

**INTERNATIONAL TROPICAL TIMBER ORGANIZATION**

**PROJECT AGREEMENT**

**PD 935/23 Rev.1 (I)**

**“PROMOTING SUSTAINABLE WOOD USE FOR  
DOMESTIC MARKET IN MALAYSIA”**

**between**

**THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)**

**and**

**THE MALAYSIAN TIMBER CERTIFICATION COUNCIL (MTCC)**

**PROJECT AGREEMENT**

**between**

**THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)**

**and**

**THE MALAYSIAN TIMBER CERTIFICATION COUNCIL (MTCC))**

**ON THE IMPLEMENTATION OF PROJECT PD 935/23 Rev.1 (I)**

**“PROMOTING SUSTAINABLE WOOD USE FOR  
DOMESTIC MARKET IN MALAYSIA”**

**WHEREAS:**

- A. The International Tropical Timber Council (hereafter referred to as “ITTC”) has approved the Project PD 935/23 Rev.1 (I) “Promoting Sustainable Wood Use for Domestic Market in Malaysia”, (hereinafter referred to as “the Project”), and the International Tropical Timber Organization (hereinafter referred to as “ITTO”) wishes to make available to the Malaysian Timber Certification Council (MTCC) funds not exceeding a total of *US\$ 212,088.00 (United States dollars Two Hundred Twelve Thousand Eighty-eight only)*, for the purpose of implementing the afore-mentioned Project as provided for in this Agreement;
- B. The Malaysian Timber Certification Council (MTCC) (hereinafter referred to as the “Executing Agency”) has indicated its willingness to implement the Project within its territory;
- C. It has been agreed that the Executing Agency shall contribute in-kind to the Project a total of *US\$ 92,124.00 (United States dollars Ninety-two Thousand One Hundred Twenty-four only)*.

The parties hereby agree as follows:

## ARTICLE I

### Definition of the Project

Section 1.01: The Project Document PD 935/23 Rev.1 (I), (hereinafter referred to as “the Project Document”) attached hereto as the Appendix, shall be read as part of this Agreement, and shall govern the scope and details of the Project, subject to any subsequent clarifications and supplementary arrangements which may be agreed between the Parties.

## ARTICLE II

### Execution of the Project

Section 2.01: The Executing Agency shall be responsible for implementing the Project in accordance with the Project Document, a detailed workplan for the duration of the Project approved by ITTO, and with any supplementary arrangements which may be agreed between the Parties.

Section 2.02: The Executing Agency shall implement the Project in a manner consistent with the “ITTO Manual for Project Monitoring, Review, Reporting and Evaluation (Third Edition)”, “ITTO Manual on Standard Operating Procedures for the ITTO Project Cycle (2009)” and “ITTO Guidelines for the Selection and Employment of Consultants, Procurements and Payments of Goods and Services (Second Edition)”.

Section 2.03: The Executing Agency may, in accordance with the Project Document, the “ITTO Guidelines for the Selection and Employment of Consultants, Procurements and Payments of Goods and Services” (Second Edition), and with the prior approval of ITTO, delegate or sub-contract specific tasks and functions in connection with the Project to any other consultant(s), legal entities or institutions which are not under its daily supervision and control. However, such delegation or sub-contracting shall not free the Executing Agency from its responsibility and obligation for the Project as defined by the Project Document and this Agreement.

Section 2.04: ITTO shall not be liable for any claims arising as a result of implementation of the Project or due to the use of any Project equipment. The Executing Agency shall indemnify and hold harmless ITTO and their members, employees and representatives, from and against any liability, damages, costs or expenses, or any claim, action, suit or other proceeding arising out of the execution or implementation of this Agreement.

Section 2.05: The Executing Agency shall do its utmost to ensure that the Project is implemented on schedule, within the agreed budget, and in such a way as to achieve its objectives.

Section 2.06: A Project Technical Committee shall be established. The core composition of the Project Technical Committee shall include one representative of ITTO, one representative of donor country, at least one representative of the Executing Agency and at least one representative of the project host government(s) which implements the Project. Additionally, a representative of the government(s) providing funds for implementation of the Project, if they wish to participate, and representative(s) of collaborating agency(ies)/partner(s) to the Project could be invited to become members. The Project Technical Committee will meet at least once a year to review progress in Project implementation.

## ARTICLE III

### Finance

Section 3.01: The respective contributions of the Executing Agency and ITTO, contributing in cash or in kind to the Project shall be as set out in the budget and operating expenses sections in the Project Document.

Section 3.02: ITTO undertakes, as provided for in this Agreement, to contribute an amount not exceeding *US\$ 212,088.00 (United States dollars Two Hundred Twelve Thousand Eighty-eight only)* for the purpose of implementing the Project.

Section 3.03: ITTO will make payments in United States dollars related to its contribution to a separate bank account to be opened for the Project, with a bank of commonly high reputation, to be determined by the Executing Agency, as follows:

- (a) ITTO will cause the first payment of *US\$ 50,000.00 (United States dollars Fifty Thousand only)* to be deposited, upon signature of this Agreement, and after the Executing Agency provides the Executive Director of ITTO with:
  - (i) an inception report approved by ITTO containing a Work Plan for the duration of the Project approved by ITTO for the implementation of the Project,
  - (ii) selection of consultant(s)/expert(s), if required at the beginning of the implementation, and
  - (iii) a notification that implementation of the Project is about to commence;
- (b) The Executing Agency will request replenishment of the first and subsequent installments whenever the amount of ITTO funds held in the project bank account falls below 25% of the amount of the previous installment. Each replenishment request from the Executing Agency shall be accompanied by: (i) financial statement with remaining available funds balance supported by copy of bank statement and bank reconciliation statement; (ii) up-to-date progress report (as per section 5.08 (iii)) including (for the final progress report) the steps taken to build the sustainability of the project after the end of ITTO support; and (iii) justified request for the payment in terms of the timing, amount and estimated costs foreseen in the workplan, in light of implementation thus far, for the period to which funds will relate;

Section 3.04: The total amount of *US\$ 49,538.00 (United States dollars Forty-nine Thousand Five Hundred Thirty-eighth only)* will be retained by ITTO from the total ITTO contribution to meet ITTO and other costs as follows:

- (a) an amount of *US\$ 17,814.00 (United States dollars Seventeen Thousand Eight Hundred Fourteen only)* to meet ITTO's monitoring and review costs; and
- (b) an amount of *US\$ 22,724.00 (United States dollars Twenty-two Thousand Seven Hundred Twenty-four only)* to meet ITTO's programme support costs; and
- (c) an amount of *US\$ 9,000.00 (United States dollars Nine Thousand only)* to meet project audit costs as appropriate.

Section 3.05: The Executing Agency shall provide its joint contribution of *US\$ 92,124.00 (United States dollars Ninety-two thousand One Hundred Twenty-four only)* to the Project promptly in accordance with the agreed budget contained in the Project Document and any agreed amendments thereto. The Executing Agency shall report immediately to ITTO any circumstances which threaten significantly its ability to make its contributions in full or on time.

Section 3.06: The contribution of the Executing Agency shall include the provision of office facilities and appropriate office accommodation for all Project activities including any monitoring, review and evaluation meetings.

Section 3.07: Notwithstanding any provision of any Section in this Article, ITTO shall not be liable to disburse any funds to the Executing Agency which exceed the sum credited to its Special Account and/or the Bali Partnership Fund as contributions earmarked for this Project.

## **ARTICLE IV**

### **Use of Funds**

Section 4.01: The funds provided by ITTO under this Agreement shall be used solely to meet those direct Project costs assigned to ITTO which are itemized in the agreed budget of the Project Document. Funds allocated to one budget heading or subheading item shall not be transferred to another without the express prior approval of ITTO. All materials, equipment, supplies and services purchased or rented using ITTO resources shall be used exclusively for the implementation of the Project.

Section 4.02: Funds which have not yet been made available by ITTO to the Executing Agency shall not be committed by the latter, without specific previous authorization from ITTO.

Section 4.03: All goods and services for which funds are provided by ITTO shall be procured in accordance with the "ITTO Guidelines for the Selection and Employment of Consultants, Procurements and Payments of Goods and Services", and the Executing Agency shall obtain ITTO approval prior to issuing procurement order. The Executing Agency shall consult ITTO in advance on the selection and appointment of any sub-contractors or individual consultants used for any aspect of work associated with the implementation of the Project, as well as the appointment of professional Project staff and selection of participants in Project activities such as seminars and workshops.

Section 4.04: ITTO shall recover from the Executing Agency any amounts spent from funds provided by ITTO for purposes, items or activities, or in ways, not authorized under this Agreement. Such amounts may be deducted from any installment not already released to the Executing Agency under Section 3.03 of this Agreement.

## ARTICLE V

### Accounts, Records and Reports

Section 5.01: The Executing Agency shall keep strict budgetary control over the funds allocated to it by ITTO for the purpose of implementing the Project, and shall keep such funds, until the time of their actual disbursement, in a separate [dollar] bank account with a bank of commonly recognized high reputation.

Section 5.02: The Executing Agency shall take every precaution against any unauthorized use of the funds provided to it by ITTO, and shall at all times keep up-to-date and full accounts of the expenditures incurred by the Project. ITTO may at any time request a financial statement from the Executing Agency, accompanied by certified balances of the Project's bank accounts, and such a request shall be promptly complied with.

Section 5.03: The Executing Agency shall submit to ITTO in the Project progress reports and at the conclusion of the Project, and as otherwise requested by ITTO in accordance with Section 5.02 above, statements of account and use of the funds of the Project under the headings listed in the budget in the Project Document.

The Project accounts shall be audited by duly recognized independent auditors appointed by ITTO in consultation with the Executing Agency. For the audit, the Executing Agency acknowledges the contents of "TERMS OF REFERENCE FOR A PROJECT AUDIT" as an integral part of this agreement. For the purpose of the Project, the financial year of the Project shall be from 1 January to 31 December of each year. Audit reports are to be completed within 3 months from the end of the year for annual audits and 4 months from the completion of the Project for final audits.

Section 5.04: If the actual costs of the Project which are to be borne by ITTO are less than is provided for in the Project budget under this Agreement, the balance remaining unspent on completion of the Project, including bank interest earned, shall be returned to ITTO.

Section 5.05: The Executing Agency shall establish and maintain records and procedures adequate to record and monitor the physical, technical and financial progress of the Project, including its costs, interests on capital and other benefits, and to identify the goods and services financed by ITTO.

Section 5.06: Representatives of ITTO shall be entitled to visit any facilities and sites included in the Project and to examine the accounts and records, and the goods and services provided under the Project.

Section 5.07: The Executing Agency shall, upon request, make available to ITTO any information relevant to the implementation, financing or follow-up of the Project. The Executing Agency shall provide Project progress and technical reports, as well as a completion report in the form, detail and time-frame required by ITTO, for the monitoring, review and evaluation of the Project. The Executing Agency shall promptly provide ITTO with information on any delay, event or obstacle that might significantly endanger the success of the Project.

Section 5.08: The Executing Agency shall submit to ITTO in each year during the implementation of the Project:

- (i) monthly highlights;
- (ii) bi-annual progress reports not later than 31 January and 31 July in each year during the implementation of the project;
- (iii) detailed un-audited project financial statements for ITTO funding and counterpart funding, as part of the progress report;
- (iv) all documented outputs, products and other means of verifications as per the Logical Framework Matrix as soon as finalized or as per the project timeline;
- (v) a completion report not later than three months after Project completion.

All aforementioned documents must be submitted via the ITTO Online Monitoring System (OLMS). The progress, completion and technical reports shall be prepared following the model reports established in the “ITTO Manual for Project Monitoring, Review, Reporting and Evaluation”.

Section 5.09: Monitoring and review meetings will be convened at the request of ITTO with the participation of representatives of the Executing Agency, ITTO and the host Government. ITTO shall bear the costs of its participation and other representatives shall bear their own costs. Representatives of donors providing funds to the Project may also attend the steering/technical committee meetings at their own expense.



## ARTICLE VI

### **Publications, Technical Reports and Project Events**

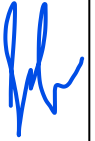
Section 6.01: All outputs (publications, technical reports, other materials, etc.) resulting from work financed by the Project shall give appropriate recognition to ITTO’s role and carry statements disclosing that they are part of the documentation produced in an ITTO approved Project. Cover pages of any publications shall prominently bear the name and logo of ITTO. Proper recognition of ITTO’s role shall also be given during any events organized as part or resulting from work financed by the project, including the ITTO name and logo on all banners, posters and other visual materials. Drafts of such outputs shall be shared with the Secretariat prior to finalization.

Section 6.02: The Executing Agency is responsible for coordinating dissemination of the Project outputs on appropriate occasions both in national/sub-national and international levels.

Section 6.03: The Executing Agency accepts that ITTO discloses project relevant information in ITTO publications, including the name and address of the Executing Agency, the purpose of the fund, the amount contributed and the percentage of co-financing (both in cash and in kind) according to the Project Agreement.

Section 6.04: The Executing Agency shall provide ITTO with an electronic copy of each publication from the Project together with hard copies if requested by the Secretariat. The Executing Agency will also provide ITTO with high-resolution captioned photographs of project activities.

Section 6.05: The Executing Agency shall prepare, in liaison with the ITTO Secretariat brief article(s), for possible inclusion in the ITTO Tropical Forest Update (TFU) reporting on the Project progress and outcomes, Project publications and lessons learned. An outline of the TFU article should be submitted to the Secretariat prior to release of the final installment of funds (See section 3.03 (c)).



## ARTICLE VII

### Disposal of Capital Goods

Section 7.01: Prior to completion of the Project, the Executing Agency shall propose, and ITTO will decide, what arrangements are to be made for the continued use or disposal of any equipment or other supplies purchased with ITTO Project funds. Written notice to accept the arrangements, modify them or implement alternative arrangements will be given by ITTO to the Executing Agency.

Section 7.02: Notwithstanding the provisions of Section 7.01 of this Article, responsibility for the execution of the Project shall rest with the Executing Agency and ITTO shall not be liable for any claims arising from the implementation of the Project or for the use of any equipment provided under the Project.

## ARTICLE VIII

### Responsibilities of the Executing Agency

Section 8.01: The Executing Agency shall carry out its obligations under this Agreement, especially those prescribed by Articles II, III, IV and V, is not adversely compromised.

Section 8.02: The Executing Agency shall take all necessary action in order to ensure clearance of experts and other persons performing services financed by ITTO under the Project.

## ARTICLE IX

### Intellectual Property

Section 9.01 All intellectual property rights (including copyright) in the work to be performed under this Agreement shall be vested in the Executing Agency and ITTO, including, without any limitations, the right to use, publish, translate, sell or distribute, privately or publicly, any item or part thereof.



## ARTICLE X

### Suspension

Section 10.01: Notwithstanding the provisions of Section 3.03 of this Agreement, where any violations of this Agreement becomes apparent, or where it appears that the conditions surrounding the Project have changed to such an extent that, in the opinion of the Executive Director, the successful completion of the Project is unlikely, ITTO may, by written notice, suspend all further disbursements of funds pending a review.

Section 10.02: If ITTO funding of the Project is suspended the Executing Agency shall not incur any further expenditures on activities, goods or services financed by such funds unless and until such funding is resumed, except with the previous written approval of ITTO. The Executing Agency shall keep all assets and values previously funded by ITTO for the Project in safe custody, and shall give notice immediately to any sub-contractor whose services are being paid for from ITTO's funds to suspend its activities as soon as possible, so as to minimize the cost to the Project.

## ARTICLE XI

### Termination

Section 11.01: The ITTC may, by written notice, terminate its approval and funding of the Project, in particular in cases where it is satisfied that:

- (a) the financial resources provided for the Project are being misapplied to an extent which compromises the fulfillment of the objectives of the Project; or
- (b) the technical means and/or personnel being used for the implementation of the Project are being misapplied to an extent which compromises the fulfillment of the objectives of the Project; or
- (c) its continued approval and funding no longer serve the objectives of the Project.

Section 11.02: In case of a decision by ITTC to terminate, the provisions of Article X above shall be applied; and the unused part of the resources contributed by ITTO to the Project shall be returned to ITTO together with a final audited statement within three months after the date of termination.

## ARTICLE XII

### Force majeure

Section 12.01: Force majeure is referred to as any unforeseeable exceptional situation or event, and the occurring and consequence of this situation or event are unavoidable and

insurmountable for the Parties, thus prevents either of them from fulfilling or fulfilling on time any agreed responsibilities in this Agreement. It is not attributable to error or negligence on the Parties (or the Project subcontractors, agents or employees). However, defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A Party shall not be held in breach of its agreed obligations if it is prevented from fulfilling them by force majeure. Without prejudice the Party faced with force majeure shall inform the other Party without delay, stating the nature as well as probable duration and foreseeable effects, and at the same time take any measure to minimize possible damage.

### **ARTICLE XIII**

#### **Settlement of Disputes**

Section 13.01: Any dispute arising out of the interpretation or implementation of this Agreement or any breach thereof shall be settled amicably by consultation or negotiation between the Executing Agency and ITTO within the framework of UNCITRAL (United Nations Commission for International Trade Law) arbitration rules.

### **ARTICLE XIV**

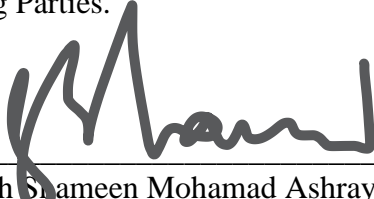
#### **Modification of the Agreement**

Section 14.01: This Agreement may be modified by written mutual consent between the Parties, each of which shall give full and sympathetic consideration to any proposal for its amendment.

**ARTICLE XV**

**Entry into Force**

**Section 15.01: IN WITNESS WHEREOF** the undersigned, duly appointed representatives of the International Tropical Timber Organization and the Malaysian Timber Certification Council (MTCC) have signed on behalf of the respective Parties this Project Agreement in two originals on the dates indicated below. This Agreement shall enter into force upon signature by all the contracting Parties.



\_\_\_\_\_  
Dr. Farrah Sameen Mohamad Ashray  
Chief Executive Officer



\_\_\_\_\_  
Sheam Satkuru  
Executive Director

On behalf of the Malaysian Timber  
Certification Council (MTCC)

On behalf of the International  
Timber Organization (ITTO)

Dated: 20 March 2024

Dated: 5-Apr-2024

Place: Kuala Lumpur, Malaysia

Place: Yokohama, Japan






# INTERNATIONAL TROPICAL TIMBER ORGANIZATION

Final Audit Report

2024-04-05

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