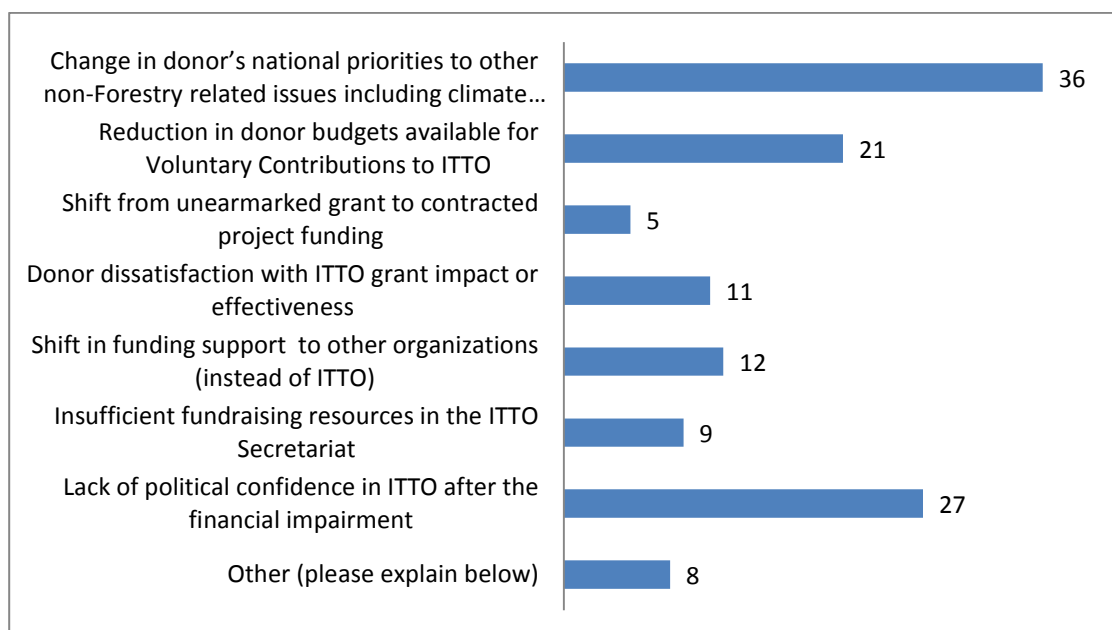


## 3. Origins of the Problem



**\* 3. Voluntary Contributions to ITTO under the regular programme cycle have steadily dropped since 1997, similar to those in other organizations and sectors. Why do you believe that this has happened? Select all that apply:**

- \* Change in donor's national priorities to other non-Forestry related issues including climate change, REDD+, biodiversity etc.
- \* Reduction in donor budgets available for Voluntary Contributions to ITTO
- \* Shift from un-earmarked grant to contracted project funding
- \* Donor dissatisfaction with ITTO grant impact or effectiveness
- \* Shift in funding support to other organizations (instead of ITTO)
- \* Insufficient fundraising resources in the ITTO Secretariat
- \* Lack of political confidence in ITTO after the financial impairment
- \* Other (please explain below)
- \*



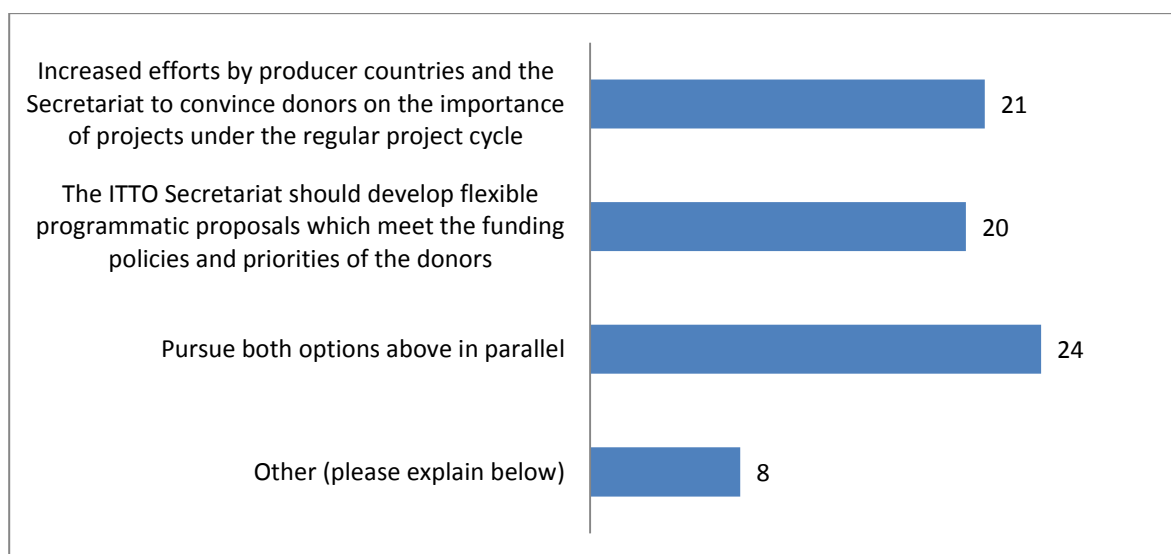
**Comments from Respondents –**

- Forests and forestry were a key focus of donor ODA during the late 1990s. During that period ITTO was one of a few international organizations with a substantive program on forests. Starting in 2000s, there was a proliferation of organizations (especially in civil society), as well as bilateral initiatives that became active implementers on forest related programs. Most of this programming has been on forest related biodiversity conservation and forest & climate programming. In the past five years, this expanded to include timber legality programming. These extra actors have produced greater competition for ITTO in a pool of limited resources. In addition, ITTO's core mandate is ensuring a sustainable resource base and encouraging SFM of tropical forests. The lack of evidence showing significant improvement in stemming deforestation and destruction from industrial scale logging has given tropical timber (and ITTO) a public image problem.
- This response considers the reasons outside of those impacting Japan (who had typically been the primary donor).
- Change of procurement practices
- Lack of confidence in the role of ITTO and its capacity to deliver impact in the field/on the ground. Lack of visibility/evidence on positive impacts that the implementation of projects generate, which are usually small and fragmented.
- Lack of strategic relevance and added value of ITTO's project work (e.g. against bilateral ODA) with too much focus on small projects with limited link to the normative work and insufficient focus on timber and forest-related policy development through e.g. overarching themes, cross-border or regional cooperation, global networks (linking with others, incl. inside CPF) and facilitation platforms etc. Insufficient track keeping of ex post project evaluations and thus also insufficient uptake in normative work and thus limited organizational learning. Obscure, inefficient and outdated "project cycle" with lengthy procedures and unclear responsibilities of submitting countries. Too many funds with hard to understand differences for newcomers to the organization.

- Mali is facing a worrying security crisis. [*le Mali est confronté à une crise sécuritaire préoccupante*].
- The global economic slowdown and financial crises in certain countries. [*La desaceleración económica global y las crisis financieras en ciertos países.*]
- There are and have been initiatives and programs worldwide that compete for funding with ITTO [*Hay y se han creado instancias y programas a nivel mundial que compiten con los fondos para la OIMT*]

**\* 4. In your view, how can this funding shortfall be overcome? Please select all that apply:**

- ☐ Increased efforts by producer countries and the Secretariat to convince donors on the importance of projects under the regular project cycle
- ☐ The ITTO Secretariat should develop flexible programmatic proposals which meet the funding policies and priorities of the donors
- ☐ Pursue both options above in parallel
- ☐ Other (please explain below)



**Comments from Respondents –**

- There needs to be more coordination between producer needs and consumer priorities early in the project proposal development process, potentially through a combination of three different funding windows: 1) Agreements which the ITTO secretariat actively enters into with specific donors to deliver programmatic objectives that are co-developed in a collaborative process that reflect jointly the interests of the donor and ITTO members and which are in line with the objectives and strengths of ITTO; (2) A streamlined project proposal process that still allows for a track through which producer members can put forward priority needs. The streamlined process would involve the creation of a project concept note, which can be floated by the Secretariat to potential donors to gauge interest and receive initial feedback. If there is a match between need and funding interest, then the developer can develop a full blown proposal to be submitted via the project cycle process; (3) Bi-annual Work Program Activities.

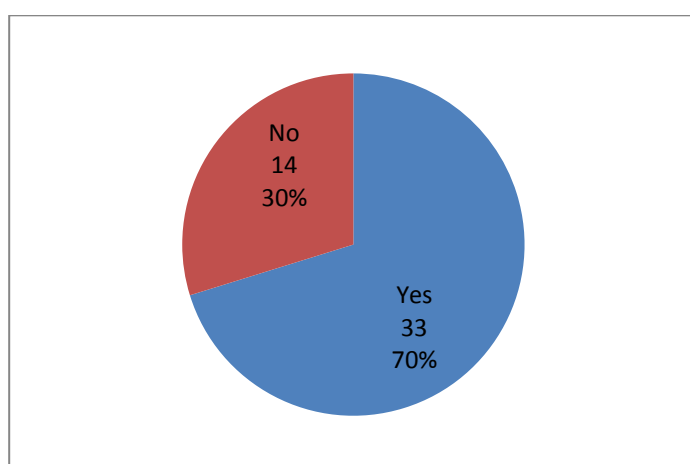
- Reestablish the case for ITTO representing more than the short-term interests of tropical timber producing countries
- - Identify the priorities of potential donors (understand what their key issues are) to undertake targeted outreach.  
- Identify proposals/projects (as opposed to broad thematic programmes) which don't require immediate commencement, but are promoted to potential donors allowing them to quickly disperse funds should they become available in the future (i.e. off the shelf options). - Link projects to development outcomes to attract official development assistance (aid) funding. - 'Sell' the new financial governance and transparency arrangements.
- ITTO's efforts to enhance visibility of the ITTO, especially within donor countries that contribute to specific projects (via mass media, industry community, political circles, etc).
- strengthen positioning of ITTO, convince members to pay the membership fees, develop flexible programmatic modular approaches, which build and include existing program experiences
- ITTO should aim for accreditation under GEF and GCF. It should also become more flexible and strategic in its operations, maybe looking at fewer but greater actions, adopting a multiannual/regional approach.
- Change the above mentioned.
- Greater number of countries that contribute, even if they are not large funds. This can gradually increase available funds. *[Mayor número de países que contribuyan, aunque no sean grandes fondos. Esto poco a poco puede sumar los fondos disponibles. ]*

**\* 5. Do you agree that achieving Voluntary Contributions (from any source) totaling at least \$20 million (three times ITTO's current operating costs) is an appropriate/realistic fundraising goal for the organization?**

\* Yes

\* No

\* If no, why not, and what do you believe the target should be?



**Comments from Respondents –**

- Too ambitious for the next three to five years. \$10-12M is probably a more reasonable, realistic target. In subsequent years that target could be adjusted upwards as the pipeline matures.
- While the target is appropriate (based on 3x operating cost rationale), the target is not realistic on the basis of strong historical reliance on a single donor. The organisation needs to identify multiple significant donors, and to do this will need to sell its new financial governance and transparency arrangements, plus its value-add of ITTO over other project bodies/ organisations that needs to be realised/ communicated.

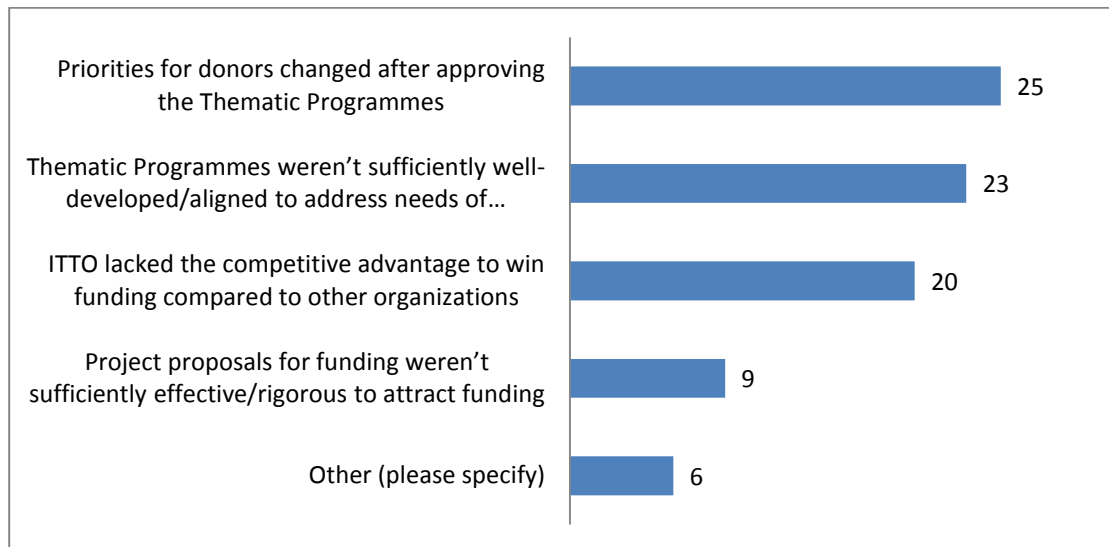
- I wonder what base to propose Voluntary Contributions total at least \$ 20 million and for which period?. In my opinion, in principle, voluntary contributions as much as possible but it should ensure funding to implement ITTO's priorities, prioritizing member countries through programs, projects and non-projects and align to priorities of donors.
- look at the statistics, even in very good past years 20 was hardly achieved. the target should be realistically lower.
- Still many approved project are waiting in the list for funding support.
- It depends on the timeframe envisaged to achieve this amount of voluntary contributions. It might be unrealistic opting for \$20m in a very short term. Although such funding was achieved in the past, under the current circumstances, with ITTO being in the early stages of financial recovery and regaining operational credibility, it might be wiser and safer to follow a stepwise approach, starting with lower and more feasible targets, aiming to be sustained. This would also allow ITTO to demonstrate its performance as voluntary contributions increase and adapt as appropriate with a view to attract more funding and also to avoid big disappointment if the very ambitious target is not achieved. It would be also good to set a limit for optimum voluntary funding, in line with ITTO's capacity to deliver and members' absorption capacity. It might also worth setting a minimum level of voluntary contributions required each year for securing meaningful performance/operation of ITTO, at annual basis.
- Since we have seen a decreasing trend in voluntary contributions to ITTO over the last years and we see an increased competition among various organisations of limited resources from the donors, I think it would be more realistic to increase the fundraising goal step by step, starting at 10-15 mill. USD. A long term goal could however be 20 mill. USD/year.
- I think we have to be realistic because ITTO is struggling to have the current cost of operation. *[Je pense qu'il faut être réaliste étant donné que l'OIBT peine à avoir le coût actuel de fonctionnement.]*
- ITTO should first strengthen the establishment of a structure that allows producer members who are still lagging behind in the standardization of their products in accordance with the criteria and conditions that they've already agreed to, and then put in place programs and related budget for a specific period during which each country will be strengthened across all remaining aspects *[L'OIBT devrait d'abord renforcer la mise en place d'une structure permettant aux membres producteurs qui sont encore à la traîne dans la normalisation de leurs produits conformément aux critères et aux conditions qui s'imposent de s'en préoccuper puis de mettre en place le programme et le budget y afférent pour une période bien déterminé pendant lesquels chaque pays sera renforcé sur tous les aspects]*
- Donor member countries must make an effort to provide at least minimal funds, but by adding them together from most donor countries, we would obtain sufficient funds to relieve this crisis.  
*[Los países miembros donantes, deben hacer un esfuerzo por aportar fondos no tan altos, pero que sumando estos pequeños fondos de la mayoría de los países donantes, lograríamos fondos suficientes para despegar de esta crisis. ]*
- It would be ideal to reach 20 million in voluntary contributions, but the trends in the voluntary contributions table 1987 - 2019 don't support that expectation. *[Sería deseable llegar a los 20 millones de contribuciones voluntarias, pero las tendencias del cuadro de contribuciones voluntarias 1987 - 2019 no van a permitir llegar a esa expectativa. ]*
- In accordance with the results of the 2018 AKCGlobal report, it was estimated that around 33 million dollars / year would be required to successfully implement the ITTO Strategic Action Plan. In the same report, it is mentioned that during the 2014-2016 period 77 projects were sent to ITTO for financing, of which only 13 projects obtained it. It is considered that in order to propose a specific reasonable amount of voluntary contributions, it is necessary to consider the following: The financing needs of the activities of the biennial programs of the Organization; The requirements of the new Strategic Action Plan; The financing needs of projects that fail to obtain financing from normal cycles and thematic programs; The financing requirements of the Scholarship Program, etc. Otherwise, the \$ 20 million figure would be very risky.  
*[De conformidad con los resultados del informe de AKCGlobal del 2018, se estimó que para cumplir la meta del Plan de Acción Estratégico de la OIMT se necesitarían alrededor de 33 millones de dólares/año para su implementación exitosa. En el mismo informe, se menciona que durante el periodo 2014-2016 se enviaron 77 proyectos a la OIMT para su financiamiento, de los cuales solo 13 proyectos lo obtuvieron. Se considera que para proponer un monto específico razonable de contribuciones voluntarias, es necesario que se considere lo siguiente: Las necesidades de financiación de las actividades de los programas bienales de la Organización; Las exigencias del nuevo Plan de Acción Estratégico; Las necesidades de financiamiento de los proyectos que no logran obtener financiamiento de los ciclos normales y de los programas temáticos; Las exigencias de financiamiento del Programa de Becas, etc. De lo contrario, sería muy aventurada la cifra de 20 millones de dólares.]*

\* 6.



In recent years, Thematic Programmes were developed to consolidate funding from multiple donor sources into five topical issues. Unfortunately, this also failed to generate new significant new funding from ITTO members and other donors. Why do you think this strategy was ineffective? Please select all that apply

- ☐ Priorities for donors changed after approving the Thematic Programmes
- ☐ Thematic Programmes weren't sufficiently well-developed/aligned to address needs of recipient countries versus donor priorities to generate confidence of value-for-money among donors
- ☐ ITTO lacked the competitive advantage to win funding compared to other
- ☐ organizations Project proposals for funding weren't sufficiently effective/rigorous to
- ☐ attract funding Other (please specify)

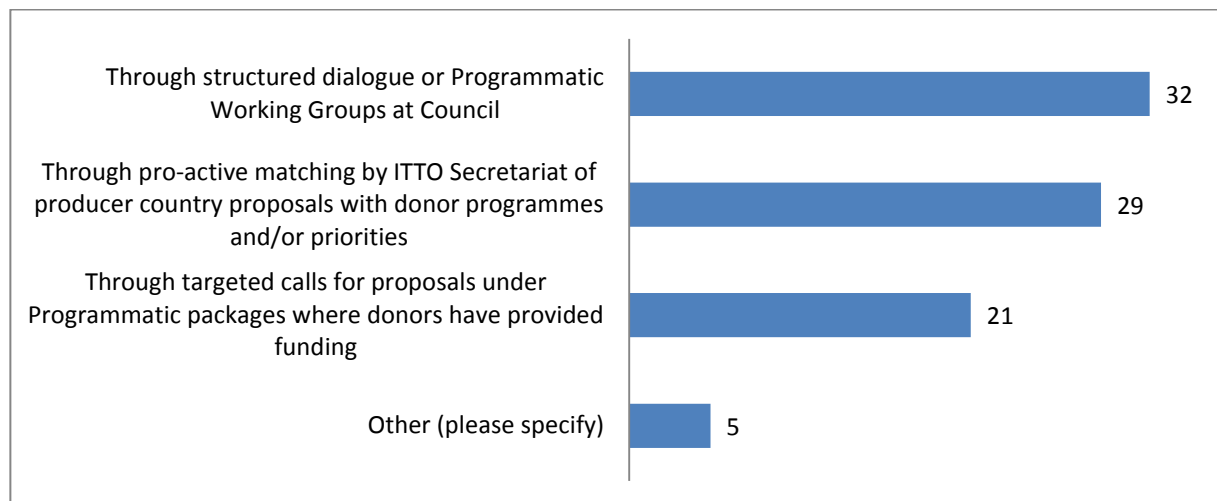


#### Comments from Respondents –

- Thematic programmes were meant to replace the project cycle, but they didn't. There was competition between some thematic areas. Some were too broad and could have been consolidated. There was also a disconnect between how the thematic programmes were written/ marketed at the time they were developed and the ability of donors to fund based on current ODA priorities. Also, certain rules and thresholds set under the thematic programmes were too bureaucratic and confining. Therefore, the thematic programmes should be eliminated. The funding window of the Bali Partnership Fund also can be eliminated. This has not received funding for many years. The core elements of why it was developed – i.e. encouraging global/regional projects vs. one country beneficiary projects, focus on production forestry --- are elements that should be espoused and encouraged in all three funding windows.
- Not sufficiently aware of what the thematic programmes consisted in.
- More recently, governance (financial impairment) as well.
- Solid, effective, up to the standard and transparent project management is also a precondition to receive funding.
- Totally unclear why. In fact this has never been clarified and is a missed opportunity. In any case a failure of ITTO's fund raising policy (just waiting for change to happen).
- The rise of the Global Climate and Environment funds had higher political priority

**\* 7. How, in your view, can funding needs of producer countries and funding priorities of donors be better aligned? Select all that apply:**

- ☐ Through structured dialogue or Programmatic Working Groups at Council
- ☐ Through pro-active matching by ITTO Secretariat of producer country proposals with donor programmes and/or priorities
- ☐ Through targeted calls for proposals under Programmatic packages where donors have provided funding
- ☐ Other (please specify)



**Comments from Respondents –**

- In addition to the answers above, the ITTO secretariat needs to give greater guidance to project developers on how they can write project concept notes to easily fit within donor funding priorities. For example, with slight tweaks or marketing some project ideas could qualify for a pot of existing funding.
- for a donor it is already important to know that the beneficiary country is committed and has paid all membership fees. furthermore, beneficiary countries need to show their commitment in terms of co-financing the project. the program document needs to be well written und always include a sustainability chapter/exit strategy.
- A programmatic approach should be followed, which besides matching countries' needs and priorities with donors', should also seek to identify the comparative advantages of ITTO with regard to relevant international and bilateral donors. ITTO should avoid the implementation of fragmented small projects and aim at projects that can be interlinked and can achieve a long-term and large-scale positive impact. ITTO could also effectively communicate the success of small projects to donors, identifying possibilities of scaling up through other funding sources and the activities of other Organisations.
- By respecting the above mentioned and work on the added-value aspect. Donors need to recognize a clear added value of (multilaterally financed) ITTO's interventions against bilateral ones, often dearer to them. This can hardly be true in case of ordinary, limited-in scope forest projects.
- [ITTO requires a department with specific activities in fundraising and financing, which would be responsible for having direct contact with the donor community, funding agencies, among others. In the framework of the Council Session, a Special Committee or Subcommittee for fundraising and financing of ITTO could be formalized, which would meet every year. The Committee would be composed of members of the fundraising department and the ITTO Secretariat, members of the Donor Community, funding agencies, potential donors, etc. The objective of the meetings would be to know the expectations, financing needs, lobbying, follow-up of the financing with the purpose of carrying out calls for projects related to the interested parties and guaranteeing a successful fundraising strategy for the Organization. *[La OIMT requiere un departamento con actividades específicas en la recaudación de fondos y financiamiento, el cual sería el responsable de tener el contacto directo con la comunidad de los donantes, agencias de financiamiento, entre otros. En el marco de la Sesión del Consejo se podría formalizar un Comité o Subcomité*

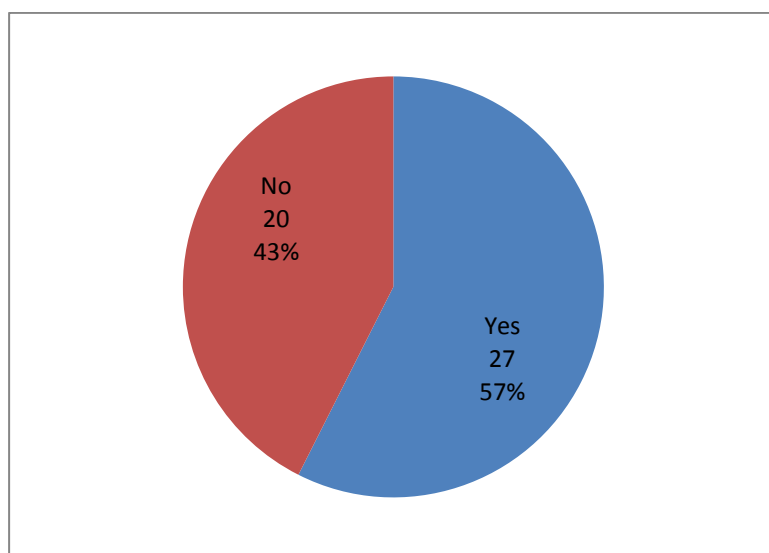
*especial para la recaudación de fondos y financiamiento de la OIMT, el cual se reuniría cada año. El Comité estaría compuesto por integrantes del departamento para la recaudación de fondos y el Secretariado de la OIMT, integrantes de la Comunidad de donantes, agencias de financiamiento, potenciales donantes, etc. El objetivo de las reuniones sería conocer las expectativas, necesidades de financiamiento, realizar cabildeos, seguimiento a los financiamientos con el propósito de que realicen convocatorias de proyectos afines a los interesados y garantizar un éxito en la recaudación de fondos de la Organización. ]*

**\* 8. Over the period 1997-2017, did ITTO fill a specialised niche in your country's national and international wood products trade and forestry policies which no other organisation could fulfil?**

☐ Yes

☐ No

If yes, please explain if this is likely to continue in future. If No, please explain why not.



**Comments from Respondents –**

- Given the rise in illegal forest trade legislation, ITTO provided an initial intergovernmental platform to discuss this issue. Over the past five to eight years, other organizations have taken a more dynamic and proactive role in this arena. U.S. industry and other partners rely heavily on ITTO market data and intelligence (i.e. MIS). Of the numerous intergovernmental partners, ITTO remains one of the fastest and least bureaucratic bodies through which to deliver project / activity funding on tropical forests.
- The TFLET programme provided an important avenue for Australia to provide regional support in combatting illegal logging and associated trade in alignment with the Australian Illegal Logging Prohibition Act in 2012. At that time, there were no project bodies in the region which specifically sought to assist SMEs to demonstrate that timber traded came from legal sources, to strengthen forest law compliance and governance with trade in mind, or to improved transparency and effective management of traceability (outside of certification).
- ITTO did a good job. We are reviewing our legislation and we would like to continue with ITTO's support. In terms of wood trade we want to continue to count on the support of this organization.
- As a commodities-linked agreement, ITTO's roles and functions in matters related to international timber trade cannot be replicated by other comparable intergovernmental organizations/ forums (such as the UNFF, FAO, etc). ITTO is an action and field-oriented organization with more than 30 years of experience with deep knowledge of international/ regional/ country timber markets, and this is unlikely to be replicated by other organizations so easily under their respective mandates. One challenge is that the field is taking on an increasingly combined "landscape" approach (forestry joined with other environmental fields), and the issue will be how ITTO can contribute to such an approach, which are garnering increased funds, especially from the private sector. The other challenge is that, as probably in other fields, donor countries' budgets are getting more constricted than before, and the issue is how to

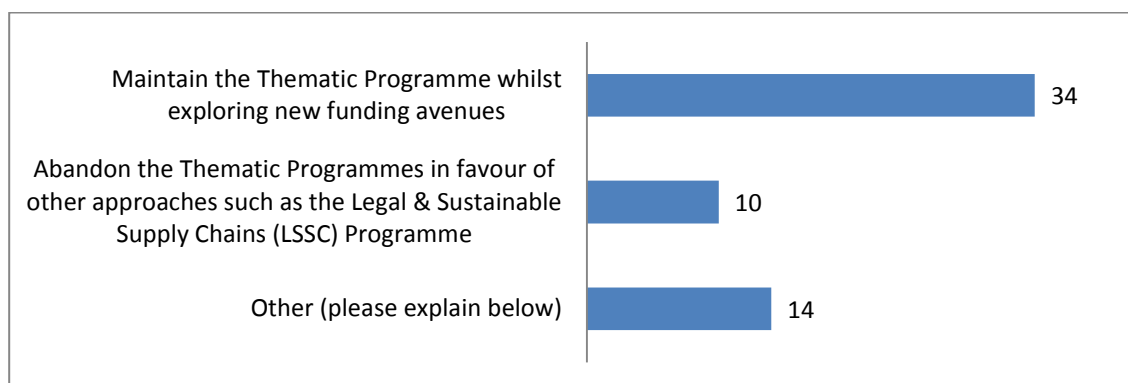
convince main taxpayers on the merit of their continued contribution to ITTO, including its differentiation from bilateral ODAs.

- Wood product trade and policies are not based on ITTO yet. However, we get the benefit on livelihood improving from the projects supported by ITTO. Also, in the future the timber trade and policy will get benefit from C and I project.
- Most of our policies/approaches could have been implemented in other ways.
- ITTO has not really influenced our country's wood product trade or forest policy development, however, we find ITTO very valuable as a platform where producers and consumers of tropical timber can meet and discuss important issues related to tropical timber and tropical forests.
- It will continue as long as ITTO remain active in promoting tropical timber trade and its advocacy work.
- Development of Code of Harvesting Practice. Yes, we request ITTO's assistance for the development of the Code of Wood Processing facilities (log yard and sawmilling operations).
- Focus on tropical timber trade while offering global data and market information. Unique platform between consumers and producers. Likely to continue only if reform takes place respecting the above mentioned strategic failures and, also, developing ITTC to a more interactive global platform including with stronger participation of private sector and civil society.
- Yes, it did but we made limited use of it. Future demand is highly uncertain/unlikely for the immediate future
- Likely that this continues *[Probable que cela continue]*
- Larger scope of projects funded by other organizations such as the World Bank and the African Development Bank - The larger financial envelope supported by these organizations is a better option *[L'envergure plus grande des projets financés par d'autres organismes comme la Banque Mondiale et la Banque Africaine de Développement - L'enveloppe financière plus importante supportée par ces organismes]*
- ITTO is too absent from policy and current issues *[L'OIBT est trop absente des questions de politique et d'actualité]*
- [Madagascar hasn't yet ratified the ITTA during this period, we were just an observer *[Madagascar n'était pas encore ratifié l'AIBT durant cette période, on était juste un observateur]*
- ITTO has always been very important for the country. With an improvement of ITTO in financing, I believe that this situation can at least be sustained. *[Siempre ha sido muy importante la OIMT para el país. Con un mejoramiento de la OIMT en la financiación, considero que esta situación se puede al menos sostener.]*
- Yes, to the extent that ITTO has this potential. *[Si, en la medida que la OIMT su potencialidad.]*
- The priority lines on trade and forest governance issues will have to be identified and strengthened. *[Habrá que identificar y fortalecer las líneas prioritarias en temas de comercio y gobernanza forestal.]*
- ITTO is the corresponding international entity for commercial matters regarding wood products, so it is necessary to continue covering this niche for the benefit of producing and consuming countries. *[La OIMT es el ente internacional correspondiente en materia comercial de productos de madera, por lo que es necesario que continúe siga cubriendo este nicho para el beneficio de países productores y consumidores.]*
- ITTO guidelines were a benchmark for the country in the formulation of its forestry policies. For continuity in the future, ITTO is required to provide greater support and accompaniment to producing countries *[Las directrices de la OIMT fueron un referente para el país en la formulación de su políticas forestales. Para la continuidad en un futuro, se requiere que la OIMT brinde un mayor apoyo y acompañamiento a los países productores.]*
- ITTO has not established its own niche in our Country, despite the benefits that have been received as a member country of the Organization. Over time, ITTO has been setting aside the spirit of creation, which is related to the improvement of transparency and responsibility in the fair trade of wood that comes from sustainably managed forests, as well as, acting as a bridge between stakeholders, producing countries, consumers, emerging and developed countries. However, with the challenges that are being experienced in the Organization, we believe that they will serve as a reflection for ITTO to resume its essence and cover the niches of trade and related policies in the member countries of the Organization. *[La OIMT no ha establecido un Nicho en su totalidad en nuestro País, a pesar de los beneficios que se han recibido por ser país miembro de la Organización. A través del tiempo la OIMT ha ido dejando de lado el espíritu de creación, el cual está relacionado con la mejora de la transparencia y responsabilidad en el comercio justo de madera que provenga de bosques gestionados de forma sostenible, así como, el actuar como puente entre las partes interesadas, los países productores, consumidores, países emergentes y desarrollados. Sin embargo, con los procesos que se están viviendo en la Organización, creemos que servirán de reflexión para que la OIMT retome su esencia y se cubran los nichos del comercio y de políticas necesarios en los países miembros de la Organización.]*
- I believe that the organization should go beyond trade in wood products, since the forest in the countries have or provide other derived goods and services that beyond just wood. *[Considero que la organización debería ir mas allá de lo que es el comercio de productos de madera, ya que el bosque y la cobertura forestal de los países tienen o proveen otros bienes y servicios derivados que son mas allá de la madera.]*

- Projects submitted for financing did not include trade in wood products. Forest policy has somehow been able to meet some of the objectives due to ITTO support, for example for sustainable forest management. *[Los proyectos presentados para financiamiento no contemplaban el comercio de productos de madera . La política forestal de cierta manera ha sido posible cumplir algunos de los objetivos debido al apoyo de la OIMT, por ejemplo para el manejo forestal sostenible.]*

**\* 9. Due to the limited success of the Thematic Programme approach (enshrined in the ITTA 2006), what can, in your view, be done with this approach. Please select all that apply:**

- ☐ Maintain the Thematic Programme whilst exploring new funding avenues
- ☐ Abandon the Thematic Programmes in favour of other approaches such as the Legal & Sustainable Supply Chains (LSSC) Programme
- ☐ Other (please explain below)



**Comments from Respondents –**

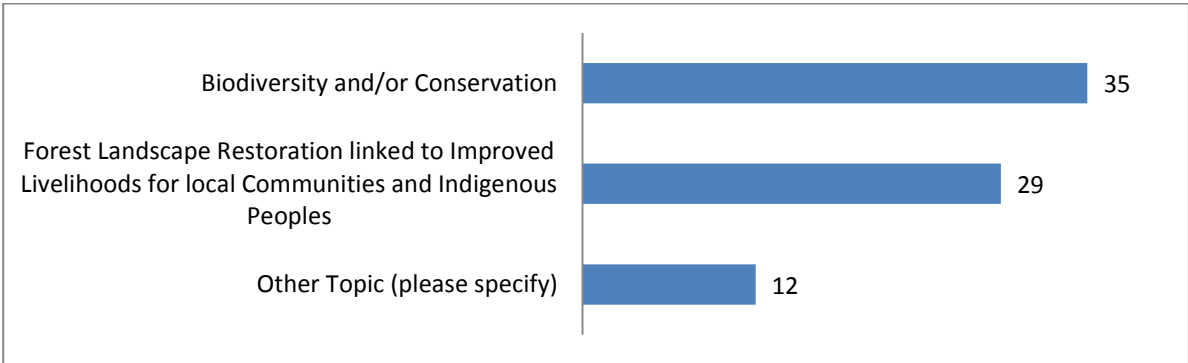
- Eliminate thematic programmes, but incorporate elements of the thematic programmes into the new financial architecture (i.e. use the existing thematic project concept note as a basis for a new streamlined project proposal cycle).
- It depends on the standing of the thematic programmes with respect to the ITTA. A decision would need to be taken by council as to the path forward and this should be considered in a parallel with arrangements relating to the extension or renegotiation of the ITTA.
- Hitherto, there has been a dispersion of project themes, and we see value in consolidating the themes, and focusing on fewer projects that can demonstrate tangible impact, that are easily comprehensible to a wide range of stakeholders. We think that the theme of legal and sustainable supply chains are not contradictory to the thematic programme approach, and can certainly be tackled there, with establishment of key performance indicators. The key requirement which is still relevant, as enshrined under the ITTA of 2006 Article 20, is for the Council to establish the criteria and procedures for the transparent selection and operation of the themes, with procedures taking into account the need for balanced representation among members. We believe that, in order to gain continuous financial support from the donors, it is crucial that the projects represent demonstrable value/ tangible returns and visibility, and follows proper procedures. This can be achieved, in our opinion, through the selection of highly relevant topic(s) under transparent/ improved procedures from what we have today.
- There is a sense in these programs if they are built in a comprehensive programmatic approach, which include learning modules.
- No
- The Thematic Programmes should be reconsidered if and when the renegotiation of ITTA, 2006 takes place. Pending that, a way forward under the current framework could be: a) the discontinuation of those (CFME and IDE) that did

not receive any pledges since the start of the Strategic Plan 2013-2018. b) the redesign of the rest, including by reviewing their themes and objectives, following a programmatic/strategic approach, taking also into account that through them the priorities of the new Strategic Action Plan will be made operational.

- May be a combination of different avenues would be the best solution. Continue to see if the Thematic programmes could be further developed and at the same time continue to explore new approaches like LSSC.
- Review the Thematic Programme approach.
- Review and update and if necessary supplement the thematic programmes But also refine and/or clarify the funding and implementing procedures Ensure sufficient donor involvement and options to co-influence project selection in advisory fora.
- See out the current projects under the thematic programmes while developing new avenues
- Maintain and finance the lines of the thematic programs that donors consider. Not all have been attractive. I think the LSSC has already started by financing traceability projects that go along this line. *[Mantener y financiar las líneas de los programas temáticos que los donantes consideran. No todas han sido atractivas. Creo ya se inicio con los LSSC al financiar proyectos de trazabilidad que van en esta línea. ]*
- Incorporate the Legal and Sustainable Supply Chain Program (LSSC) *[Incorporar el Programa de Cadenas de Suministro Legales y Sostenibles (LSSC). ]*
- Prioritize the most successful programs *[Priorizar los programas de mayor éxito]*
- With a new department created for ITTO fundraising and financing, synergies could be created to lobby with the donor community in order to improve the thematic programs in accordance with their needs, as well as create and improve other approaches of programs, for example, the Legal and Sustainable Supply Chain Program (LSSC). *[Con el nuevo departamento creado para la recaudación de fondos y financiamiento de la OIMT, se podrían crear sinergias para realizar cabildeos con la comunidad de donantes con el propósito de mejorar los programas temáticos de conformidad sus necesidades, así como, crear y mejorar otros enfoques de programas, por ejemplo, el Programa de Cadenas de Suministro Legales y Sostenibles (LSSC).]*

**\* 10. As authorised under Decision 5(LIV) para 1, the ITTO Secretariat proactively formulated the Legal and Sustainable Supply Chains (LSSC) Programme as a pilot to additional fundraising, which has proved successful. Would you support the ITTO Secretariat formulating similar programmatic approaches, including the following options. Please select all that apply:**

- ☐ Biodiversity and/or Conservation
- ☐ Forest Landscape Restoration linked to Improved Livelihoods for local Communities and Indigenous Peoples
- ☐ Other Topic (please specify)



**Comments from Respondents –**

- Forest related projects in any area (biodiversity, climate), but only if/as it is linked to production forestry and trade and environmental safeguards. ITTO needs to focus on its core mandate. ITTO can also look at illegal logging and restoration as these topics relate to ensuring a sustainable resource base.

- We support this approach in principle because it allows ITTO to develop approaches to contemporary issues which are more likely to attract donor interest and funding. These should be taken to Council as a decision to ensure adequate buy in and alignment with ITTO's mandate.
- Agro-forestry, public/private forest plantation,
- not sure
- Fighting deforestation and forest degradation. Land tenure and land rights.
- - Promotion of tropical Wood - ...
- Plantation Development
- Forest landscape restoration linked to sfm, timber and woodfuel production, wood and charcoal processing, and thus supporting rural income from forests and livelihoods and, ultimately, contributing to combatting deforestation and degradation of adjacent lands, mitigating climate change as well as rural exodus and migration ( linking to necessary forest-related education and small holder support like through the FFF of FAO)
- We have no position currently, but are wondering about the potential for expansion of the LSSC programme
- Governance, legality and traceability [*Gouvernance, légalité et traçabilité*]
- Development of the promotion of non-timber forest products including forest carbon [*Développement de la promotion des produits forestiers non-ligneux notamment le carbone forestier*]
- Community sustainable forest management [*Manejo Forestal sostenible comunitario*]

#### 4. Impact of Reduced Funding

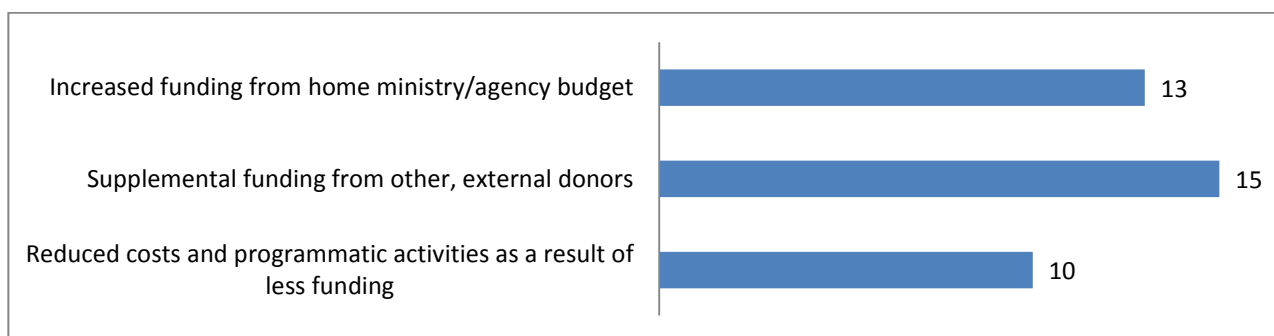
11.

### **For Producer Countries**

*Consumer Country respondents, please skip to question 12*

Given the drop in ITTO Voluntary Contributions and Grants, where has your country's forestry agency found alternative supplemental funding?

- ☐ Increased funding from home
- ☐ ministry/agency budget Supplemental
- ☐ funding from other, external donors
- ☐ Reduced costs and programmatic activities as a result of less funding



12.

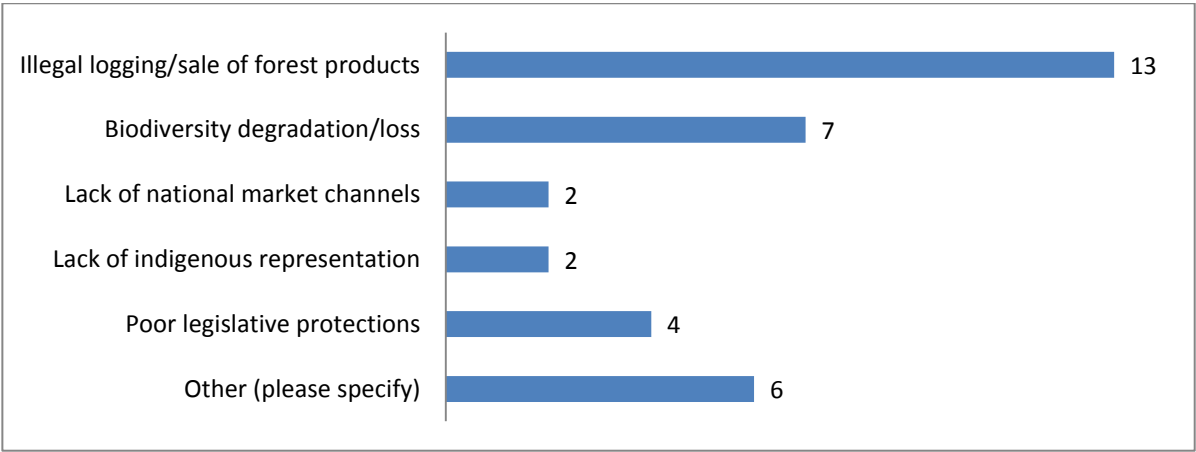
**For Consumer Countries**

*Producer Country respondents, please skip to question 13*

If your country still has discretionary funding available (that could *technically* be provided to ITTO), what are your government’s current priority issues or goals in the environmental and trade sectors in tropical forestry?

- ☐ Illegal logging/sale of forest products
- ☐ Lack of indigenous representation
- ☐ Biodiversity degradation/loss
- ☐ Poor legislative protections
- ☐ Lack of national market channels

Other (please specify)



**Comments from Respondents –**

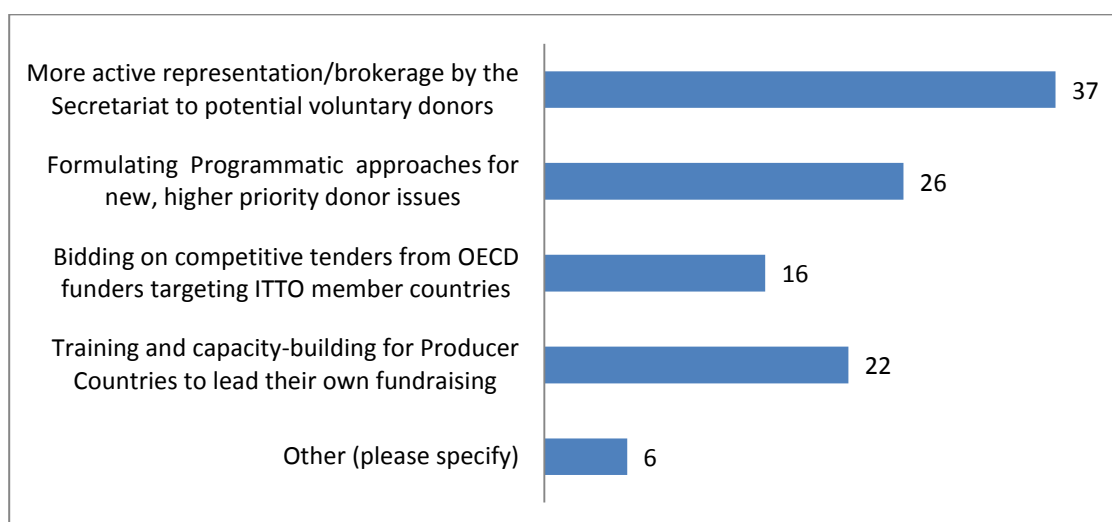
- Lack of national information systems as it relates to supply chains for legal logging.
- No fund available
- Fighting deforestation and forest degradation.
- Deforestation-free supply chains for agri-commodities as a way to prevent deforestation currently gain higher priority in the climate debate; deforestation and degradation-free timber, i.e. LSSC timber, matches this development. Global program for endangered but high quality tropical timber, incl. forest management, seed collection and treatment, propagating and breeding, timber stand improvement, ensuring and enhancing timber properties.
- Diversification of incomes of forest dependent communities
- Production and industry of plantation wood [Production et industrie des bois de plantation]

## 5. Options for Renewed Funding

**\* 13. There are still extensive unmet development, legislative, and capacity-building needs among tropical timber producing countries. How do you believe ITTO could help meet those funding requirements?**

Select all that apply:

- ☐ More active representation/brokerage by the Secretariat to potential voluntary
- ☐ donors Formulating Programmatic approaches for new, higher priority donor issues
- ☐ Bidding on competitive tenders from OECD funders targeting ITTO member countries
- ☐ Training and capacity-building for Producer Countries to lead their own fundraising
- ☐ Other (please specify)

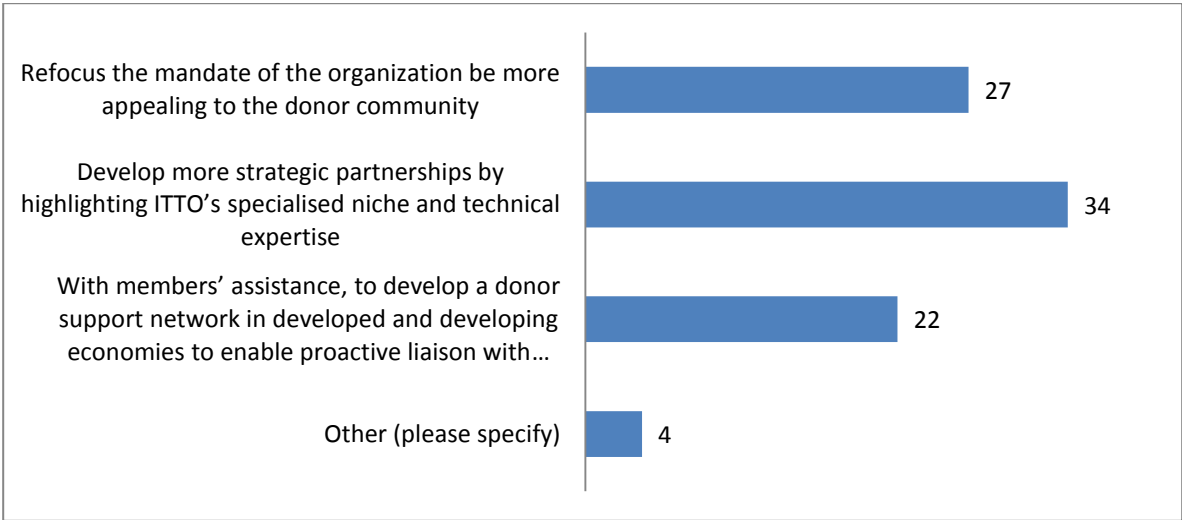


### Comments from Respondents –

- Streamlined new financial architecture.
- Connect funding needs to opportunities to demonstrate legal and sustainable production and trade in tropical timber
- Explore opportunities to bid for funds through the likes of the GCF.
- Achieve accreditation under GEF and GCF. Identifying other donors/organisations, which could provide complementary funding.
- Don't duplicate other's activities, stick to ITTO's added-value (see above) but bring this in in joint approaches at global scale.
- Given the payment of considerable annual fees, the financing of projects by ITTO is an incentive to keep payments up to date [*Ante el pago de cuotas anuales considerables, la financiación de proyectos por OIMT, es un aliciente para mantener los pagos al día.*]

**\* 14. In your view, how can this be best addressed? Select all that apply:**

- ☐ Refocus the mandate of the organization be more appealing to the donor community
- ☐ Develop more strategic partnerships by highlighting ITTO's specialised niche and technical expertise
- ☐ With members' assistance, to develop a donor support network in developed and developing economies to enable proactive liaison with Development & Climate-related funding entities
- ☐ Other (please specify)



**Comments from Respondents –**

- Co-design model: balance between donor(s) and implementer needs.
- Establish the kind of credibility referred to above (13), e.g. through working with Chinese timber traders
- The first and second action listed above should be implemented in parallel.
- Create an ITTO Department with specific fundraising and financing activities to develop strategic alliances with the donor community and funding entities. *[Crear un Departamento en la OIMT con actividades específicas en la recaudación de fondos y financiamiento para que desarrolle alianzas estratégicas con la comunidad de donantes e identidades de financiación.]*

## ITTO Member Survey 2019 - Funding Priorities and Strategies

6.

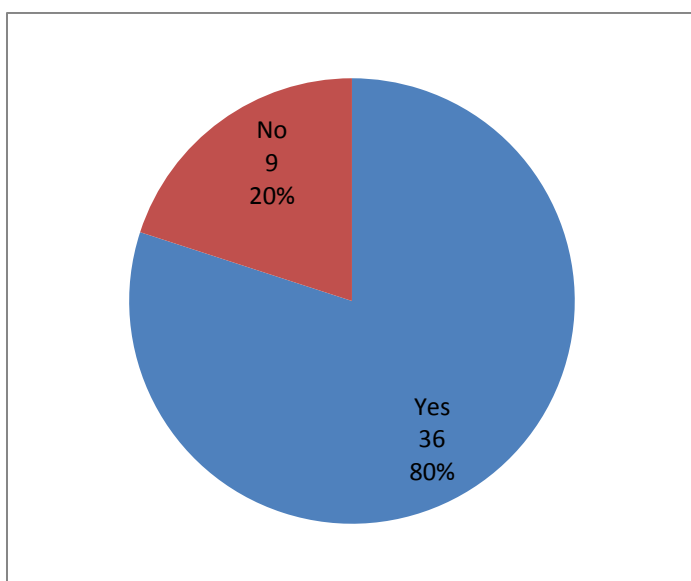
ITTO has over the years put efforts into Climate-related approaches with very little success. This was due in part to historical negative perception on tropical timber/wood production and the exploitation of productive forests. The IPCC Report of October 2018 and the UNFCCC now however puts forests and the use of wood products as central to climate mitigation and adaptation.

### \* 15. Would you support ITTO focusing its fundraising efforts on funds available for Climate and Development?

Yes

No

If no, why?



#### Comments from Respondents –

- Only narrowly as an issue - it needs to be related to production forestry and trade, environmental safeguards in production forestry, or adaptation of productive forests to climate change.
- Fundraising efforts which seek to access climate and development funding is sensible, provided proposals are intertwined with the core mandate of the ITTO. That being to focus on the trade of tropical timber – we see a natural place for supply in forest products, forestry trade, and illegal logging in climate and development assistance, but we suggest caution in ensuring this is not lost or the core focus. Furthermore, this should be one avenue to pursue, not an exclusive one.

- Too much competition.
- There are many organizations in the area of (original answer incomplete) *[il existe beaucoup d'organismes en matière de financement de]*
- Biodiversity, conservation and restoration of the forest landscape should also be taken into account *[La Biodiversité, la Conservation et la restauration du paysage forestier devraient être également prises en compte]*
- By directing financing towards climate change, sustainable forest management actions will be limited towards the conservation of forests in an unrestricted manner. The essence of the Organization of producing wood would be lost, but based on sustainable forest management. *[Al orientar el financiamiento hacia el cambio climático, se limitará las acciones de manejo forestal sostenible hacia la conservación de los bosques en forma irrestricta. Se perdería la esencia de la Organización de producir maderas, pero basado en el manejo forestal sostenible.]*
- ITTO must maintain its original mandate, although this does not mean that it cannot focus on these financing options, but not exclusively. *[La OIMT debe mantener su mandato original, aunque ello no quiere decir que no pueda acudir a estos financiamientos pero sin concentrarse solo en ellos.]*
- ITTO promotes the conservation and sustainable management of tropical forests and the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests. This would negatively change the spirit pursued by ITTO. *[La OIMT promueve la conservación y la ordenación sostenible de los bosques tropicales y la expansión y diversificación del comercio internacional de maderas tropicales de bosques manejados de forma sostenible y aprovechados legalmente. Esto daría un giro al espíritu que persigue la OIMT.]*

**\* 16. In your view, how would the organization best accomplish this? Select all that apply:**

- ☐ Refocus the mandate of the organization be more appealing to the donor community
- ☐ Develop more strategic partnerships by highlighting ITTO's specialised niche and technical expertise
- ☐ With members' assistance, to develop a donor support network in developed and developing economies to enable proactive liaison with Development & Climate-related funding entities
- ☐ Other (please specify)



**Comments from Respondents –**

- Co-design model: balance between donor(s) and implementer needs.
- Build the case for legal, sustainable utilisation and trade in tropical forest timber and products in a way which safeguards remaining natural forests carbon storage, biodiversity and ecosystem values

- Recognising, as above, that the thematic programmes are built into the ITTA, due consideration needs to be made for what 'refocus the mandate' really means. There may be ways to do this within the bounds of the thematic programmes, or to take a decision via the council, but this needs more thought and consultation.
- To tap financing from Green Climate Fund (GCF), one option would be for ITTO to contract with a consultant experienced in the GCF process.
- The first and second action listed above should be implemented in parallel.
- Link all added-value activities as described above to climate policy, make them globally climate relevant
- Strengthen the capacity of members to enable them to raise funds of their own [*Renforcer la capacité des membres pour leur permettre d'assurer par eux même une levée de fonds de financement proper*]

## ITTO Member Survey 2019 - Funding Priorities and Strategies

7.

### 17. Any other comments or suggestions?

#### Comments from Respondents –

- For some donors, ITTO was perceived by the NGO community to support alliances and/or reports associated with bad actors in the industry. This perception spurred distrust of the organization and put a damper on funding. One approach to move forward from this perception is to increase transparency. For example, BEFORE the Secretariat officially enters and signs new agreements, members could be integrated into the system. One way to accomplish this is for the ED to write a note to all members explaining the future agreement, objectives, relevancy to ITTO's mandate, potential beneficiaries, dollar amount, and donor name. Members should have at least a 30-day period to comment, so if there are any concerns/objections, the ED is well aware and can judge the potential consequences/benefits of entering into such agreement. There also needs to be clearer, strategic, and simpler alignment of the Strategic Action Plan, the Bi-annual Work Program, Agreement funding window, and Project Funding window. As ITTO progresses with its financial architecture reinvention, it is important that the Secretariat and the consultant use familiar ITTO terminology. In other words, is it necessary to use the term "business lines" when discussing what was known as "Strategic Action Plan" priorities? Members can accept a new vision with greater ease if they understand clearly how current structures and processes are transformed or eliminated. Introducing a plethora of new terminology in an already cluttered space can be problematic.
- Best of luck!
- Encouraging and provides financial means for Agro-Forestry Practices, Forest Plantations by public/private
- Fund short term trainings Formulate strategies for collaboration between ITTO member countries on areas of interest to both parties, e.g. landscape restoration, Carbon inventory, mangrove carbon studies, forest certification
- Roles and responsibilities of ITTO needs to be reviewed to see if changes are needed to attract funding.
- Explore a Trust Fund Option within ITTO [*Explorer une option des fonds fiduciaires au sein de l'OIBT*]

- ITTO should, if it is not yet the case, be a member of the United Nations General Assembly to allow it to follow the evolution of the international situation so that it can make suggestions regarding its mission [*L'OIBT devrait si ce n'est pas encore le cas être un membre ne serait ce qu'un observateur au sein l'Assemblée Générale des Nations-Unies pour lui permettre de suivre l'évolution de la situation internationale afin qu'il puisse émettre des suggestions eu égard à sa mission*]
- On one occasion we suggested cultivating new members and it happened. Now we suggest donors support the organisation even if it's not large amounts ... little by little ... it will also grow. ITTO ... is ITTO. [*En una ocasión sugerimos gestionar nuevos miembros y se logró. Ahora sugerimos a los donantes apoyar aunque no sean cifras altas...poco a poco...también se crece. OIMT...es OIMT.*]
- Make these surveys available to the AHWG-FIFS so that this group also achieves the objectives set forth in its creation, which are the search and fundraising strategies. [*Poner estas encuestas a disposición del AHWG-FIFS a efecto que dicho grupo alcance los objetivos previstos en su creación que son los estrategias de búsqueda y levantamiento de fondos.*]
- Promote forest restoration issues and biological interconnectivity corridors at landscape level. [*Potenciar temas de restauración forestal y corredores de interconectividad biológica a escala de paisajes.*]
- In any case, it is recommended not to lose focus on the sustainable management of tropical forests, which is one of the main mandates and one of the strategies to address deforestation and forest degradation problems. [*Se recomienda en todo caso no perder en enfoque del manejo sostenible de los bosques tropicales, que es uno de los mandatos principales y una de las estrategias para hacer frente a problemáticas de deforestación y degradación de los bosques.*]
- Maintaining forest cover, increasing reforested areas, recovering areas of forest vocation and further strengthening sustainable forest management should be part of the strategic plan of the organization, and thus highlight the contribution of forests and plantations to mitigation and adaptation to climate change and the provision and protection of goods and services in addition to wood. [*El mantener la cobertura forestal, incrementar las áreas reforestadas, recuperar áreas de vocación forestal y fortalecer aun mas el manejo forestal sostenible deberá ser parte del plan estratégico de la organización y así resaltar la contribución de los bosques y plantaciones a la mitigacion y adaptacion al cambio climático y la provisión y protección de bienes y servicios ademas de la madera.*]
- Promote the restoration and management of forests at the scale of productive landscapes. [*Promover la restauración y gestión de bosques a escala de paisajes productivos.*]

## **ANNEX IV – Comments and Suggestions from Producer Members of the ad hoc Working Group (and Consumer Members' response) on the Finance Structure and Fundraising Strategies**

Given the complexity of the issues and the limited time of the meeting, the ad hoc Working Group (AHWG) members continued their discussions virtually, which is captured in the document below.

### **GENERAL COMMENTS**

In the text of the draft report it is repetitively used the term of “donors” when referred to consumers, which we consider that should be amended. ITTO is being organized by a strategic alliance between Producers and Consumers. The concept of donors can be used only in case of exceptional contribution by one or several members or external organizations. The ITTA clearly states the rights and responsibilities of producers and consumers. Cooperation between members with regards to resources is clearly stated in various Articles of the ITTA which must form the basis of any recommendations.

*The focus of this working group is to analyze and make recommendations on the financial situation and fundraising aspects of ITTO. Therefore, for the most part, we are logically talking about funders to the organization. Therefore, it would not make sense to simply replace the word “consumer” in every instance where the word “donor” is used. It depends on the context of the sentence. It should also be pointed out that there is a fundamental disconnect between how the ITTA defines “consumer and producers” of tropical timber and the reality of the market. Several member countries within the producer caucus maintain their producer caucus alignment simply because they are “situated between the Tropic of Cancer and the Tropic of Capricorn with tropical forest resources.” However, in the market place, the reality is that they are net importers (consumers) of tropical timber, in volumes that sometimes exceed some of the members in the consumer caucus.*

The administrative budget is shared between the two caucuses as a strategic alliance for the achievement of the ITTA mandates, in consequence the drastic decline of contributions could jeopardize the spirit of the ITTA. Leaving the finance future of the institution to a more ample bilateral cooperation, the relevance of ITTO may be questioned and producers shall be forced to directly seek for funds to cover their needs and objectives of the ITTO's mandate by themselves, which we have to avoid at all costs.

*Starting with the work already done in 2018, it has been clearly shown through evidential data by the external consultant that there has been a shift in how development financing is being delivered (graph on pg. 7 of the report), with a shift from “unearmarked/voluntary contributions” to “contracts or competitive tenders” This is happening in every sector of development, not just to forest financing, and not just to ITTO.*

*From a macro-economic viewpoint, public sector finances have never recovered to levels prior to the great financial crisis of 2008 – which has impacted every sector receiving public financing, including ODA. Moreover, over half of the world's GDP is now generated by developing countries. Not facing the new reality of global economics, public budgets, and market composition is unproductive and does nothing to improve ITTO's situation.*

*The work of this expert's group is critical because it is making concrete recommendations that will help maintain ITTO's relevancy, make it more adaptable to opportunities, and help re-establish its credibility in an increasingly crowded and complex international landscape of forest related organizations and an ever changing policy and market environment.*

To convert ITTO in an international tendering institution competing for money beside or together (at the same level) with other consulting enterprises and NGOs could degrade our institutional position on the international context. We need to be more creative and prepositive developing strategies aiming to use at maximum our own comparative advantages. We have to recognize ITTO as a commodity institution, dealing with SFM and

Tropical timber, coming from tropical forest, which converts ITTO in a “Unique” worldwide institution which at the same time represents a very important competitive advantage.

*One of the aims of this exercise was to diversify ITTO's sources of funds, not to reiterate the same arguments that have surrounded the funding situation for years. The notion that ITTO does not currently “compete” in some manner for existing voluntary funding in ODA budgets is not accurate and does not reflect actual reality. No government budget has unlimited funds, and neither are ODA funds – how and why certain international organizations receive funding over others is dependent upon a myriad of factors (i.e. existing funding available, impact effectiveness, policy goals, fiscal reputation in managing funds, the relationship the organization has established with a donor, timing, responsiveness, internal fiscal bureaucracies of governments, etc. the list goes on). There is a need to face the stark reality that government finances are structurally vulnerable post the Great Financial Crisis of 2008. Efforts to diversify away from government contributions, therefore, are not unique to ITTO, with all international organizations seeking to tap funding from a variety of non-traditional sources.*

*As outlined in the report, the three different funding streams (voluntary contributions, contracts, and competitive tenders) are not mutually exclusive. One funding stream does not replace the other – they work together to build a healthier financial base for ITTO to carry out its mandate. It is simply being creative and adding new tools to the toolbox. Understandably, pursuing these two new funding streams should be guided by the mandate of ITTO and a clear understanding of the pros and cons of entering into any such contract or tender. This is where the judgement of the Executive Director is particularly important, as well as the protocols for transparency and communication with members.*

The report, when referring to the criteria and priorities for projects and thematic programmers/programmatic lines, emphasize very much on the priorities and needs of consumers but not necessarily the ones from producers. This matter was discussed in extent: producers claimed for more attention to their own priorities, which are, in general, aligned to the ITTO's mandate (article 1 of ITTA), emphasizing on training, education, forest industry with added value, logging practices, silviculture, restoration of forest landscapes. Producers are king interested and decided to produce high quality timber for a high demanding market to satisfy the consumers demand, but all of this have a cost, Along the text of the report is necessary to stablish a balance between on the needs of Consumers and Producers.

*The programmatic lines that were identified by the working group were areas in which global funding was anticipated to be available, based on existing international policy frameworks and initiatives, such as the Sustainable Development Goals, and the Agenda 2030/Post 2020 frameworks. The programmatic lines approach is an attempt to connect those priorities with ITTO's comparative advantage and mandate.*

*It is unclear why “training, education, and forest industry with value added, logging practices, etc.” issues can't be addressed as part of the ‘Legal & Sustainable Supply chain’ programmatic line; or why “restoration of forest landscapes” can't be taken up underneath the ‘Landscape Restoration & Resilient Landscapes’ programmatic line. It is also important to remember that the project cycle still exists - only streamlined to reduce burden on the implementer until funding can be identified. This still remains as an important avenue for producer countries to voice their specific needs and priorities. Moreover, the ‘Emerging Issues’ programmatic line was specifically created to accommodate issues/topics that did not easily fit under the other programmatic lines.*

## SOME SPECIFIC PROPOSALS FOR THE RECOMMENDATIONS TO BE CONSIDERED IN THE REPORT

1. The starting point as the paramount concept for the financial architecture of the ITTO is its core mandate in the ITTA 2006, providing an effective framework for consultation, international cooperation and policy development among all members with regard to all relevant aspects of the world timber economy, with the participation of Producers and Consumers members, under an equitable and co-responsibly frame, to assure sustainable forest management and tropical timber trade

*Significant effort and negotiations established the wording of the ITTA, which was agreed upon by all parties; as such, it is important that it is reflected factually and accurately. If we refer to the ITTA in any manner in the report, it should use the exact verbiage as it appears in complete sentences within the ITTA, not a re-synthesis or interpretation of the spirit of the agreement. If you do a search on the ITTA, the words "equitable and co-responsible frame" do not appear in the agreement.*

2. As agreed during the discussions on the AGWG It should be mentioned as a headline before the description and development of the Programmatic Lines the first article of ITTA mandate: *"The objectives of the International Tropical Timber Agreement, 2006 (hereinafter referred to as "this Agreement") are to promote the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and to promote the sustainable management of tropical timber producing forests"*

*We agree that this was discussed at the working group - this exact wording from the ITTA should be incorporated in the report (i.e. either on the graphs and/or in the body of the report) when introducing the programmatic lines.*

3. It was strongly recommended the need to give more ample participation, contacts and coordination between the Secretariat with the forest and timber operators in the field, providing feedback programs, elaborating national, regional and international market studies as well as marketing strategies, aiming to promote the tropical timber markets.

*We do not remember the suggestion of marketing strategies for tropical timber markets being discussed at the working group. Greater coordination between the Secretariat and forest and timber operators in the field is a natural by-product of all the programmatic lines, especially the 'Legal and Sustainable Supply Chains' programmatic line.*

4. As a result of the Line Survey among the ITTO's members, the answers to the questionnaire are statistically of the most importance, particularly the third question referred to the reasons for the severe declining of voluntary contributions : This result is very important to be highlighted in the report, considering that the most important reasons for the declination of contributions are: change on donor's priorities (36/73) , lack of political confidence in ITTO (27/73) and, shift in funding support to others (12/73). That is a clear warning message

*The report already cites the numerous underlying reasons for the decline in ITTO's finances. However, to rank the underlying causes based on the survey itself is statistically flawed. As pointed out in the report, not all respondents completed the questions in the survey, while some questions allow more than one response. It is even believed that some countries responded more than once, as the survey may have ended up in more than one department within a country. Importantly, matters related to donor funding decisions are context specific and involve a number of factors (as already noted in the section above) and cannot be addressed by a general survey, and risks over-simplifying the problem faced by each donor. Ranking the specific reasons above others is overlooking a fundamental fact that one of the main reasons for decline in funding (not just for ITTO but for many other organizations) is the creation of mega funds - like the GEF and the GCF - and new treaty bodies related to the sustainability agenda competing for the same pool of funds.*

5. On the recommendations it should also be mentioned the high priority to ensure the core budget of the institution: administrative budget, AWP/activities, TFU, technical assistance/feedback to

producers, aiming to help them to accomplish/achievement of the different guidelines, criteria & indicators for SFM adopted by the ITTO as basic requisites for the sustainability and improvement of the tropical timber market

*We are not clear what is exactly being asked in this recommendation. Everyone understands the importance of ITTO's financial health in carrying out its mandate, otherwise why would Council have asked the working group to convene? In terms of prioritization of activities and what is covered under the administrative account, that is the mandate of CFA/Council and not this working group. Is the recommendation to encourage members to pay their dues to the administrative account in a timely manner? The issue of arrears is a growing issue for ITTO's financial health, and while touched upon at the working group, is not addressed in the report itself.*

*Arrears in contributions to the administrative budget --- which stood at \$8.5 million as of the report of the last council (\$6.8 million excluding that from former member states) is a payment which is an obligation under the ITTA for all member states --- just like for any other international legal agreements/ treaties. As outlined by ITTO rules, project funding cannot be granted to countries that cannot observe this basic obligation of the agreement.*

6. It should be taken a final decision making an extraordinary effort for financing a set of stand by projects, developing formal contacts with the producer's countries, aiming to find common interest and priorities, that could be done on the frame of the programmatic lines, after council approval

*Ensuring funding for a set of stand by projects was not discussed during this working group. I think everyone is well aware of the frustration over unfunded projects --- this is one of the main reasons we are having this discussion. The funding database will contain all the projects to date that have not yet sunset so that they are not forgotten when future funding opportunities arise. In terms of trying to find common interests and priorities between producers and funders, one of the recommendations made by the WG and captured in the report, is to set up opportunities during or on the sidelines of Council for those discussions to occur.*

7. the on line survey, became a very important tool for ITTO's strategic plan, and should be adopted as a regular activity on the quinquennial institutional program. A deep analysis of this questions and answers must be one of the main subjects to be discussed during the next Council in Lomé

*We don't remember the exact recommendation of institutionalizing a "quinquennial" survey being made during the working group. However, some in the WG did voice that they found the survey to be helpful. In this regard, this recommendation is not unreasonable and can be incorporated, with the caveat and understanding that it should be done as resources allow.*

In conclusion we wish to emphasize that recommendations must be based on the letter and spirit of the ITTA on cooperation between producers and consumers with regards to funding of projects to achieve the objectives of Agreement. Regretfully, the time allocated to the WG was (in our opinion) too short for covering in full the subjects of such a complex context; we consider that this matter will require further and detailed discussion on the next Council 55th in Lome, aiming to improve the recommendations as drafted and the elaboration of a proposal with concrete outcomes to be achieved.

*We do agree that the 3 day working group was very tight for discussing such a complex mandate given to the working group. If ITTO invests in the airfare to send experts all the way to Japan, then for future panels, thought should be given to ensuring that the full 5 working days (or at least 4) is allocated so that panels can carry out their deliberations and task more thoroughly.*

**ANNEX V – Report of the ad hoc Working Group in 2018 on Financing Infrastructure  
and Fundraising Strategies**



**INTERNATIONAL TROPICAL TIMBER ORGANIZATION**

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**Report of the ad hoc Working Group on Financing Infrastructure and  
Fundraising Strategies**

## **F. Background**

4. **At the 52<sup>nd</sup> Session (2017) held in Lima, Peru, the Executive Director (ED), Dr. Gerhard Dieterle emphasized to Council the need to examine the current funding structures of the International Tropical Timber Organization with the intention to improve or review the current financing infrastructure to enable the organization to respond more effectively to funding opportunities.**
5. The ED stressed the urgency of this issue given that the organization was recovering from a very difficult predicament following the unfortunate financial impairments that occurred between 2015-2017 which affected the organization's credibility and integrity. In response to the financial impairment, the organization went to great lengths to stabilize the financial standing of the organization post 2017 in order to ensure the continued operations of the organization whilst dealing with the crippling financial loss.
6. Substantive corrective matters as recommended by the Council have been implemented, including strengthening internal controls and decision-making process to increase transparency and minimize risk to the organization. The ITTO Secretariat went to great lengths to successfully implement the IPSAS accounting requirements well within the timeline as recommended by Council, making ITTO the first organization in Japan to have done so.
7. The loss of credibility to the organization following the above period was immense, impacting negatively on voluntary contributions from members as well as badly eroding trust in the organization. It must be noted that incoming voluntary contributions had been steadily decreasing over the last 15 years, but hit rock bottom following the full extent of the financial impairment from 2015 through to 2017/8.
8. **These events prompted the Council to issue DECISION 9(LIII)/22 IMPROVING ITTO'S FINANCING INFRASTRUCTURE AND FUNDRAISING STRATEGIES (Annexe II). The Council decision created the ad hoc Working Group to look at options and make proposals for improving ITTO's financing infrastructure and fundraising strategies.**

## **G. Method of Work**

1. The Terms of Reference for the ad hoc Working Group mentioned is stipulated on page 2 of Decision 9(LIII)/22.
2. The work of this ad hoc Working Group (WG) was assisted and informed by the Executive Director, the Director of Operations, two external consultants, and other secretariat staff.
3. The composition of the WG members was completed in June 2018, and slightly delayed by the withdrawal of one of the representatives from the producer members in early July 2018. An alternative representative was identified in early August 2018. A further withdrawal from

the Trade Advisory Group was announced in late August with no replacement offered. This meant that the TAG was unrepresented in the work leading up to the preparation of this report and was not present at the working group meeting held in September 2018. The list of members of the working group is attached in Annexe I.

4. In the preparation of the programme of work for the WG, the following considerations were fully taken into account:
  - ITTO's current funding structure
  - Why has there been a drastic decrease in ITTO funding over the years?
  - Why has ITTO not been successful in past efforts at fundraising?
  - What needs to change in order to make ITTO's fundraising more effective?
  - Despite fundraising issues being considered and recommendations presented at Council Sessions in 2013, 2014 and 2015, why was action not taken?
5. Much thought and deliberations within Secretariat indicated that there was an urgent need to consolidate work based on past efforts and build upon our expertise on the ways forward to effectively implement Decision 9(LIII).
6. As such, an executive decision was made in April 2018 to hire the expertise of two consultants for the preparation of a solid background document to better assist the working group in their deliberations. Hence, compared to the original sequencing as outlined by Decision 9(LIII), the order of work was re-arranged slightly as follows:
  - May 2018: A lead consultant was appointed at the end of May 2018 for a period of 3 months, and a second consultant was appointed as a senior adviser for a shorter period of time.
  - June 7: Working Group teleconference
  - July 6: Consultant Background Document Draft presented to the Secretariat for review
  - July 16: Revised Background Document Draft integrating Secretariat comments circulated to WG members
  - August 13: Final Background Document building on WG members virtual comments
  - September 3-5: Working Group meeting in Yokohama, Japan
  - September 21: Completion of the Working Group Report
7. The **Terms of Reference** for the lead consultant were to:
  - Review, synthesize and analyze the implementation of relevant work done/recommendations made under previous ITTO fundraising assignments including the reports by consultants Maharaj Muthoo in 2012, Markku Simula in 2013 and Lynea Advisory in 2014/2015 and identify any additional funding avenues/sources not covered by previous work;
  - Review the effectiveness and coherence of ITTO's current funding streams (Regular Project Cycle, Thematic Programmes, Biennial Work Programme, Bali Partnership Fund and other programs) and make recommendations for the consideration of the Working Group on possible changes to increase attractiveness to donors, efficiency and

coherence, including possible means to shorten or streamline the project development and approval process;

- Identify and summarize ITTO's most competitive service lines and make proposals for concise and compelling fundraising messages and an innovative and proactive fundraising strategy;
- Present a report/working document on the above tasks that will serve as the main background document and guidance for the meeting of the WG;

- Participate in the meeting of the WG to be held in Yokohama, Japan from 3-5 September 2018 and provide support in the preparation of the final WG report as necessary.
8. The preparation of the background document was based on several key reports, amongst others, those already deliberated by Council between the years of 2012-2015, particularly:
- ITTO CFA (XXVIII)/8 Report of the Working Group on the Mobilisation of New Funding and Partnership for ITTO and Its Objectives October 2013
  - ITTO CFA (XXX)/8 5 October 2015 on Mobilising New Funding & Partnerships for ITTO and Its Objectives
  - Fund Mobilisation Excerpts Muthoo 2012
  - ITTO Resource Mobilisation and Fundraising Strategy
  - Taking Stock of the Implementation of TFLET & REDDES Thematic Programmes Markku Simula June 2015
  - Other sources of references and citations are as contained within the Executive Summary of the Final Background Document ***“ITTO: Branching Pathways – Evidence and requirements for External ITTO Funding”*** attached as Annexe III.

#### **H. Working Group Meeting 3-5 September 2018**

1. The WG convened at ITTO Headquarters on the above dates, having considered all the background materials and documents provided to them in advance. The members nominated Ms. Jennifer Conje (USA) and Mr. Boniface Bounouge Fouda (Cameroon) as Vice-Chairs of the ad hoc WG on Financing Infrastructure and Fundraising Strategies.
2. The Executive Director, Dr. Gerhard Dieterle, opened the meeting of the Working Group and drew attention to the implications of the ITTA 2006 and the structural problems that need addressing in order to improve ITTO's effectiveness and attractiveness to potential donors. He highlighted the critical areas of work that the Secretariat is currently involved in, whether in partnership with other international organisations or on its own initiative, as dictated under the ITTO Strategic Action Plan and the current Biannual Work Plan. All the facts point towards an urgent need to strengthen the role for ITTO in achieving its Objectives as mandated under the ITTA 2006, bearing in mind that the ITTA will need to be re-negotiated in the near future.
3. He briefed the WG on ITTO's current Financing Structure, current funding situation, the urgent need to examine the current financing architecture and his vision of where ITTO wants to be in the next 4 years.
4. He further explained the potential ways in which ITTO members can overall benefit from new approaches and why new approaches should be piloted in order to enhance their future potential.

#### **D. Review of Background Document**

1. Mr. Alexander Knapp, lead consultant from AKC Global, presented the draft Background Document on ***“ITTO: Branching Pathways – Evidence and requirements for External ITTO***

**Funding".** The Working Group had an extensive and detailed discussion of the work and concluded that the Background Document provides:

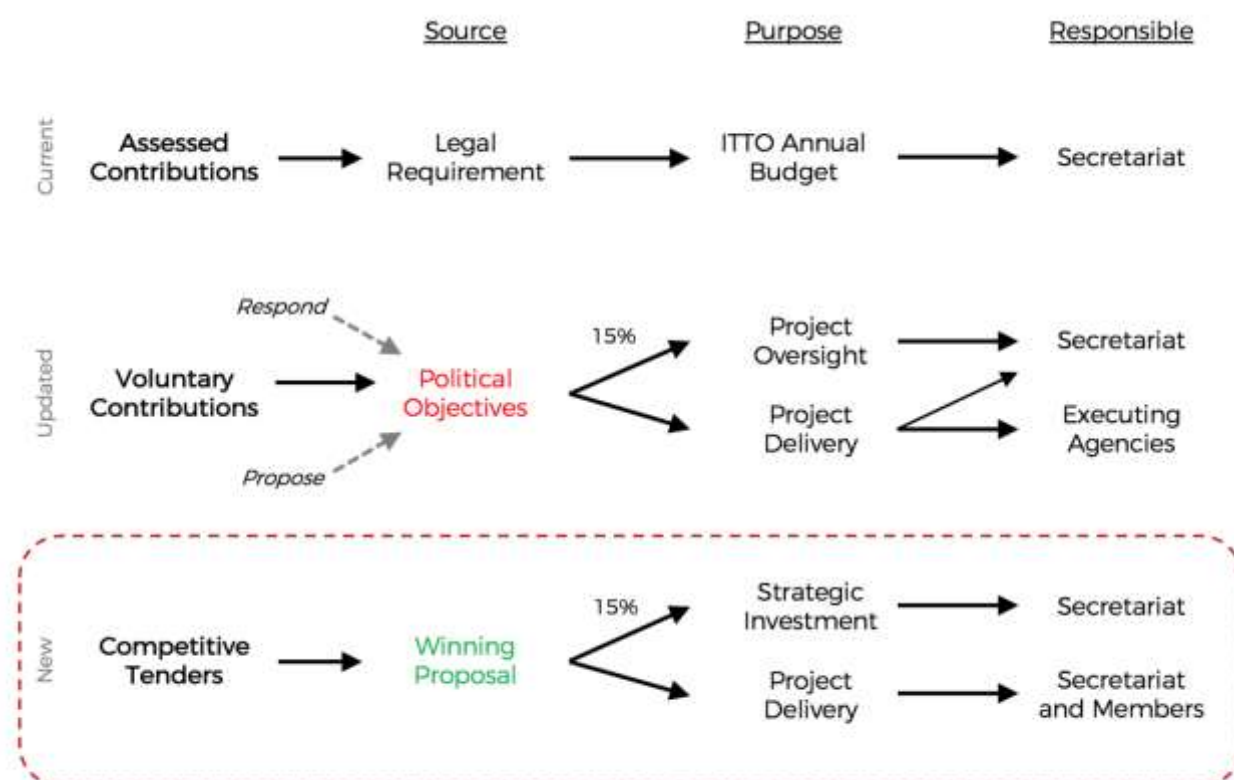
- an effective review of potential sources of existing and new funding and takes into consideration the mandate of the ITTO under the ITTA 2006 and the Secretariat;
- useful considerations and elements for future funding architecture/mechanisms that can be explored, in line with the Strategic Action Plan and the Biannual Work Plan;
- adequate information on the strengths and weaknesses of ITTO and its comparative advantages sufficiently detailed information on potential sources of new funding for ITTO.

2. The Executive Summary of the Background document is attached as Annexe III. Due to the extensive length of the whole report, the entire Background Document, and accompanying annexes, will be made available upon request (in English only).

### 3. Key messages in the Background Document

- The Background Document identified two main current sources of revenue for ITTO's operations: *assessed contributions* and *voluntary contributions*. Assessed contributions, which are legally required of members, fund the annual operating budget, specific core activities of the organization, and are mainly managed and utilized by the Secretariat. Voluntary contributions – when they are made available – are donated by ITTO members to accomplish or support national or regional project or policy objectives. These change regularly, and ITTO can either respond to these priorities where invited or promote the organization proactively to make the case that is best positioned to advance the issue. When successful, those voluntary funds are used to implement project proposals or fund policy initiatives identified within the bi-annual workplan. Oversight of these funds is conducted by the ITTO Secretariat and/or Executing Agencies.
- **Based on cumulative data, the Consultant clearly laid out the case explaining that official development assistance (ODA) as a whole was not decreasing, but instead was being channeled and distributed through altered mechanisms.** Overall, the share of ODA transferred via un-earmarked bilateral/multilateral mechanisms was decreasing, and that that more of ODA was being channeled via “competitive tenders” or to funds with very specific uses or requirements (i.e. GEF, etc). Hence, ITTO was not alone in experiencing a decrease in un-earmarked funding over the past decade.
- Because of the long-term decline in ITTO voluntary contributions (evident since the year 2000), the Consultant recommended that ITTO also considers bidding for ‘competitive tenders’ to provide technical assistance or manage grant programmes funded by bi- and multi-lateral donors (see chart A below). This option – in addition to assessed and voluntary contributions, enables ITTO to potentially access **a proportion** of approximately \$50-75 million per year in OECD ODA in sectors where the organization is highly competitive, such as sustainable supply chains, forest management, trade and industry, conservation/biodiversity, capacity-building and appropriate applications of data and technology.

**CHART A: SUGGESTED INNOVATIVE APPROACH FOR CONSIDERATION:**



#### **E. Working Group Considerations & Recommendations according to ToRs in Decision 9 (LIII)**

The WG had extensive and progressive discussions on the proposed new approaches as outlined above while considering the nature and general objectives of the ITTO, advantages and disadvantages of varying approaches, implications to ITTO operations, and the ITTA. While the WG attempted to fulfill the ToRs issued to them by Council, it was recognized that the time allotted to them for discussion was insufficient, and that more time and effort would be needed in order to fully flesh out the details of some of their recommendations.

**There was unanimous recognition in the WG that there needs to be substantial change from previous financing and fund raising efforts in order to produce tangible results.**

The members of the WG agreed that the most methodical way to present their findings and recommendations would be according to each Term of Reference as outlined in Decision 9 (LIII), as follows:

1. **Seeking voluntary contributions or other mechanisms for the immediate financing of the long list of projects formulated in line with the core objectives of the ITTA and approved by the ITTC;**
  - 1.1 The WG recognized the significant steps and work undertaken by ITTO to improve its internal controls and transparency in terms of its financing. However, there was also a sober

recognition that the current project funding apparatus was not sustainable, given the disconnect between the amount of projects being submitted to ITTO for funding and the amount being financed. The current outstanding projects (not yet sunset) seeking financing is approximately 39 projects (24 previous pending financing and 15 soon to be added from the current no-objection procedure at this upcoming Council session), which totals approximately \$19 million (Annex III). Noting that continuing along this pathway is unsustainable and only further fuels frustration amongst members, **the WG recommends the following:**

- Suspension of the project cycle for 2019 to ease the backlog of unfunded projects. This will also allow the organization time to seek new sources of funding, including further work on the competitive tenders mechanism as well as explore other avenues of “grant” contracts with major donors (please see recommendations under ToR7);
- The suspension of the project cycle for one year will also allow time for a more streamlined, interconnected project-financing process to be developed, as well as potentially provide cost savings of one Expert Panel;
- Urge members to prioritize their projects that are currently in the financing pool and the possibility of withdrawing all but one project;
- Clustering of the existing 39 projects under appropriate themes to see if this approach will attract greater financing, while acknowledging that this effort may not necessarily yield the financing needed;
- Continue implementing and further refining ITTO social and environmental safeguards and gender guidelines;
- Continue to pursue ITTO application(s) to be considered an implementing agency under the Green Climate Fund (GCF) and the Global Environmental Fund (GEF);
- Encourage members to consider additional voluntary contributions to ITTO;
- The WG urges members to make prompt payments of their assessed contributions;
- Encourage the ED to approach non-traditional donors to determine their interests and funding priorities (an extensive list of potential donors was part of the Simula study on fundraising conducted in 2013, and much of that information is still valid today);
- The WG encourages building upon the survey undertaken in 2013 through an electronic survey for members on added value of ITTO and how ITTO could become more attractive to invest in.

**2. The effectiveness and coherence of ITTO’s current funding windows (including regular project cycle, thematic programs, biennial work program, Bali Partnership Fund) and possible changes to improve their value and appeal;**

- 2.1 With regard to the project cycle, the WG recognized that some producer members submit projects of national priority to them, but which may not align or match donor funding priorities. It was also acknowledged that many producer countries put in significant time and effort into the proposals, and the significant workload put on the Secretariat in reviewing a large number of submitted proposals. Changes are needed to simplify the project development and review process and better connect the common interests of both project developers and donors before significant resources and time is put into fully developing and reviewing the proposal. Due to time limitations of the meeting, the working

group was not able to fully develop a well thought out alternative process and it was recognized that further work needs to be done on this issue. **The WG recommends to:**

- To shorten and streamline the project development and approval process, including a staged application process (concept note, short-listing, encouraging development of full proposal based on actual and/or funding potential);
- Extend the current WG or create a new WG/Advisory Group to work with the Secretariat to develop a paper to be presented at the next Council session in Togo that will outline the alternative streamlined project cycle process that could be tested in 2020.

2.2 With regard to the thematic programmes, the WG acknowledged the success of the approach was “scattered” depending on the theme. While some thematic programmes did attract some new donor funding, it was not sustained; additionally, some themes received little to no funding. Likewise, the Bali Partnership Fund and its associated themes were developed several years ago, and has not been successful in garnering voluntary funds in recent years. Therefore, a more strategic and flexible approach is needed to enable the organization to respond efficiently to emerging priority issues. **The WG recommends to:**

- Review and consider closing any thematic programmes that have received little or no any funding;
- Consider the appropriateness, and even possibly lowering, the financial thresholds of thematic programmes;
- Consider the introduction of new TPs under the current funding mechanisms based on the findings and recommendations from the forthcoming fundraising pilots, if approved, to be carried out in the near future (please see recommendations under ToR7);
- During the renegotiation of the ITTA, Council may want to assess and consider the continued relevance and effectiveness of the Bali Partnership Fund and Thematic Programmes in the next ITTA.

2.3 With regard to the biennial work program (BWP) and Strategic Action Plan (SAP), the WG recognized that it was not always easy to understand how the different strategic documents of the organization work together or were reported against when assessing progress. The documents also did not present a compelling and easy to understand structure to “market” ITTO to those outside of the organization. Therefore, **the WG recommends:**

- To consider piloting a streamlined set of relevant “service lines/competitive tender” process that can be easily adaptable toward marketing ITTO strengths and goals, while responding to multiple donor priorities; and put in place a review of its effectiveness in three years;
- To extend the mandate of the current WG or create another WG to provide timely feedback to the Secretariat and ensure transparency in the piloting of the new “service lines/ competitive tender” process;
- In the next negotiations of the BWP and the SAP, to structure the documents to more clearly show the connection between the different documents and the new streamlined ITTO funding infrastructure vision.

3. **Possible means to shorten or streamline the project development and approval process (including a review of the sunset provision of Decision 3(X) under which unfunded projects lose their approved status after a defined period);**

3.1 Most of the Working Group's recommendations regarding this point are captured in the responses above. However with regard to the sunset clause, **the WG recommends:**

- To maintain the sunset clause as is – otherwise ITTO risks having a much larger group of projects which are not funded/have no chance to be funded.

**4. Possible adjustments to thresholds or conditions to launch projects;**

Please reference response to ToR 3.

**5. Possible steps for project proponents and donors to interact, in order to help identify themes or projects of mutual interest with a reasonable chance of receiving funding;**

In addition to the recommendations raised in ToR3, the **WG recommends:**

- The Secretariat reports on new innovative partnerships and/or financing opportunities at each Council;
- A joint side meeting between interested producer and consumer members during Council to explore project ideas and to convey donor funding priorities and opportunities;
- Inviting possible new donors/partners to present on themes that could lead to funding opportunities or in-kind partnerships;
- In piloting the new service line/ competitive tender track, where possible, proposal development will include opportunities for member engagement.

**6. Development of a concise and compelling fundraising message;**

The WG unanimously agreed that one key message is not sufficient and fully recognized the need to develop several key messages (but NOT too many as messages risk getting lost/lack impact). The key messages need to be tailored for different sources and types of funding. The messages should not only communicate why it is important to invest in tropical forests, but also answer the question of “why they should invest their resources in ITTO versus another organization.”

**The WG recommends:**

- The organization consider engaging appropriate marketing expertise in the short term to develop a focused marketing message promoting ITTO's priority areas of focus and service lines;
- Development of fund raising message/s that highlights sustainable supply chains and the role of production forests in achieving sustainable development. The WG recommends the Council provide feedback to the ED on this proposed theme;
- The organization invests in development of marketing expertise and training within the Secretariat over the medium term;
- Adapting and updating the ITTO website to incorporate the “service line/competitive tender” concept. Ensure appropriate financial resources are dedicated to develop and operationalize marketing plans and fundraising;

- To encourage ITTO to adopt the fundraising process presented in this report and the background document in Annexe III, which will contribute to assessing the effectiveness of ITTO's funding approach.

**7. Identification of potential sources of financing and tailoring any fundraising message for different potential donors;**

During Council, it is expected that the Executive Director and the Consultant will present and identify several potential sources of financing. **The WG recommends:**

- to develop and pilot an additional fundraising track focused on competitive tenders (contracts and grants), while at the same time continue to explore opportunities with global funds, and corporate and private foundations;
- The Secretariat intensifies donor cultivation/interaction with potential donors based on targeted programmatic concept notes/project proposals in order to facilitate and better match some producer members' national priorities with potential donor interests. Further, encourage reaching out more effectively to private sector stakeholders along the supply chain, *inter alia*, potentially participating in the proceedings of the Consumer Goods Forum;
- The Secretariat to engage appropriate fundraising personnel and expertise for short and long-term delivery of ITTO's fundraising efforts.

**8. Possibilities for co-financing activities and projects as well as for income generation from ITTO products;**

8.1 Please reference the responses in the above points.

8.2 In addition to the work conducted above, the working group considered income generation from ITTO products such as:

- MIS subscription fees and advertisement revenue
- TFU and other publications
- Participation fees at ITTO events
- Other (e.g. project management service)

8.3 The conclusion of the working group was that the revenue potential of these products was limited and transaction costs high when compared to the broad visibility given to ITTO when these products are available freely. It was also noted that there would likely be negative impact on not sharing knowledge, which goes against the public good principle. **The WG also recommended:**

- ITTO continue to find opportunities for strategic partnerships and collaborative efforts, especially with other CPF members.
- To review the mandate of the TAG and CSAG with a view to strengthening and fostering stronger collaboration including on fundraising.

**9. Opportunities to combine funding streams or build collaboration with other initiatives and mechanisms for forest financing, such as the Green Climate Fund, the Global Environment Facility, and the Global Forest Financing Facilitation Network;**

Please note the responses in the points above. The WG recognized that the Secretariat has already seized the following opportunities this year:

- Active involvement in CPF Joint Activities such as the Sustainable Wood for a Sustainable World (SW4SW),
- Active involvement in Forest Landscape Restoration in collaboration with the GEF, IUCN & IUFRO
- Joint work on World Bank Study on Fiscal Incentive Mechanisms
- South-South Project submission
- Teak project in the Mekong Basin in collaboration with the government of Germany

**The WG recommends to:**

- Explore further opportunities for collaboration with the GFFFN including potential participation in future financing missions.
- Encourage the Secretariat to take active leadership in CPF activities in issues related to the core mandate of ITTO.
- Emphasize the importance of accreditation of ITTO in GEF and GCF and encourages members to support ITTO's accreditation.

**10. Other matters deemed relevant.**

- 10.1 The WG encourages that any Council decision associated with implementing the recommendations contained in this report contain an internal review mechanism OR.
- 10.2 The WG encourages that any Council decision associated with implementing the recommendations contained in the report should have a joint review mechanism (internal and associated groups).

**F. Budget and Other Resource Implications**

The total budget made available through Decision 9(LIII) was **US\$300,000.00**. As of 1<sup>st</sup> October 2018, the amount of **US\$112,710.83** has been spent, accounting for the following items of expenditure:

- Lead consultant's Standard Service Agreement (SSA) and travel expenses
- 2<sup>nd</sup> consultant travel expenses
- Travel expenditure for members of the Working Group to Yokohama 2-6 September 2018
- Organisational expenses for the Working Group meeting at ITTO Secretariat 3-5 September 2018

## **ANNEX I**

### **Membership of the Working Group**

**Mr. Thomas Baldauf, EU**

**Mr. Boniface Bounounge Fouda, Cameroon (Vice-Chair)**

**Mr. Francis Colee, CSAG**

**Ms. Jennifer Conje, USA (Vice-Chair)**

**Mr. Shigeki Hata, Japan**

**Ms. Berenice Hernandez Toro, Mexico**

**Mr. Rovani Riva, Indonesia**

**ANNEX II  
Decision 9(LIII)**



**INTERNATIONAL TROPICAL  
TIMBER COUNCIL**

Distr.  
GENERAL

ITTCLIII/22  
2 December 2017

FIFTY-THIRD SESSION  
27 November – 2 December 2017  
Lima, Peru

**DECISION 9(LIII)**

**IMPROVING ITTO'S FINANCING INFRASTRUCTURE AND FUNDRAISING STRATEGIES**

The International Tropical Timber Council,

Recognizing the strong need to develop a more coherent programme and further improvements of its current complex financing infrastructure;

Also recognizing the importance of effective fund management to attract and utilize funding efficiently;

Also recognizing the importance of enabling ITTO to monitor and respond to existing and emerging funding opportunities in a timely manner;

Recalling Biennial Work Plan 2013-2014 Activity 54 "Mobilize New Funding and Partnerships for ITTO and its Objectives" and its report contained in CFA(XXVIII)/8, which establishes the foundation for ITTO's fundraising and partnership building activities;

Noting that donor funds have in some cases been left idle for many years with ITTO despite multiple requests to relevant donors for instructions on the utilization of such funds;

Decides to:

2. Request the Executive Director to convene an ad-hoc working group consisting of 3 experts nominated by consumer members, 3 experts nominated by producer members and one representative from each of the Civil Society Advisory Group and the Trade Advisory Group to consider options and make proposals for improving ITTO's financing infrastructure and fundraising strategies;
5. Authorize the Executive Director to utilize an amount not exceeding US\$300,000 from the Working Capital Reserve to convene the above working group and to undertake measures to improve ITTO's fund raising and partnership building policies and activities;
6. Authorize the Executive Director to transfer to the unearmarked fund of the Special Account the donor funds specified in Table 3.5 of ANNEX 3 to the document ITTCLIII/12 left with ITTO without instructions from those donors on how to utilize such funds;
7. Request the Executive Director to provide a report to the Fifty-fourth Session of the ITTC on the implementation of this Decision, including the outcome of fundraising efforts.

### **Annex 1: Terms of Reference of Ad Hoc Working Group on Financing Infrastructure**

ITTO and its objectives are critical in a world where the sustainable management and conservation of tropical forests is receiving increasing attention and concern. As the organization recovers from a period of turbulence, ITTO must develop and implement an innovative and proactive fundraising strategy. This will require the Executive Director, the Secretariat and ITTO's members to think creatively and learn from the successful strategies of other intergovernmental organizations, NGOs, and others. This effort should be led by an energized Secretariat, actively supported by ITTO members and partners in the NGO and private sector worlds.

To assist the Secretariat in this effort, an ad hoc working group will be convened in Yokohama for 3 days in the first half of 2018, and remotely [before and/or after] as needed. Its mandate will be, under the leadership of the Executive Director, to make recommendations or present options related to improving ITTO's financing infrastructure and fundraising strategies. Specifically, it will review, discuss and (as relevant) present options/recommendations on:

11. Seeking voluntary contributions or other mechanisms for the immediate financing of the long list of projects formulated in line with the core objectives of the ITTA and approved by the ITTC;
12. The effectiveness and coherence of ITTO's current funding windows (including regular project cycle, thematic programs, biennial work program, Bali Partnership Fund) and possible changes to improve their value and appeal;
13. Possible means to shorten or streamline the project development and approval process (including a review of the sunset provision of Decision 3(X) under which unfunded projects lose their approved status after a defined period);
14. Possible adjustments to thresholds or conditions to launch projects;
15. Possible steps for project proponents and donors to interact, in order to help identify themes or projects of mutual interest with a reasonable chance of receiving funding;
16. Development of a concise and compelling fundraising message;
17. Identification of potential sources of financing and tailoring any fundraising message for different potential donors;
18. Possibilities for co-financing activities and projects as well as for income generation from ITTO products;
19. Opportunities to combine funding streams or build collaboration with other initiatives and mechanisms for forest financing, such as the Green Climate Fund, the Global Environment Facility, and the Global Forest Financing Facilitation Network; and
20. Other matters deemed relevant.

The ad hoc working group should also consider and provide guidance on a draft plan to be produced by the Secretariat for utilizing the resources provided by Council to implement this Decision. The ad hoc working group should produce a report of its work and submit this to the Executive Director so that he can include it in his briefing to Council on the implementation of this Decision.

\* \* \*

**ANNEX III**  
**Final Background Document**



# ITTO: Branching Pathways (Excerpt – Executive Summary)

## *Evidence and Requirements for External ITTO Funding*

*A report commissioned by the International Tropical Timber Organisation (ITTO) Secretariat for the Working Group (WG) on Financial Infrastructure, and the International Tropical Timber Council (ITTC).*

### **Prepared by the AKCGlobal Group:**

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*Supplemental content, advice and editorial guidance  
also gratefully received from Markku Simula*

Version: Final (26 August 2018)

## // Introduction

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ITTO is a unique organisation that has had significant positive impact upon its members, their citizens and markets, and the international community. Having built its reputation and capability over many years, it can expand that impact significantly through measured investment and adaptation to enable access to significant volumes of new, external funding.

The question facing the Working Group and ITTC is not *"Is there external funding for projects within ITTO's mandate, mission and capability?"* because that question has been answered repeatedly with a consistent and resounding "Yes."

The money is there for forestry- and trade-related projects, evidenced in the OECD *'Measuring Aid to Forestry (2008)'*, the European Foundation Centre's *'Environmental Funding by European Foundations Volume 3 (2014)'*, the US Foundation Center's *'Analyzing Trends in Environmental Grant-Making Volume 6 (2015)'*, from Global Environmental Funds analysed by the Environmental Defense Fund's *'Mapping Forest Finance (2018)'*, and from the World Bank Group's *'Forest Action Plan (2016-2020)'*. It's also been answered with evidence in the Advisory Group on Finance (AGF) report on *'Financing Flows and Needs (2008)'*, the AGF *'Forest Financing Report of 2012'*, and Markku Simula's encyclopaedic internal report on *'Mobilization of New Funding and Partnerships for ITTO (2013)'*. All of these sources are integrated throughout this document, and included in full as references, available for readers who wish to corroborate the data that follows.

More to the point, the supplemental research on specific funding opportunities included with the final version of this report identifies USD 500 million of *specific* contracts from a wide range of OECD bi- and multilateral donors over ten years (in a funding calendar through 2024 with dates, links to the tender and correlated to the recommended Solutions and Service Lines). With an average of USD 50-75 million per year, funding for ITTO is indisputably available.

The question is also not *"Where can we find external and unearmarked funding to replace declining voluntary contributions for our internal project proposals?"* because in all of our fundraising experience and all of the data available, we know of no donor who will simply accept ITTO's existing internal standards and process of grant approval in lieu of their own and simply provide cash to the organisation year on year. We recommend against focusing on this.

The question that *is* facing the Working Group and ITTC is *"Do we want to adapt the organisation to the international standards of external funders, and invest in the Secretariat's capability to compete effectively over time to engage them financially?"* We recommend focusing on this.

If the Working Group and ITTC decide to do so, the organisation can be competitive winning external funding, and implementing internal and external programmes. The changes and investments that are necessary to compete successfully would also deliver new, timely value to its own members, increasing the likelihood that those capable of funding will once again choose ITTO over other options for their voluntary contributions. In addition, the recommendations of this report will contribute to the modernisation of organisation's internal strategic and operational capacity, improving efficiency and effectiveness across all its activities, potentially growing

its membership, increasing strategic/discretionary funds internally, positioning it well in the market for the next ten years, and for the upcoming renewal of the ITTA.

This is, however, a clear and distinct choice: option one - remain largely *internally*-focused among members using existing priorities and processes and shrink further, or option two - expand and adapt to also engage *externally* by harmonising those priorities and processes with those of the larger international - and international donor - communities. We recommend option two.

Should the Working Group and ITTC decide to choose the second, external option, this report offers a road-map to the most cost-effective funding available, and the changes necessary to compete for it.

## // Executive Summary – Strategic Recommendations

## // 1. Consultancy Scope and Qualifications

The scope for this consultancy was to analyse the ITTO unique role and status in the international community, its funding history, and technical capabilities, then generate a sustainable revenue generation strategy to continue (if not expand) its Mission moving forward to – and beyond – the next renegotiation of the ITTA (see Appendix A).

The AKCGlobal Group (AKCG) is a social enterprise based in London and Washington DC, specialising in fundraising (including research and strategy), as well as the analysis, design and delivery of 'Wicked Problems' in international development and business (see Appendix C). AKCG is a technical consultancy (as opposed to a political one), relying upon data-driven analytics to generate evidence for the best-possible decisions in highly complex policy environments. That specific quantitative information and analysis supporting these findings/recommendations are attached for reference (see Appendices D, E and F).

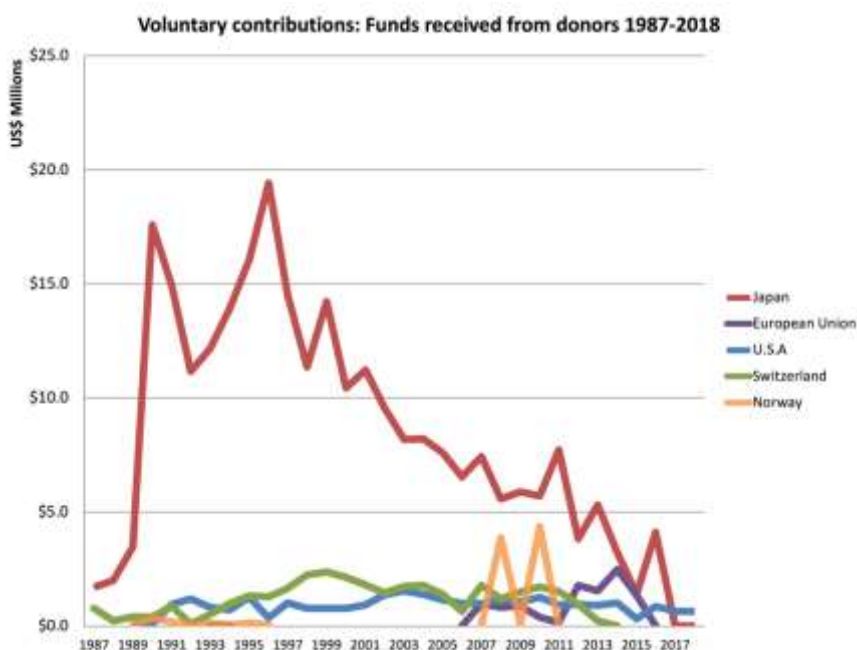
The AKCG team delivering this analysis and responsible for the recommendations based upon it have been *directly* responsible – designing and writing the individual proposals and negotiating the funding agreements – for over USD 3 billion in international development funding from OECD bi- and multilateral donors. This experience was gained working directly for the CEOs, Boards and Directors of Fundraising in over 30 different international NGOs across sectors including environment, governance, public health, humanitarian aid, agriculture, and gender programming, from 1992 until the present.

In addition, the authors of this research have been directly responsible for raising an additional USD 500+ million in international development funding from non-OECD donors, including private trusts and foundations, corporate foundations, high net-worth individuals, public, sales, crowd-funding and other channels.

## // 2. Key Findings and Research Conclusions

ITTO is a unique, treaty-based international organisation.

Its market-driven mission and diverse mix of Producer- and Consumer-Members creates a powerful community and expertise on a variety of technical and political issues surrounding tropical timber.



## **/ 2.1 Current State – What is the organisation's reality today?**

However, while the organisation's assessed contributions continue to fund its Secretariat and core operation, a major portion of its supplemental activity – grant-making to internal and external recipients – has diminished with the gradual reduction in voluntary contributions from members, and availability of other funding [see page 32].

While important work has continued, and the funding trend – the near-elimination of unrestricted ("unearmarked" or "core" funding) from donor governments Official Development Assistance (ODA) – is global, ITTO has significant potential that remains unrealised [p. 26]. Fortunately, over thirty years of expertise places the organisation in a highly-competitive position to adapt its business model to compete for funding delivering technical solutions and services in addition to internally-prioritised programming that its members choose to fund.

Complicating the decrease in voluntary funding, the recent financial impairment had the dual effect of significantly reducing the organisation's strategic reserves and undermining confidence in its financial controls. Though measures have been taken to bring systems and standards into compliance with (or exceeding) internationally accepted practice, the forthcoming meeting of the ITTC (November 2018) will be the first time that the organisation's membership will be able to review, confirm and commit to a strategic direction moving forward from it.

### Key Findings:

- ITTO's discretionary ("unearmarked") funding has dropped to minimal levels over the last eighteen years, reducing its ability to deliver one of its key services for its members (the provision of financial and technical support for internally-proposed projects) [p. 33];
- In spite of this, the organisation continues to approve more projects than it has budget available, creating 'unfunded mandates' and the expectation that the Secretariat will find external financing for them before they expire ('sunsetting') [p. 34]; and
- Significant (an average of at least USD 50-75 million per year) funding is however available for development programming within ITTO's mission and technical expertise for which the organisation could be highly competitive globally.

## **/ 2.2 Future State – What is possible for the organisation?**

ITTO is a unique organisation that could fill a 'gap in the market' as both a political *convening* organisation (given its blended membership of producer- and consumer-countries), with a strong *technical* capability in forest management, trade and industry support, supply chain optimisation, organisational capacity-building, and appropriate applications of technology in development [p. 51].

| Illustrative 'Solutions' (Thematic Programmes) |               |                   |                             |                   |                   |
|--|---------------|-------------------|-----------------------------|-------------------|-------------------|
| Sustainable Supply-Chains                      | Market Access | Forest Management | Conservation & Biodiversity | Capacity-Building | Technology & Data |

Solutions are made up of multiple, interdependent 'Services'. Services are not limited to just one Solution, and may contribute to or 'connect' two or more of them. For example, "Log Tracking" (a Service) is a component of both "Forest Management" and "Sustainable Supply-Chains" (two Solutions). As such, the following examples of possible Services are not in the columns of the Solutions above and should be thought of as a network, not siloes or categories.

| Illustrative 'Services' (Business Lines) |                           |                            |                       |                          |                     |
|--|---------------------------|----------------------------|-----------------------|--------------------------|---------------------|
| Carbon Calculation                       | Species Protection        | Data Analysis & Reporting  | Education & Training  | Forest Inventory         | Log Tracking        |
| GIS                                      | Stakeholder Convening     | Species Protection         | Trade Facilitation    | Sustainable Harvesting   | Market Promotion    |
| Export Policy Optimisation               | Geospatial Modelling      | Monitoring & Evaluation    | Entrepreneurship      | Assessment & Surveys     | Value-for-Money     |
| Incentive Development                    | Legislative Strengthening | RFID Tracking              | Cooperative-Building  | Stakeholder Facilitation | Strategic Planning  |
| Non-Timber Products                      | Productivity Metrics      | Infrastructure Development | Plantation Management | Enforcement Mechanisms   | Life-Cycle Planning |

While these Solutions and Services are viable both based upon internal ITTO capability/experience, and marketable to external funders, the final list of each should be developed as part of an internal process to identify and agree upon three to four Services per Solution.

There is potential to add between USD 2.5 to 5.0 million annually in international development funding implementing technical assistance programming within five years, which would both generate unrestricted revenue that could be used for strategic investments or to fund internal projects. The experience delivering those programmes – using creative tools and processes that ITTO is already exploring in current projects – will generate interest from private foundations that are eager to identify and support opportunities to scale innovative practices in the environmental and governance sectors through local engagement, raising the profile of ITTO's Civil Society Advisory Group. Where development funding is regional, or it's the responsibility of the bidding organisation to propose delivery countries and partners, Member-governments propose how they'd most effectively implement potential sub-contracts.

The organisation's partnerships with a wide range of global environmental, technical, and political organisations makes the ITTC an influential voice on global forestry and climate policy, and its focus on both markets and environments attracts occasional corporate funding, steadily increasing the membership of the Trade Advisory Group. And with a growing portfolio of successful technical assistance and programme delivery, funders increasingly

turn to ITTO to manage their regional grant programmes as well, complementing the growing and sustainable pool of unrestricted funding used at the organisation's discretion in support of its Mission and Members.

Key Findings:

- Winning just 5% of available relevant development programming (\$2.5 million per year) would generate a minimum of \$250,000 of unrestricted revenue annually, in addition to programme funding that could be sub-contracted to ITTO Members;
- Strategic partnerships ("Consortia") with organisations already contracted to deliver bi- and multilateral development programming will accelerate successful funding agreements, and increase ITTO's international stature and policy influence; and
- Flexible combinations of consistently-developed (strategic) Solutions and (operational) Service Lines will maximise competitiveness, streamline marketing, improve programme effectiveness, and reduce internal management costs [p. 50].

**/ 2.3 Case for Change – Why risk the cost and effort to adapt?**

In short, the current trajectory of the organisation is financially and politically unsustainable.

ITTO Members' donations have nearly ceased, international donors will not provide unrestricted funding for the organisation to use to fund internal projects, and both private and corporate foundations are *highly* competitive sources of revenue, and restrictive in the use of their grants [p. 46].

It *may* be possible to identify new political levers that add sufficient value to ITTO Member-Governments, resulting in a renewal of Voluntary Contributions, but external pressure will not guarantee it (and will likely be counterproductive). In any case, it is a question for the Members themselves – do they want to fund ITTO's supplemental programmes, and if not, why not? Would anything change their minds, and if so, what and how [p. 41]?

In our view, more importantly, there is a critical need for market-based solutions to environmental challenges in parts of the world where national governments are often disproportionately disadvantaged and under-resourced. Moreover, both climate and complexity science exhorts local solutions to global problems through massively interconnected and interdependent ecosystems. This is a twenty-first century problem that ITTO could disproportionately influence, delivering increased impact and value not only for the citizens of its Members' countries, but globally in the markets that they support.

Key Findings:

- Globally (not just ITTO), voluntary contributions – or any type of unrestricted block grants from donors – have reduced to less than 4% of ODA funding, and is a *political* tool of governments, not accessible through tenders/applications or demand-driven engagement [p. 26];
- Though every effort should be made to enable/encourage ITTO Members to increase Voluntary Contributions, the organisation should no longer anticipate significant amounts of unrestricted/unearmarked funding in its revenue projections [p. 33]; and
- There is a 'gap in the market' among technical development implementors for an organisation with ITTO's unique nature, advantages, technical expertise, and membership, which would increase its appeal to potential consortium partners and a wide variety of funders;

**/ 2.4 Barriers – What will make that change difficult?**

Any significant organisational change is difficult, uncertain and complex. When the organisation's origins and constitution is defined by international law, the barriers can be even more challenging to overcome.

In ITTO's case, the first - and one of the most difficult - obstacles is political, and one of will. Do Members accept that the financial availability of unrestricted resources has fundamentally changed both internally and externally, and will not return to its historical level? If the answer is no, then more operational and commercial questions are far less relevant. If the answer is yes, and in recognition of the qualitative and quantitative value that internal projects and support provide, then the organisation's business model must change.

If it changes, ITTO must compete with other organisations, NGOs, charities, contractors and consultancies for funding. That funding available has never been greater globally, but nor has the need or demand for it. The process of winning it will require new skills, new people, new tools, new capacity and a humility to accept that in this, others have more expertise. Habits and assumptions developed internally will need to change for the organisation to become increasingly relevant in an external market.

To be successful at this, the Secretariat will have to change significantly, but the ITTC will need to adapt as well, recognising that while the organisation's origins may be political and international, competitive advantage is also a result of calculated decisions on efficiency, effectiveness, performance and returns-on-investment, where resilience and growth are directly proportional to agility and leadership.

#### Key Findings:

- Changing the business model - from being primarily an internally-funded grant-making organisation to an externally-competing programme-delivery organisation - is a significant strategic change, a major political decision, and a challenging operational transformation;
- The current funding market already has a wide range of global competitors in ITTO's 'space', many of whom have significant international infrastructure, well-established relationships with donors, and clearly-defined and well-developed Service Lines; and
- Shifting to a competitive capacity will require substantial internal change within the Secretariat, the addition of new staff capabilities, an increase in marketing efforts, and other operational investments over three to five years to successfully adapt the organisation [p. 60].

#### **/ 2.5 Strategy - How do we overcome those Barriers?**

While the scope of work for this research consultancy was different from that of the Working Group itself and is only one resource among many represented among its members, consolidated recommendations can be distilled for each area of focus [ITTC Decision 9 (LIII)]:

1. Seeking voluntary contributions or other mechanisms for the immediate financing of the long list of projects formulated in line with the core objectives of the ITTA and approved by the ITTC;

*Recommendation - Survey ITTO Members to establish a current understanding of political priorities (which drive budget availability for Voluntary Contributions) and a baseline of confidence in the organisation's updated financial controls and health [p. 56].*

2. The effectiveness and coherence of ITTO's current funding windows (including regular project cycle, thematic programs, biennial work program, Bali Partnership Fund) and possible changes to improve their value and appeal;

*Recommendation* - Convert existing internal programmes into a streamlined set of relevant Solutions and Service Lines based upon donor priorities, adapting or generating sales, marketing and technical capacity to develop and deliver them [p. 55, 57].

3. Possible means to shorten or streamline the project development and approval process (including a review of the sunset provision of Decision 3(X) under which unfunded projects lose their approved status after a defined period);

*Recommendation* - Limit approval of internal projects 1) to a total budget of actual funds available; 2) to topics within the organisation's Service Lines, and 3) to those matching external standards of impact evaluation and transparency (IATI) [p. 60].

4. Possible adjustments to thresholds or conditions to launch projects;

*Recommendation* - Introduce a two-stage process for all internal funding requests: first, a (maximum) five-page concept note and high-level budget, and second, for those short-listed, a full proposal with key personnel and line-item budget [p. 60].

5. Possible steps for project proponents and donors to interact, in order to help identify themes or projects of mutual interest with a reasonable chance of receiving funding;

*Recommendation* - Develop and launch a focused marketing campaign promoting ITTO's impact in its Solutions and Service Lines in priority donor locations, engaging international umbrella groups, and directly to target consortium partners [p. 61].

6. Development of a concise and compelling fundraising message;

*Recommendation* - Engage appropriate marketing expertise around a message that "Tropical Timber: Solutions in Sustainable Forestry, Supply-Chain Management, Market Access, Data/Analytics/Technology, and Capacity-Building" [p. 51]

7. Identification of potential sources of financing and tailoring any fundraising message for different potential donors;

*Recommendation* - Recruit a Director of Fundraising with significant experience in generating revenue from OECD bi- and multilateral donors through competitive tendering for contracts and grants; set expectations and budget appropriately [p. 61]

8. Possibilities for co-financing activities and projects as well as for income generation from ITTO products;

*Recommendation* - Engage the Trade Advisory Group, other relevant corporate entities, and ITTO Member Countries to create a 'Challenge Fund' to match or complement external project funding to enable expanded impact or reach [p. 47].

9. Opportunities to combine funding streams or build collaboration with other initiatives and mechanisms for forest financing, such as the Green Climate Fund, the Global Environment Facility, and the Global Forest Financing Facilitation Network; and

*Recommendation* - Appoint a dedicated liaison (perhaps seconded by an ITTO Member-Country), responsible for obtaining accreditation, proactively engaging specific funds, and campaigning for ITTO's inclusion on funding and relevant steering committees [p. 37].

10. Other matters deemed relevant.

*Recommendation* - If the ITTC decides to add development programme implementation to the organisation's revenue and service portfolio, review organisations

*globally for potential mergers or acquisitions (to enter a new market, 'build it or buy it').*

#### **// 4. Conclusion and References**

These summary findings are based upon extensive global funding research (see Appendix D) and analysis specific to ITTO's unique nature and competitive advantages (see Appendix E). These summary (or Strategic) recommendations are expanded upon extensively with specific technical (or Operational) proposals across a dozen organisational themes (see Appendix F). For those readers seeking additional detail, analysis or justification for these recommendations, please refer to those sections.

We also recommend Markku Simula's encyclopaedic report on '*Mobilization of New Funding and Partnerships for ITTO (2013)*' as an integral companion piece to this research, which was of a quality that we felt needed no repetition in this document, merely endorsement and emphasis (see Appendix B).