



## SUMMARY OF THE FIFTY-FIRST SESSION OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL AND ASSOCIATED SESSIONS OF THE FOUR COMMITTEES: 16-21 NOVEMBER 2015

The fifty-first session of the International Tropical Timber Council (ITTC-51) and the Associated Sessions of its four Committees were held in Kuala Lumpur, Malaysia, from 16-21 November 2015. At this session, the Council discussed: the selection of the next International Tropical Timber Organization (ITTO) Executive Director; the loss of ITTO funds due to failed investments, and rules for the admission of observers to ITTC. The Council also discussed ITTO's ongoing cooperation with the Convention on International Trade in Endangered Species of Wild Fauna and Flora; developments regarding forests in the UN Framework Convention on Climate Change; the ITTO/Convention on Biological Diversity Collaborative Initiative; and regional ITTO presence and representation.

Delegates also convened the forty-ninth sessions of the Committee on Economics, Statistics and Markets and the Committee on Forest Industry (CEM-CFI), and the Committee on Reforestation and Forest Management (CRF), to approve projects and pre-projects, review projects and pre-projects under implementation and *ex-post* evaluations, and conduct policy work. The thirtieth session of the Committee on Finance and Administration (CFA) met to discuss, *inter alia*, the current status of the Administrative Account, and the biennial administrative budget for 2016-2017.

Ultimately, the Council was unable to reach agreement on the selection of a new Executive Director, despite attempts to reach consensus and two rounds of voting. Decisions were adopted on: renewing the mandate of the Informal Advisory Group; the admission of observers; and the terms of reference for a panel to investigate the loss of ITTO funds through failed investments.

### A BRIEF HISTORY OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL

The International Tropical Timber Agreement (ITTA) was negotiated under the auspices of the United Nations Conference on Trade and Development (UNCTAD) to: provide an effective framework for cooperation and consultation between countries producing and consuming tropical timber; promote the expansion and diversification of international trade in

tropical timber and the improvement of structural conditions in the tropical timber market; promote and support research and development to improve forest management and wood utilization; and encourage development of national policies for the sustainable utilization and conservation of tropical forests and their genetic resources and for maintaining the ecological balance in the regions concerned.

The ITTA was adopted on 18 November 1983, and entered into force on 1 April 1985. It remained in force for an initial period of five years and was extended twice for three-year periods. The Agreement was renegotiated during 1993-1994. The successor agreement, the ITTA, 1994, was adopted on 26 January 1994, and entered into force on 1 January 1997. It contained broader provisions for information sharing, including on non-tropical timber trade data, allowed for consideration of non-tropical timber issues as they relate to tropical timber, and included the ITTO Objective 2000 for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000. The ITTA, 1994 also established the Bali Partnership Fund to assist Producer members in achieving the Year 2000 Objective.

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In 2003 negotiations began on a successor agreement to the ITTA, 1994. The ITTA, 2006 was adopted in Geneva on 27 January 2006. The ITTA, 2006 builds on the foundations of the previous agreements and focuses on the world tropical timber economy and the sustainable management of the resource base, simultaneously encouraging the timber trade and improving forest management. It also allows for the consideration of non-tropical timber issues as they relate to tropical timber. It entered into force on 7 December 2011.

The ITTA, 1983 established the International Tropical Timber Organization (ITTO), headquartered in Yokohama, Japan, which provides a framework for tropical timber producer and consumer countries to discuss and develop policies on issues relating to international trade in, and utilization of, tropical timber and the sustainable management of its resource base. The ITTO also administers assistance for related projects. The ITTO has 72 members, which are divided into two caucuses: producer countries (34 members) and consumer countries (38 members), including the European Union. The ITTO's membership represents about 90% of world trade in tropical timber and 80% of the world's tropical forests.

The governing body of the ITTO is the International Tropical Timber Council (ITTC), which includes all members. Annual contributions and votes are distributed equally between Producers and Consumers. The Council is supported by four committees, which are open to all members and provide advice and assistance to the Council on issues for consideration and decision on: Economics, Statistics and Markets (CEM); Reforestation and Forest Management (CRF); Forest Industry (CFI); and Finance and Administration (CFA).

**ITTC-43:** The 43rd session of the ITTC met from 5-10 November 2007, in Yokohama, Japan. The Council approved: the Biennial Work Programme (BWP) for 2008-2009; funds for studying the linkages between climate change and tropical forests; and Guidelines on the Conservation and Sustainable Use of Biodiversity in Tropical Timber-Producing Forests. The Council also approved draft Rules of Procedure and Financial Rules of Procedure, to be considered at the first meeting of the ITTC after the ITTA, 2006 enters into force.

**ITTC-44:** The 44th session of the ITTC met from 3-8 November 2008, in Yokohama, Japan. The Council discussed issues concerning operational, project and policy work for 2008-2009, including: Thematic Programmes; the BWP for 2008-2009; ITTO Objective 2000; and the ITTO Action Plan 2008-2011. It was agreed that future Council sessions would be held annually, alternating between Yokohama and Producer member countries, subject to sufficient funding being available for the incremental costs associated with the latter.

**ITTC-45:** The 45th session of the ITTC met from 9-14 November 2009 in Yokohama, Japan. At this session, the Council considered and adopted decisions on: the entry into force of ITTA, 2006; activities included in the BWP 2010-2011; and on the selection of projects, pre-projects and activities to receive funding. The Council also held discussions on the implementation of the BWP for 2008-2009, the current status of implementation of the ITTO Thematic Programmes, and the frequency and location of future Council sessions.

**ITTC-46:** The 46th session of the ITTC met from 13-18 December 2010 in Yokohama, Japan. The Council reappointed Emmanuel Ze Meka as Executive Director for five years, and decided that annual Council sessions shall rotate between Yokohama and a Producer member country, and that no more than US\$400,000 shall be spent from the Administrative Budget on the latter. The Council also adopted decisions on the ITTO/Convention on Biological Diversity (CBD) collaborative initiative on enhancing biodiversity in production forests and improved conservation and management of protected areas.

**ITTC-47:** The 47th session of the ITTC met from 14-19 November 2011 in Antigua, Guatemala. The Council considered: implementation of the BWP 2010-2011; activities to be included under the BWP for 2012-2013; the current status of implementation of the ITTO Thematic Programmes; and the administrative budget for 2012. The Council also reviewed the status of the deposit of instruments of ratification, acceptance, approval or accession to ITTA, 2006.

**ITTC-48:** The 48th session of the ITTC met from 5-10 November 2012 in Yokohama, Japan. The Council announced funding of US\$9 million for sustainable forest management (SFM) and to support trade of sustainably harvested tropical forest resources. The Council also approved the ITTO 2013-2018 Strategic Action Plan.

**ITTC-49:** The 49th session of the ITTC met from 25-30 November 2013 in Libreville, Gabon. The Council discussed the revised Principles and Guidelines for the Sustainable Management of Natural Tropical Forests, the establishment of a regional office for Africa, and strategies on resource mobilization and knowledge management. The Council decided, *inter alia*, to call for applications for the position of ITTO Executive Director, and organize a regional workshop on SFM and forest education in Latin America.

**ITTC-50:** The 50th session of the ITTC met from 3-8 November 2014 in Yokohama, Japan. The Council was unable to reach agreement on the selection of a new Executive Director, postponing decision on this matter until ITTC-51. Delegates were also unable to reach agreement on admission of observers, but adopted a decision to create a working group to examine related procedures. Delegates participated in a panel discussion on "ITTO's Past, Present and Future."

## ITTC-51 REPORT

ITTC-51 Chair Bin Che Yeom Freezailah (Malaysia) opened the Council session on Monday, 16 November 2015, praising Malaysia's sustained commitment to, and support of, the objectives of the ITTO, particularly through sustainable forest management (SFM) and forest certification. He urged both producer and consumer countries to unite in promoting the expansion and diversification of the international trade of tropical timber through sustainably harvested timber as enshrined in ITTA, 2006.

Ngole Philip Ngwese, Minister of Forestry and Wildlife, Cameroon, emphasized Cameroon's efforts in contributing to the ITTO-Convention of Biological Diversity (CBD) agreement on biodiversity conservation through capacity building and training in SFM across the Congo Basin, and stated that Cameroon is making efforts to develop a country strategy for reducing

emissions from deforestation and forest degradation (REDD+) in an inclusive and participatory manner. He noted the worrying trend of a number of projects accepted by the ITTC but still awaiting financing, urging the ITTO to remain focused on its original mission as espoused in the ITTA, 2006.

Barbara Serwaa Asamoah, Deputy Minister, Ministry of Lands and Natural Resources, Ghana, highlighted the ITTO as a unique and essential life support system for tropical forests. She outlined progress in Ghana's national forest policies, which take into account: REDD+; a low carbon development pathway; the sharing of benefits among all segments of society, particularly forest communities; and leveraging of international funding. She called on delegates to elect a new Executive Director (ED) at this session.

Manoel Sobral Filho, Director, UN Forum on Forests (UNFF) Secretariat, emphasized the critical importance of good forest governance and outlined components of international forest governance, including the Collaborative Partnership on Forests, UNFF, and the 2030 Sustainable Development Agenda. He noted the opportunity for ITTO to actively participate in: the achievement of the newly adopted International Arrangement on Forests Strategic Plan 2017-2030; and the newly established UNFF Global Forest Financing Facilitation Network to facilitate access to emerging forest-related funds.

Douglas Uggah Embas, Minister of Plantation Industries and Commodities, Malaysia, welcomed delegates and highlighted progress made to date in pursuing the sustainable management of tropical forests. He described the Heart of Borneo project, a collaborative effort between Malaysia, Indonesia and Brunei, to maintain habitat corridors and connectivity. He noted that Malaysia is in favor of the next ITTO ED being selected from a Producer country, as the ITTO is hosted by a Consumer country.

Chair Freezailah expressed appreciation for the commitment of outgoing ED Emmanuel Ze Meka and emphasized the importance of selecting the next ED by consensus. He identified the four candidates for ED as Gerhard Dieterle (Germany), Sheamala Satkuru (Malaysia), Eduardo Mansur (Brazil), and Ivan Tomaselli (Brazil). Steven Johnson, ITTO Officer-in-Charge, highlighted several key issues that the Council should address during ITTC-51, including the unique opportunity for the new ED to fill key senior staff positions of the Secretariat to replace those in the process of retiring. He also noted priorities for ITTC-51, including: the problem of new projects not receiving funding; revision of ITTO criteria and indicators (C&I) for SFM; financial management of the organization's resources; revision of ITTO staff rules and regulations, and raising the profile of tropical timber in the marketplace.

**ORGANIZATIONAL MATTERS:** Chair Freezailah confirmed the quorum was attained for the session. The provisional agenda (ITTC(L)/1) was adopted. Steven Johnson, Officer-in-Charge, reported the recent inclusion of Croatia and Thailand in the membership under ITTA, 2006 and presented their contribution to the administrative budget remaining in the 2015 financial year (ITTC(L)/3 and ITTC(L)/4 respectively). Johnson also noted that Belgium officially ratified the ITTA on 28 July 2015, having been a member of the ITTO since 2008. Johnson additionally presented the proposed distribution of votes

(ITTC(L)/1, Annex) for the 2015-2016 biennium, noting that the current number of members is 34 Producers and 38 Consumers, bringing the number of members to 72.

### COUNCIL SESSIONS

The Council met throughout the week to consider issues concerning operational, project and policy work.

**REPORT OF THE CREDENTIALS COMMITTEE:** On Tuesday, it was announced that France had delegated its votes to Austria. Ray Thomas Kabigting (the Philippines), Chair of the Credentials Committee, presented the report of the credentials committee (ITTC(LI)4 Rev.2) and said that India had delegated its votes to Brazil.

On Friday, the Credentials Committee reported (ITTC(LI)/4 Rev.4) that Guatemala had delegated its voting rights to Honduras and Switzerland to the EU. The Philippines noted their expected absence on Saturday, stating their intention to delegate their voting rights to Brazil, subject to review and acceptance by the Committee. In the ensuing discussion, it was decided that submission of credentials must be completed by 8:00 am on 21 November 2015 and that the delegation of votes can be done by any delegation before a vote is held.

On Saturday, the Credentials Committee reported that the credentials of 61 countries had been examined, with Poland delegating its voting rights to the EU (ITTC(LI)/4 Rev.5). Brazil sought clarification on Panama's voting rights, with the Chair of the Credentials Committee noting that Panama's delegation of votes to Mexico had been verified. As the Myanmar delegation was not present, the Chair of the Credentials Committee stated that Myanmar would not participate in the vote along with other country delegations not present. The Chair also mentioned that Costa Rica was delegating its voting rights to Mexico and Vietnam to Malaysia.

**REPORT OF THE INFORMAL ADVISORY GROUP:** Chair Freezailah summarized the report of the Informal Advisory Group (IAG) (ITTC(LI)/2), noting: IAG's request for a renewal of its mandate until the Council decides to reassess it; and that the election of the ED should, in accordance with ITTA, 2006, be made by consensus. He reported that there had been an "impairment of investment" in ITTO funds, and that, in contravention of ITTO policy that investments be "zero risk," an investment of US\$6 million in LM Managed Performance Fund had been made and subsequently lost. Furthermore, he noted an investment of US\$12 million in the Ardent 365 Fund, the security of which remains unclear. He further noted that this was reported in the 2013 audited financial statements, but escaped the attention of the CFA at its last session and was not highlighted by the Secretariat. He underscored the IAG's recognition of the seriousness of this situation and its potential impact on ITTO's credibility. He outlined the IAG's recommendation that this matter be raised urgently in the CFA with a view to adopting a decision that: establishes an investigation with appropriate expertise to ascertain the facts; sets out a plan of action and detailed timeline for the investigation; includes measures for reporting the results of the investigation to the Council; and includes proposed steps for strengthening ITTO's internal control procedures.

The EU, Costa Rica, Japan, the Philippines, Cameroon, the US and Peru supported due conduct of this issue, including a formal investigation. The EU and Costa Rica noted that this will affect producer countries most heavily as this money was intended for projects. Cameroon and Peru noted their concern about why delegates had not been informed of this loss of money until now, and the US highlighted their concern that this could shake donor confidence.

**ENHANCING COOPERATION BETWEEN ITTO AND CITES:** The Secretariat explained how ITTO has enhanced its cooperation with the Convention on the International Trade of Endangered Species (CITES) (ITTC(LI)/5). He noted the demand for the programme exceeds the supply of present funds provided by China, Germany, the Netherlands, Norway, the US and the private sector. He explained that the programme was guided by an effective and resource-efficient advisory committee composed of representatives from the Civil Society Advisory Group (CSAG), the Trade Advisory Group (TAG), and donors and target countries.

Milena Schmidt, CITES, reported on the progress of the ITTO-CITES programme for listed tree species. She said the programme has impacts on range states by improving forest management and regulation of trade in CITES-listed tree species via scientific and management authorities; and increased awareness and cooperation in research, silviculture and CITES compliance. On impacts on trading states, she said the programme improved capacity to manage and regulate international trade in CITES listed tree species; and support for the Scientific Review Group of the European Commission. Noting that the number of tree species listed under CITES keeps increasing, she said 300 species of trees were listed in Appendix II during CITES COP 16 alone.

Noting that the ITTO-CITES programme is a success story of cooperation between intergovernmental organizations to achieve common goals in sustainability, the EU said it looked forward to its midterm review and encouraged other donors to contribute to the third phase of the programme. The US welcomed new funding partners, namely China and the private sector. Chair Freezailah, supported by Cameroon, Mexico, Malaysia and Indonesia, expressed gratitude to government donors and European pharmaceutical companies for supporting this programme.

**SELECTION OF THE EXECUTIVE DIRECTOR (MATTERS RELATED TO ARTICLE 14 OF ITTA, 2006):**

On Tuesday, Finland, on behalf of Consumers, called for a special vote, while Cameroon, on behalf of Producers, proposed that both caucuses reconsider the process, given another special vote may reach the same impasse that occurred at ITTC-50. After informal consultations, the Council decided to vote to decide whether it would vote on the ED. The EU, on behalf of Consumers, requested the report of the Credentials Committee before voting.

On Wednesday, Officer-in-Charge Johnson announced that Malaysia had withdrawn its candidate. The Council's first round of voting for the new ED produced no clear winner given that Gerhard Dieterle (Germany) garnered 17.7% of the Producer

votes and 65.6% of the Consumer votes, while Eduardo Mansur (Brazil) obtained 82.3% of the Producer votes and 34.4% of the Consumer votes.

On Thursday, Brazil underscored that ITTO's "founding fathers" intended to balance power between Producers and Consumers, and proposed its candidate for one term only. The EU stated there was no evidence that Consumers should not be permitted to serve as ED of the ITTO. The US cautioned that the reputation of the ITTO would be jeopardized if a new ED was not selected at ITTC-51.

On Friday, Finland clarified that it proposed alternating between an ED from a Producer and Consumer country and not alternating between regional groups. The US, supported by the EU, proposed taking a decision on rotating the ED that would take effect as soon as the new ED is elected. Cameroon inquired about the legal ramifications of such a decision on ITTA and ITTO statutes; and if it should be agreed by special vote or by consensus. Carlos Mericaechevarria, Legal Advisor, UNCTAD, explained that the principle of rotation can be decided by special vote or by consensus, specifying that this principle will not require modifications to the ITTA. Togo expressed caution that a decision enshrining the principle of rotating the ED is not a permanent solution and should not take precedence on the present ED decision. The Council agreed for the Secretariat to draft terms of reference regarding the principle of rotation of the ED.

On Saturday, Brazil requested a special vote for the appointment of the ED. Dieterle received 21.9% of the Producer member vote and 65.6% of the Consumer member vote; while Mansur received 78.1% of the Producer member vote and 34.4% of the Consumer member vote. Since the voting threshold was not met in both caucuses, the special vote was inconclusive. Delegates discussed the draft decision on the principles for the appointment of the ED (ITTC(LI)/20). Brazil proposed the principle of rotation be conditional on the next ED coming from a Producer country and for it to be tried as a pilot exercise. The US and the EU said that after taking a decision on ED rotation, an ED should be chosen by vote. Brazil called for applying ITTO's rules of procedure to examine the decision on ED rotation. Cameroon expressed concern about the decision on ED rotation and implications for the ITTA. Togo, opposed by the EU, proposed adopting the decision on principle. Observing that ITTA does not stipulate that the ED should come from a Producer country, the US, supported by the EU, reassured delegates that a rotation decision will not impact ITTA, although UNCTAD cautioned that the newest draft decision (ITTC(LI)/20) might impact the ITTA. Brazil, supported by Peru, noted that establishing a decision alternating ED nomination from Producer and Consumer countries could limit what was envisioned in the ITTA. The EU proposed language in the decision on rotation to reassure members that consumers will not lead the ED position for coming decades. Brazil requested an analysis on impacts of an ED rotation decision on the ITTA. UNCTAD proposed softer language to avoid affecting the ITTA. Brazil, supported by Togo, Colombia and Peru, proposed to defer adoption of the ED rotation decision to ITTC-52. The US supported this, and

suggested re-opening the ED application process. The Council adopted a decision to re-advertise the ED position, based on the terms of reference previously adopted in Libreville.

#### BIENNIAL WORK PROGRAMME 2015-2016

**PROGRESS REPORT:** Gerhard Breulmann, ITTO Secretariat, presented on the report on the implementation of the ITTO BWP for 2015-2016 (ITTC(LI)/6 Rev.1). He highlighted activities in each of the strategic priorities, which ranged from promoting good governance to building human capacity to implement SFM. Breulmann said that 35% of the voluntary contributions sought have been received by ITTO. Explaining that some areas of activities receive more funding, he noted activities under the strategic priority of governance received 8% of voluntary contributions while other activities under the strategic priority of increasing the contribution of tropical forests to national and local economies received 78% of voluntary contributions.

In the ensuing discussion, Peru, supported by the EU, expressed concern over the relatively low funding in thematic areas that are critical for improving forest governance. He stressed the need to revise indicators to more adequately measure the impacts that political and legal frameworks have on improving governance.

**THEMATIC PROGRAMMES:** Breulmann presented a progress report assessing 79 Thematic Projects, highlighting that “Industry Development and Efficiency” and “Community Forest Management and Enterprises” Thematic Programmes have yet to receive funding for the phase 2013-2018. He noted the Thematic Programme website is being updated to improve communication and accessibility to data. Markku Simula, ITTO consultant, presented a mid-term review of progress of projects on Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests and on Forest Law Enforcement, Governance and Trade, highlighting lessons learned, including, *inter alia*: that strengthening of law enforcement requires more than just training; programme piloting has to be large scale to aid institutional adjustment; and good strategies require capacity building within both communities and institutions. He recommended, *inter alia*, that the Council consider targeted calls for proposals rather than relying exclusively on open calls, and emphasized that Thematic Programmes are a useful tool but “we still need to make the most of them.” China highlighted the development of a Forest Projects Index, based on data from more than 100 timber-related enterprises, and said it is facilitating policy and information exchange among industry, policy makers and researchers.

#### DEVELOPMENTS IN THE UN FRAMEWORK

##### CONVENTION ON CLIMATE CHANGE (UNFCCC):

On Wednesday, Jürgen Blaser, ITTO Consultant, presented on climate change mitigation through REDD+, noting that first steps towards the development of national REDD+ policies, results-based payments and REDD+ implementation beyond the readiness stage were being made, but urged that these developments be better integrated within the overall UNFCCC post-2020 climate agreement (ITTC(L)/14). He emphasized that 72% of countries have submitted their Intended Nationally Determined Contributions for emissions reduction and have considered the role of sustainably managed forests for achieving their targets. In terms of REDD+ finance, he highlighted several

bilateral and multilateral advancements, including the Forest Investment Programme and the Forest Carbon Partnership Facility, in building an architecture of forests and climate change finance. He underscored that to date, US\$10 billion has been committed for REDD+. Blaser mentioned that over US\$10 billion has been pledged for the Green Climate Fund (GCF), with greater clarity needed on how a country can gain access to finance for REDD+ through the GCF, given that forests are a priority area for funding. He urged the ITTO to consider accreditation as an implementing agency through which GCF funds can be disbursed. Norway commended ITTO’s efforts to seek accreditation to the GCF, noting that while the need to integrate climate finance policies into the organization is articulated, it is not well described in terms of rights and responsibilities. The US recognized that the post-2020 climate agreement and compliance mechanisms should be considered in light of outcomes from the 21st meeting of the UNFCCC Conference of the Parties (COP 21).

**ITTO-CBD COLLABORATION:** On Monday, Charles Besançon, CBD Secretariat, on behalf of the Executive Secretary of the CBD, made an announcement to strengthen collaboration with the ITTO over common objectives in addressing the main drivers of biodiversity loss in tropical forests. He noted that the Joint ITTO-CBD Collaborative Initiative for Tropical Forest Biodiversity has funded 11 transnational projects across 26 countries supporting both the Strategic Plan for Biodiversity 2011-2020 and forest-related Aichi Biodiversity Targets. Besançon highlighted that support from the Korea Forest Service has enabled the CBD, in consultation with ITTO, to review project proposals under the Joint Initiative to identify potential projects where Forest Ecosystem Restoration Initiative funds could be targeted. He recognized the contribution of the Republic of Korea in the amount of US\$100,000 for the development of a forest restoration program in Guatemala.

On Wednesday, John Leigh, ITTO Secretariat, presented the report on the implementation of the Joint ITTO-CBD Collaboration Initiative to Conserve Tropical Forest (ITTC(LI)/9). He explained how this initiative is enhancing biodiversity conservation in tropical forests through implementation of the CBD Programme of Work on Forest Biodiversity; the Strategic Plan for Biodiversity 2011-2020; and the ITTO Action Plan. Noting that this initiative focuses on both production and protective forests, he enumerated the initiative’s outputs such as enhanced local capacity for biodiversity conservation; improved conservation in protected areas; and improved welfare of local communities. He specified that the initiative used the ITTO-IUCN (International Union for the Conservation of Nature) Guidelines for conservation and sustainable use of biodiversity in tropical timber in production forests; and the ITTO Guidelines for restoration of secondary tropical forests to support the CBD Programme of Work on Forest Biodiversity. He specified that US\$12.5 million of the initiative’s US\$15 million budget has been funded.

In the ensuing discussion, Cameroon said that a project in his country funded by this initiative allowed for technical training of personnel in charge of school networks. The EU welcomed the renewal of the Memorandum of Understanding between the ITTO and CDB at CBD’s COP 12. Noting the important role of

the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) to ITTO, Malaysia announced it would host the fourth session of IPBES in February 2016. Benin stressed the importance of the collaboration between the CBD and the International Partnership for the Satoyama Initiative.

#### **CONSIDERATION OF REGIONAL ITTO PRESENCE:**

On Thursday, Hosny El-Lakany, ITTO Consultant, presented a study on the possible role and objectives, feasibility and budgetary implications of strengthening regional representation of the ITTO through regional offices (ITTC(L)/10). He reviewed the activities of current regional officers and presented two options of increasing regional presence through regional offices by either appointing new staff or relocating staff from headquarters. He said the establishment of regional offices is technically feasible and would serve ITTO and its member countries better than the current regional officers system, but that financial implications would need to be examined carefully. He underscored key benefits of establishing regional offices, including: increasing services to Producer countries; the budget implication of each option; and the administrative and legal aspects of regional offices, including whether legally-binding Host Country Agreements are required or whether it would be feasible to attach ITTO presence to existing regional offices of other international organizations in the regions. Costa Rica, supported by Peru and Indonesia, supported the establishment of regional offices, emphasizing the need for greater decentralization of work, and a closer association with projects implemented in Producer countries. Peru added that the Secretariat should draw up terms of reference for regional offices and the obligations necessary for countries seeking to host the proposed office. As a compromise position, Indonesia suggested that two regional officers be appointed to the regions rather than three. The EU, supported by the US and Japan, opposed the creation of regional offices, citing the recent decrease in regional project portfolios, challenges associated with donor confidence and sensitivity associated with the impairment of ITTO funds.

**ADMISSION AND ACTIVITIES OF OBSERVERS:** On Monday, Chair Freezailah invited the Council to consider the lists of observers for admission (ITTC(L)/Info.3). Malaysia opposed the request of the Bruno Manser Fund (BMF) to be admitted as an observer, stating that their allegations are disrespectful to the objectives of the ITTO. Switzerland, with the EU and the US, noted that the free expression of civil society is a basic right and should not be limited by the ITTO. The EU, supported by Indonesia, suggested that the conduct for admitting observers during ITTC-50 be followed until new procedures are established. The Philippines, supported by the US, emphasized the need to review rules and procedures for admitting observers and agreed with others that observers be invited to attend until such a review takes place. Chair Freezailah recalled that no consensus was achieved on this matter at ITTO-50 and thus a decision was postponed until the current session.

In the afternoon, Enzo Barattini, ITTO Consultant, presented a paper reviewing the admission, rights and responsibilities of observers to ITTO sessions and side events (ITTC-51/11). He said the paper highlights that observer participation in ITTC has been enhanced through CSAG, TAG and side events, and that

existing procedures for admission of observers already allow for considerable participation, through transparent procedures, similar to other international fora. He noted that no procedure offers a fail-safe method for achieving consensus on all applications for observer status, but concluded that ITTC could transfer more responsibility for assessment to the ED.

Chair Freezailah noted that in the history of the ITTC, two observers have been denied admission, and that the Secretariat was not completely satisfied with a review of the background paper by the working group via teleconference, due to low participation. Finland, on behalf of Consumers, called for more time to understand, discuss and draft new rules concerning observers. Malaysia pointed out the need to separate observer status for official ITTO sessions and side events, and highlighted the ITTO is not a forum for non-members to make destructive allegations against members. The EU highlighted procedural concerns, calling for recommendations from a working group rather than a consultant. Cameroon cautioned against rigid rules being applied to the admission of observers. Chair Freezailah suggested that a working group be formed, led by joint Chairs from both Producer and Consumer caucuses, to examine the admission of observers in greater detail.

On Tuesday, Malaysia maintained its position to oppose the request of the BMF for admission in light of two BMF press releases that have been issued concerning the impairment of ITTO investments. Cameroon and Peru supported Malaysia in this position, noting that issues of confidentiality should not be made public at the current juncture. The EU, supported by Switzerland, emphasized that they did not wish to call a vote on the issue, but urged that BMF be admitted as an observer or risk further damaging the reputation of the ITTO. In response to a lack of consensus on this issue, Chair Freezailah made the decision to deny admission to BMF. Chair Freezailah reminded both caucuses to nominate their co-chairs for the working group to examine the procedures related to admission of observers.

**ITTO GUIDELINES TO INCORPORATE GENDER EQUALITY:** James Gasana, ITTO Consultant, presented an overview of draft guidelines on gender equality and the empowerment of women (ITTC(LI)/12). He emphasized that ITTO lacks tools and assessments that are specifically designed to promote gender equality, and that most Thematic Programmes are gender-blind. He recommended gender issues be considered in ITTO work at all levels, including: equal representation in decision-making processes; a focus on programmes to empower women, including the advancement of women's forest tenure rights and promotion of women's small enterprises; time-appropriate gender balancing of staff; and the allocation of resources to implement this work in each BWP. Mexico highlighted the development of national forest guidelines that aim to address the institutional and social barriers women face. Norway, supported by the EU, proposed that the draft guidelines be translated into more accessible language to facilitate their implementation. Indonesia noted the necessity for gender analyses at the project design stage, given that customary and traditional law varies from region to region. Costa Rica urged the ITTO to be a leader in gender equity. The EU noted that all countries are committed to gender equality, not just equity, as enshrined in the 2030 Agenda for Sustainable Development,

and proposed clearer mention of: the roles and responsibility of relevant actors; human rights; the work of UN Women; and adequate outreach and training to accompany the guidelines. Benin suggested that implementation of the guidelines include integration into ITTO Action Plans. The US highlighted that almost all ITTO members have ratified the Convention on the Elimination of all Forms of Discrimination Against Women and so proposed the gender-disaggregated monitoring of employment in timber-related high-level positions. Papua New Guinea proposed the establishment of a working group to take this issue further.

**ITTO FELLOWSHIP PROGRAMME:** On Friday, the ITTO Secretariat presented the progress report of the ITTO Fellowship Programme (ITTC(LI)/13). He stated that the Fellowship Network contains 600 registered members and awards 50-60 fellowships per year to a maximum amount of US\$10,000 per applicant. He said, to date, 1,324 fellowships have been awarded, adding that US\$400,000 is requested for 2016. Jennifer Conje, ITTO Secretariat, presented the report of the Panel (ITTC(LI)/14), noting that of 52 applications considered, the Panel recommended the Council award 18 fellowships, at a cost of US\$100,000, noting that 33% are from Africa, 33% from Asia/Pacific, 28% from Latin America and the Caribbean and 6% from Consumers, with women accounting for 56% of recommended applicants.

**ANNUAL REPORT FOR 2014:** On Friday, the Secretariat presented the ITTO Annual Report, highlighting sections covering, *inter alia*, the ITTO's involvement in international cooperation and collaboration, knowledge management, publications and outreach, a timeline of key achievements, and key outcomes of ITTC-50.

**SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND (BPF):** On Saturday, Chair Freezailah opened the floor for interventions on pledges to the Special Account and the BPF. The US pledged to make allocations in support of the biennial annual work plan of 2016, especially the ITTO-CITES collaboration, the ITTO Fellowship Programme and dedicated funding for TAG, CSAG, and the *Earth Negotiations Bulletin*, noting that funding has not been reserved for technical projects until greater collaboration with other donors is made available. Germany stated its continued support for the ITTO and its full support for a future German ED. Japan noted that in light of the impairment of ITTO funds, it would not be possible to make additional pledges at this time and urged Council to further investigate the matter in a thorough and expeditious manner so as to ensure new pledges in the near future.

Delegates heard a report on the Special Account and the BPF (ITTC(LI)/15), stating that no funds will be allocated to the BPF at this session, but that this will be revisited following satisfactory completion of the investigation into the loss of ITTO funds. Delegates agreed to an allocation of US\$150,000 from Sub-Account B to the Fellowship Fund to enable it to continue.

### JOINT COMMITTEE SESSION

On Tuesday and Friday, participants met in a Joint Committee Session, chaired by Jennifer Conje (US), to discuss: the report of the Expert Panel for technical appraisal of project proposals; *ex-post* evaluations of projects relating to participatory forest

management, forest fire management and forest law enforcement and governance; the Annual Market Discussion 2015; and accreditation to the GCF.

**REPORT OF THE EXPERT PANEL:** On Tuesday, Chair Conje introduced the Report of the Expert Panel for Technical Appraisal of Project Proposals (ITTC/EP-49, ITTC/EP-50). Marjukka Mähönen, Finland, provided an overview of the report, noting that the Panel, consisting of six Producer and Consumer members, had reviewed 60 proposals using the ITTO Guidelines for Project Formulation criteria and scoring system. She noted the need to improve the use of the Guidelines, and highlighted that the Project Search Tool offers a wealth of information. The US urged balancing ITTO's project portfolio by increasing the number of projects aimed at markets and industry, and increasing funding for training in developing proposals. Malaysia suggested examining the reasons why there are so few proposed projects related to markets. Côte d'Ivoire said that having regional ITTO representation could help with project development. She noted that staff turnover reduces the effectiveness of training, and urged support for "training the trainers" to circumvent this problem.

**EX-POST EVALUATIONS:** On Tuesday, Carlos Marx Ribeiro Carneiro, ITTO Consultant, presented an *ex-post* evaluation of three projects on community participation for productive forest management in Colombia and Panama (CRF(XLIX)/4). He said the main objective of the projects was to identify the contribution of community forestry to SFM, noting that capacity building through the development of community forestry-based enterprises was key to the protection and rehabilitation of forests and resulted in halting practices of illegal logging. He underscored, *inter alia*, the participatory approach adopted before and during project implementation; long-term technical backstopping that took place; respect for local cultures, traditions and ideologies; and management of non-timber forest products (NTFPs) as key to project success. His recommendations included the need for extending project objectives to include ecotourism and an ecosystem services approach, and the need for long-term *ex-post* evaluation, which strengthens the institutional memory of the project. In discussion, Côte d'Ivoire raised concerns as to the competitiveness of SFM in relation to other drivers of land-use change.

Florence Soriano, ITTO Consultant, presented an *ex-post* evaluation on participatory forest management for sustainable use of NTFPs in Indonesia (CEM-CFI(XLIX)/2). She said the project sought to increase communities' capacities to obtain forest utilization permits and to enhance the economic viability of NTFPs. She emphasized that the project met its outputs and brought many benefits, including the expansion of land under SFM, the establishment of local government policies to support sustainable use of NTFPs, and the delivery of outputs well within the project budget. She recommended continual support to improve capacity building for forest-dependent communities and due diligence in examining the consistency of project documents in a timely manner.

Johann Goldammer, Global Fire Monitoring Centre, Germany, presented an *ex-post* evaluation of the Thematic Group on Forest Fires, outlining the successful application of the ITTO Forest Guidelines on Fire Management (1997) and lessons learned from

projects in Ghana and Indonesia. He underscored, *inter alia*, the benefits of: green fire belts maintained by local communities; responsible use of controlled fires, which can lead to significant reductions in wildfires; and a cooperative approach among international donors, which can lead to nationally cohesive approaches and projects that complement each other. He recommended that funding move away from “projects” towards longer-term support for forest fire management, including the establishment of regional resource centers or programmes for capacity building. He highlighted that emissions from forest fires have exceeded certain national emissions from fossil fuel burning, and that forest fires lead to an estimated 180,000 premature deaths per year.

On Friday, Thang Hooi Chiew, ITTO Consultant, presented an *ex-post* evaluation of a project on strengthening the capacity of forest law enforcement and governance in Cambodia. He noted that the project contributed to the training of trainers on forest law enforcement, documentation of illegal forest practices and the provision of extension services to forest administrations, while improving forest governance. He stated that ITTO should extend the project to other provinces facing threats to their forests.

**ANNUAL MARKETS DISCUSSION:** Cindy Squires, International Wood Products Association, stressed key challenges affecting tropical timber demands in the US market including: a negative perception of imported products; product regulations that particularly affect small- and medium-sized enterprises (SMEs); and compliance with CITES and the US Lacey Act. She described the Association’s efforts to promote due diligence through industry training based on the development and refinement of standard operating procedures, assistance in regulatory compliance, and a forum for the exchange of ideas and expertise.

Ahmad Shah Mohamad, Malaysia Timber Council, highlighted efforts to strengthen the use of tropical timber in Malaysia’s timber market by promoting the use of certified timber, and to dispel consumers’ concerns in relation to quality and legality of timber products. He explained how “Certified Timber and Credible Suppliers,” a national certification initiative, links credible suppliers to users who may not understand timber products, and helps SME timber suppliers to enter domestic construction markets.

Barber Cho, Myanmar Timber Products Merchants Association, highlighted the expansion of private industry activity in wood-based timber production, following a log-export ban in the country. He described a “new chapter” for the Myanmar timber industry, noting historically weak forest governance in the country, and expressed hope that the new elected government will play closer attention to SFM going forward.

André de Boer, European Timber Trade Federation, informed delegates of a website being developed that contains a legality profile for each country, and all relevant information and documents. He called for Producer countries to assist in keeping the website up-to-date as this will help stimulate international trade.

Several Producer countries lamented that consumer market requirements are a moving target and involve escalating transaction costs. Vietnam proposed the Council work to set up harmonized minimum requirements for consumer markets. De Boer pointed out that harmonizing due diligence standards is a key issue.

Gasana delivered a presentation on strengthening participation of the private sector in advancing ITTO’s objectives. He highlighted the low level of funding for trade and forest industry projects, noting that the ITTO needs to address the low appreciation of tropical timber, particularly in eco-sensitive markets. He recommended the ITTO strengthen the participation of the private sector in ITTC sessions.

In the ensuing discussion, delegates discussed the importance of ITTO tapping into the expertise of the TAG. Sobral explained that the TAG has lost influence at ITTO over the years, and Gasana said the collaboration between the TAG and ITTO remains unclear.

**ACCREDITATION TO THE GCF:** The ITTO Secretariat informed the Committees of ITTO’s application for accreditation to the GCF (CRF(XLIX)/14), explaining that certain accreditation requirements are yet to be operationalized by the ITTO. These include, *inter alia*, policies and processes on gender equality, internal auditing, anti-money-laundering and environmental and social safeguards. The US raised concerns about the burden of this work on the already stretched Secretariat and Thematic Programmes, and therefore questioned the timing of the application. The EU reiterated how important it is to rapidly and transparently address the loss of ITTO funds so as not to affect the application. Delegates agreed to await the response of the GCF to ITTO’s second application, and to continue work to develop the required policies and guidelines.

#### **COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE AND COMMITTEE ON FOREST INDUSTRY**

The CEM and CFI sessions, chaired by Teguh Rahardja (Indonesia) and Miguel Mendieta (Honduras) respectively, met from Tuesday to Friday to consider: new and in-progress projects and pre-projects; completed projects and pre-projects; selection of projects for *ex-post* evaluation; policy work; and the CEM-CFI BWP.

**NEW PROJECTS AND PRE-PROJECTS:** On Wednesday, the Committees noted three new projects and pre-projects approved under time-bound electronic no-objection procedures following the recommendations of the Expert Panel for the Technical Appraisal of Project Proposals at ITTC-49 and ITTC-50.

**SELECTION OF PROJECTS FOR *EX-POST* EVALUATION:** On Wednesday, the Secretariat noted that no project was declared complete under both committees. The Secretariat explained that both committees would make a proposal to the Joint Session of the Committees for more effective use of pooled *ex-post* evaluation funds. The Secretariat also sought approval that projects in both committees related to teak products be included in the CRF thematic areas. Brazil and Ecuador endorsed this request.

**REVIEW OF PROJECTS AND PRE-PROJECTS**

**IN PROGRESS:** On Tuesday, the Committees considered projects and pre-projects in progress (CEM-CFI(XLIX)/3). The Secretariat noted that a project on forest law enforcement in Papua New Guinea was complete, pending the final audit report; and one on assistance for project identification and formulation, implemented since the 1980s, had run out of funding and the CFA would need to discuss this project.

The Secretariat noted that the Common Fund for Commodities has decided to suspend funding for a project on an operational supportive system for promoting processing of timber in five countries of the Congo Basin, due to substantial delays of the project and the inability of the Economic Commission of Central African States to produce an audit report on initial funds disbursed. Other projects on extraction of essential oils in the Congo Basin and reviving forestry education in Liberia were also discussed.

The Committees considered projects and pre-projects pending financing, noting that projects on enhancing Bali wooden handicrafts; a carpenter group in Huehuetenango-Quiché, Guatemala; wood-based biomass energy in northern Sumatra; lesser-used timber species in moist forests in Honduras; Pinabete in Guatemala; and Huehuetenango, Guatemala will lose their status as approved projects. Discussions further included, *inter alia*: a starting date of 30 November 2016 for a project on improved forest governance in Mozambique; a request from Malaysia to finance a project on life-cycle assessment for timber from Malaysia; and a note that necessary adjustments be made to a project concerning less-used timber species in moist forests in Honduras, due to many climate-driven insect plagues.

**POLICY WORK:** The Committees addressed policy work on Wednesday and Thursday.

**Environmental Product Declaration (EPD) and tropical timber products:** On Wednesday, the Secretariat presented a study that conducted a comprehensive life-cycle analysis for three timber products in Ghana, Malaysia and Brazil with the purpose of developing EPDs. He urged the need for standard product category rules that could be implemented as a harmonized parameter to compare tropical timber products, and underscored the potential role of ITTO to encourage EPD work among its members and to serve as a neutral and credible repository of EPD information. The TAG representative supported the role of ITTO as a clearinghouse where information on EPD can be centralized. Indonesia added that EPD based on life-cycle assessments should be extended to the wood preservation industry. The US stated that the private sector is better placed for conducting EPD work than ITTO.

**Report on IMM of FLEGT-Licensed Timber:** On Wednesday, Rupert Oliver, Forest Industries Intelligence Limited, presented on implementing the EU's Forest Law Enforcement, Governance and Trade (FLEGT) independent monitoring mechanism (IMM), which was the subject of a preceding side-event. He underscored the importance of the EU engaging with other fora, trade associations and trading partners to compensate for the market leverage it is losing to other countries, namely China.

In the ensuing discussion, Indonesia requested clarity on the reliability and quality of timber market data while Malaysia drew attention to various national initiatives to fulfill its commitment to ensure only exporting legally sourced timber to the EU, such as its Malaysian Timber Legality Assurance System.

**Market Access:** On Thursday, the Secretariat provided an update on developments in the past year affecting market access of tropical timber. He reviewed the legality requirements of some countries, particularly the EU Timber Regulation (EUTR), amendments to the US Lacey Act, and the Australian Illegal Logging Prohibition Act.

**Forest and Timber Certification:** The Secretariat briefed delegates on developments in 2014 in relation to forest and timber certification in ITTO Producer countries. He underlined that member countries had certified 25.6 million hectares of forests, representing 5.7% of global certified forests, and 2,806 chain-of-custody certificates. He said that the Forest Stewardship Council and the Programme of Endorsement of Forest Certification continue to be the main certification schemes among ITTO member countries, noting additional national certification schemes in Brazil, Malaysia, and Indonesia.

**Selected Data and Analysis from Elements for the ITTO Biennial Review and Assessment of the World Timber Situation 2014-2015:** Jean-Christophe Claudon, ITTO Secretariat, noted that the production of non-tropical timber has increased in proportion to tropical timber with the biggest importers being China and India, importing a total of 83% of tropical timber. In terms of producers of tropical timber, he mentioned an increase in exports from non-ITTO members, with a decline in the production of tropical timber from Malaysia. He presented trends on the exports of sawn wood, plywood and secondary processed wood products, noting that primary wood products are sensitive to economic cycles and that China is becoming both a major producer and consumer of tropical plywood. In relation to the effects of forest law on tropical timber imports and exports, he expressed concern that log exports from Sarawak and Sabah in Malaysia have declined by up to 22%. He concluded by stating that the demand for tropical primary wood products is now more dependent on a few key players.

In the ensuing discussion, Indonesia asked if the figures presented by Claudon are used as a basis for the calculation of votes for ITTO members. Noting that the share of tropical wood in global markets is decreasing compared to non-tropical wood, Indonesia inquired about the rate of decrease and means for correcting loss of markets for producer countries. Malaysia inquired about the value of the decrease of tropical timber share in global markets. He expressed concern regarding the trend of temperate timber replacing tropical timber. Papua New Guinea inquired on how to convince Middle East countries to become ITTO members. Asking whether tropical timber exports are originating from natural or plantation forests, Peru expressed concern that policies promoting substitute material to timber may be harmful to timber-dependent economies.

In response to delegates' concerns, Claudon explained that Producer votes are based on an ITTO member's forest area and trade. Referencing an ITTO manual on increasing its membership, he suggested diplomatically approaching non-ITTO

countries. The Netherlands, supported by TAG and Indonesia, requested policy work at ITTC-52 to consider strengthening private sector participation. Indonesia also expressed gratitude for the funding for its project on providing credit schemes to help small and medium industries in value-adding activities. The Chair took suggestions for CEM-CFI Policy Work at its next session. Indonesia requested that the next session include updates on its Timber Legality Assurance System.

On Thursday, Roman Carrillo, ITTO Secretariat, presented a new online tool (TropicalTimber.info) available for timber enterprises and consumers, which identifies tropical timber trees and their availability from certified forest sources for 60 demonstration species for the benefit of SMEs in ITTO Producer countries. He emphasized that timber product producers can, *inter alia*, conduct simple or advanced searches to select specific characteristics of products, find substitutes for certain species, and obtain information on past ITTO projects by topic.

**RECOMMENDATIONS TO ITTC:** The Committees recommended: funding be made available for two approved CEM and two CFI projects and pre-projects; against the approval of five CEM project proposals and one CFI proposal; verification of whether countries involved in the trade of tropical timber products that are not currently ITTO members have been invited to become members of the ITTO; and that further discussion on IMM be raised in the Joint Council.

**ELECTION OF CHAIR AND VICE-CHAIR FOR 2016:** On Thursday, the Committee approved Alicia Grimes (US) as Chair of the CEM and Akiko Nakano (Japan) as chair of CFI. On Friday, the Bureau approved Vice-Chairs Jorge Malleux Orjeda (Peru) and Achille Orphée Lokossou (Benin) for CEM and CFI, respectively.

**DATES AND VENUES OF FUTURE SESSIONS:** On Thursday, the Committees agreed that the 50th and 51st sessions of the Committees will be held in conjunction with ITTC-52 and ITTC-53 respectively.

**REPORT OF THE SESSION:** On Friday, the draft report of the Committees (CEM-CFI(XLIX)/4) was accepted, with minor amendments, for submission to the Council. Malaysia proposed to consider a study on substitution materials to tropical timber at ITTC-52. Indonesia proposed that improving market perceptions of tropical timber be taken up during the ITTO Annual Market discussion. Vice-Chair Grimes, supported by Malaysia and TAG, proposed that CEM discuss strengthening the participation of the private sector and not only the TAG in the work of ITTO. The US favored having the private sector rather than the ITTO lead the discussion on the development of EPDs.

### **COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT**

The 49th session of the CRF, chaired by Vice-Chair Nurudeen Iddrisu (Ghana), convened Tuesday to Friday to consider: completed projects; new and pre-projects; policy work; the CRF BWP for 2015-2016; implementation of approved projects and pre-projects; elections of officers; and recommendations to the ITTC Chair. Given that Chair Taivo Denks (Estonia) was not present, it was accepted that the CRF be chaired by Vice-Chair Iddrisu. On admission of observers, the Committee agreed to

allow all observers to attend the CRF. On Tuesday, Vice-Chair Iddrisu opened discussions on the agenda and organization of work (CRF(XLIX)/1).

**NEW PROJECTS AND PRE-PROJECTS:** On Friday, the ITTO Secretariat introduced discussion on new projects and pre-projects. The Committee declared the following projects and pre-projects approved under the time-bound electronic no-objection procedure to accept Expert Panel ratings:

- building capacity in forest governance in Honduras and Guatemala;
- rehabilitation and sustainable management of Ramsar sacred forest sites in Benin;
- improved management practices in forest-dependent communities in Guyana;
- development of forest landscape restoration program for Guatemala;
- application of growth and yield models to forest management planning in the Amazon;
- restoration and maintenance of environmental services and techniques for the use of native trees in Mexico;
- SFM and conservation in Indigenous territories in Guatemala; and
- creation of green belts in national parks in Cameroon.

**COMPLETED PROJECTS AND PRE-PROJECTS:** On Friday, Chair Iddrisu opened discussion on the Report on Completed Projects and Pre-Projects in Reforestation and Forest Management (CRF(XLIX)/2). The Committee declared the following projects complete:

- reforestation of degraded areas in the state of Minas Gerais, Brazil;
- establishment of *Meliaceae* plantations in the Yucatan Peninsula, Mexico;
- development of cloning for Samba and Tiokoué tree species in Côte d'Ivoire;
- forest seed management and conservation in Côte d'Ivoire;
- SFM in north and northeastern regions of Antioquia, Colombia;
- tropical forest conservation and enhancing carbon stocks in Meru Betiri National Park, Indonesia;
- small-scale private mixed plantations among women's groups in Ghana;
- implementing participatory and sustainable management of the Eto-Lilicope forest complex, Togo;
- operational strategies for conservation of genetic diversity in Kalimantan, Indonesia;
- integrated fire management practices in Guatemala; and
- marketing of native plant seeds, seedlings and timber products in the Amazon region of Peru.

The Committee accepted as completed the pre-project on a study on forest fire prevention strategies through participatory efforts of local communities in Colombia.

**EX-POST EVALUATIONS:** On Friday, Björn Menkell, Sweden, introduced the shortlist of completed projects relevant for *ex-post* evaluation in the field of reforestation and forest management (CRF/(XLIX)/7). He enumerated projects under thematic groups of forest management; biodiversity conservation; forest restoration; and genetic conservation. Highlighting a project on *ex-situ* and *in-situ* conservation of teak in Myanmar,

he noted that *ex-post* evaluation on teak could contribute to ongoing work on teak resources. He added that teak work at ITTO could cooperate with Teaknet, the International Union of Forest Research Organizations and the Food and Agriculture Organization of the UN (FAO).

**PROJECTS IN PROGRESS:** The ITTO Secretariat presented the implementation of approved projects and pre-projects (CRF(XLIX)/3), projects awaiting implementation agreements, and projects awaiting financing. The discussion was limited to projects and pre-projects that are having implementation problems, or require extension or major modifications. For projects under implementation, seven projects were discussed. In response to a question by the US regarding delays to two Côte d'Ivoire projects, the ITTO Secretariat explained that they are awaiting the signature of the Ministry of Foreign Affairs. Highlighting the project on transboundary biodiversity conservation between Thailand, Cambodia and Laos, Cambodia announced his country will host a regional conference in March 2016 to share lessons in conserving biodiversity in the region.

The following projects and pre-projects under implementation remained incomplete pending submission of final completion documents and/or financial audits:

- conservation and recovery of degraded land in the Brazilian Amazon;
- C&I for evaluation of tropical forest management sustainability in Mexico;
- forest seed management and conservation in Côte d'Ivoire;
- community forest management in Amazonas, Brazil;
- capacity building of tropical SFM in the ITTO Congo basin countries;
- development and implementation of C&I for sustainable management of planted forests in Thailand; and
- encouraging customary landowners to reforest with high value trees in Papua New Guinea

The following projects awaiting implementation agreements were discussed:

- sustainable management at commercial scale in the Brazilian Amazon; and
- rehabilitation of degraded forest for fuel wood in Côte d'Ivoire

**POLICY WORK:** Delegates discussed a number of policy issues from Tuesday to Friday.

**Promoting ITTO Guidelines for Sustainable Management of Natural Tropical Forests:** Ma Hwan-ok, ITTO, reported on promoting publication, dissemination and application of the revised ITTO Guidelines for Sustainable Management of Natural Tropical Forests, enumerating its associated activities, including publishing the report in the three official languages of ITTO and organizing three capacity-building workshops on how to implement these Guidelines nationally.

Kenichi Shono, FAO, presented on the first regional workshop on ITTO Guidelines for Sustainable Management of Natural Tropical Forests, organized near Kuala Lumpur, Malaysia (CRF(XLIX)/8). Shono said participants expressed concern about research and development, capacity building to improve

SFM certification implementation at the national level, valuing environmental services, government transparency and market distortions.

Malaysia noted that voluntary ITTO Guidelines for the Sustainable Management of Natural Tropical Forests will be difficult for Producer countries to fulfil without more technical and financial assistance from the ITTO.

**Fire Management in Tropical Forests:** The Secretariat reported on fire management in tropical forests, outlining the interchange of experience and knowledge promoted by ITTO Producer countries at the 6th International Wildland Fire Conference in Pyeongchang, Republic of Korea, in October, 2015. The Secretariat highlighted the ITTO Guidelines on forest management in tropical forests, which take into account forest protection in the tropics. He also noted there is progress in integrating wildfire management in the context of climate change but finance from donors is still pending on this issue.

**Promoting the conservation, restoration and sustainable management of mangrove ecosystems:** The ITTO Secretariat reported on plans to organize an international workshop on mangroves in Bali, Indonesia, in 2016 aiming to conduct a comprehensive review of mangrove ecosystems and a review of projects supported by the ITTO and mangrove-related organizations. Shigeyuki Baba, International Society for Mangrove Ecosystems (ISME), presented on a number of jointly implemented mangrove conservation projects by ISME and the ITTO, as highlighted in the World Atlas of Mangroves. Baba urged the need to update the ITTO Mangrove Work Plan 2002-2008; expand and improve mangrove information outreach; and monitor the status of protected and rehabilitated mangrove areas. The US, the EU, Cameroon and Indonesia expressed support for proposed mangrove strategies and actions, with the EU noting the importance of ITTO collaboration with other mangrove-related organizations.

**Assessing the use of ITTO Guidelines on the Sustainable Management of Tropical Forests:** Tim Cadman, ITTO Consultant, presented an online survey of the impact of ITTO policy guidelines for their usefulness according to feedback from a range of forestry-policy stakeholders. He explained that the majority of the 286 respondents to the survey found the ITTO Guidelines highly useful, but identified lack of training and capacity building as the single largest difficulty faced by all regions and language groups of respondents for achieving SFM in tropical regions. The US expressed concern that the study favored input from a narrow group who participated in the study (mostly male, from educational and research organizations, and state agencies). In response, Cadman explained that the survey sample reflected the composition of the policy community. Cameroon raised a concern on the legality vis a vis sustainability emphasis of ITTO Guidelines, particularly in relation to FLEGT. Côte d'Ivoire identified the applicability of ITTO Guidelines, but stated that a key obstacle remains transparent forest governance, giving ITTO a role in influencing policy within FLEGT and REDD+ and other international fora for SFM to permit the implementation of ITTO directives.

**ITTO cooperation on C&I:** Reporting on strengthening cooperation and collaboration between ITTO and countries from the Amazon Cooperation Treaty Organization on criteria and indicators (C&I), John Leigh, ITTO Secretariat, described

a regional workshop that sought to harmonize criteria and indicators from both the ITTO and the Tarapoto Process (CRF(XLIX)/11).

**ITTO Guidelines for Restoration:** Kathleen Buckingham, World Resources Institute (WRI), presented on ITTO Guidelines for Restoration using case studies from Mexico, Indonesia and Ghana. She presented her findings on the compilation of ITTO reports using the ITTO Restoration Guidelines. She highlighted that ITTO should use its comparative advantage within the Global Partnership for Forest and Landscape Restoration (GPFLR) to fill gaps in restoration methodologies and toolkits. She underscored the importance of aligning restoration guidelines with global issues such as the Sustainable Development Goals and CBD Aichi Targets. Noting that the GPFLR can create visibility for ITTO's Restoration Guidelines, she recognized the challenge of compressing the ITTO Guidelines' 160 recommended actions so they can be used on the ground.

In the ensuing discussion, Indonesia sought clarification about how WRI's study pinpointed his country for lacking forest management data, while Peru stressed the importance of site quality in forest restoration guidelines.

**Carbon removals and emissions associated with the production and use of harvested tropical wood products:** The ITTO Secretariat presented the outcomes of a study quantifying the carbon content of plywood-based flooring produced in Indonesia and used domestically in Japan to demonstrate carbon removal potential for ITTO producer countries. The Secretariat emphasized that if tropical timber products are manufactured into high-quality products, they can have longer lifespans and store more carbon for a longer period than recommended by the Intergovernmental Panel on Climate Change.

**Accreditation to the GCF and Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects:** The ITTO Secretariat highlighted that applicants seeking accreditation to the GCF must demonstrate capabilities in administrative and financial project management as well as Environmental and Social Impact Assessments (ESIA). The Secretariat also examined draft guidelines that assess the coordination of ESIA and the ITTO project cycle, underscoring the low environmental impacts of the majority of ITTO projects. Cameroon and Indonesia expressed concern as to whether future ITTO projects would be required to comply with the draft guidelines or whether the guidelines only relate to projects submitted for GCF funding. In response to this concern, the ITTO Secretariat emphasized that all ITTO projects should follow the draft guidelines since they do not differ from standard ITTO treatment of projects. The EU, supported by the US, underscored that consideration of ITTO accreditation to the GCF should be made in light of the investigations on the impairment of ITTO funds.

**Monitoring of SFM C&I:** The ITTO Secretariat described the outcomes of an expert panel meeting held in Lüderenalp, Switzerland, in June 2015 on revising forest C&I. Jürgen Blaser, ITTO Consultant, presented on the revised ITTO C&I. Noting that ITTO has been at the forefront of national C&I processes since the 1990s, Blaser described the C&I revision process based on country reviews and recent developments in international

forestry. He drew attention to the creation of a new indicator group related to restoration of degraded forests and land. He also said the new ITTO C&I 2015 are harmonized with other SFM Guidelines.

In the ensuing discussion, delegates inquired if these revised C&I will have impact on national governments already trying to integrate C&I or act as a trade barrier. In response, Blaser reassured delegates by noting that the revised C&I are only a guide to help national governments monitor their forest estates. He explained that the revision process tried to differentiate governance, economic and planning indicators at the national level. The ITTO Secretariat also drew attention to mechanisms in the 2015-2016 BWP to support national capacity building in using C&I.

**ELECTIONS OF CHAIRPERSONS AND VICE-CHAIRPERSONS FOR 2016:** On Saturday, the Committee approved Narudeen Iddrisu (Ghana) as Chair for 2016, and Marjukka Mähönen (Finland) as Vice-Chair.

**DATES AND VENUES OF FUTURE SESSIONS:** It was agreed that the fiftieth and fifty-first meetings of the Committee will be held in conjunction with ITTC-52 and ITTC-53, respectively.

**RECOMMENDATIONS TO THE ITTC:** On Saturday, Chair Iddrisu presented the draft report of the Committee (CRF(XLIX)/15) for comments on: the expert panel for technical appraisal of project proposals; new projects and pre-projects; the ITTO annual market discussion; completed projects and pre-projects; *ex-post* evaluation; policy work; and approved projects and pre-projects.

Referencing the collaboration of donor agencies in mangrove conservation initiatives, the US underscored the importance of projects that include mangrove conservation. Indonesia referenced positive elements of her country's allegedly poor forest management data suggested in the study on forest landscape restoration in Ghana, Mexico and Indonesia. Highlighting the organization of a mangrove conference in 2016, the EU encouraged further collaboration to secure funding on mangrove conservation. The EU also said ITTO will be in a better position to apply for accreditation to the GCF once ITTO's impaired investment has been resolved transparently.

The Committee stated that no pledges were made to fund 12 projects and two pre-projects previously approved. Peru noted that scarce funding for new projects would affect many projects that will fall under the sunset provision and requested that the sunset clause for these projects be extended given the concern over impairment of ITTO funds.

**REPORT OF THE SESSION:** On Saturday, the Committee accepted the draft report (CRF(XLIX)/15), with minor amendments, for submission to the Council.

#### **COMMITTEE ON FINANCE AND ADMINISTRATION**

The CFA, chaired by Gilbert Kaya (Republic of the Congo) with Vice-Chair Rob Busink (the Netherlands) met from Tuesday to Saturday. Discussions centered around the "impairment of investment in insecurities," the Administrative Account, and the Biennial Administrative Budget for 2016-2017.

**AUDITOR'S REPORT FOR THE FINANCIAL YEAR 2014:** On Tuesday, Steven Johnson, Officer-in-Charge, introduced the 2014 auditor's account (CFA(XXX)/6).

Discussion was focused on the loss of ITTO funds, and delegates agreed to suspend the adoption of the Auditor's Report until the investigation into the loss of funds is completed.

**LOSS OF ITTO INVESTMENT FUNDS:** On Tuesday, Johnson presented the salient facts regarding the impairment of ITTO funds. He acknowledged that the Council is dealing with a very difficult and serious situation, and reminded delegates, "people are watching us." He highlighted that while ITTO's rules of procedure require the ED to deposit all revenues into a bank approved by the Council, there has been, since 2009, flexibility for using "zero-risk" investments. He explained:

- in October 2012, ITTO funds of US\$6 million were invested in the LM Managed Performance Fund, a decision approved by the ED at the time, with advice from relevant staff. The Fund was designed to generate returns from real estate holdings in Australia, but went into liquidation in April 2013;
- this investment was written off as an impairment of investment in securities in ITTO's 2013 audited accounts (CFA(XXIX)/6). The issue was not explicitly made aware to delegates, and the 2013 auditor's report was approved at ITTC-50; and
- in October 2015, ITTO was informed by the fund administrators that it is not possible to provide any certainty in relation to returning the funds, and any return is likely to be less than 5%.

Johnson further explained:

- in early 2013, ITTO funds of US\$12 million were invested in the Ardent 365 Fund, which involved an insurance contract on the funds they would receive back;
- ITTO has been receiving an average return of 9% per annum from this account; and
- when preparing ITTO's 2014 audited accounts, auditors endeavored to attain assurance that the Ardent 365 Fund was fluid and in existence, which remains unclear.

The EU, supported by Cameroon, emphasized the importance of all delegates having access to the above explanation from the Officer-in-Charge, as well as the 2013 audited accounts, in order to make informed decisions this week.

Discussions continued on Wednesday evening. The EU, the US, Switzerland and Brazil asked for further clarification on many details around the loss of funds, including: how the US\$2.1 million of interest from the funds is reflected in the accounts; who set the terms of reference for the audited accounts; and why the auditors did not more explicitly alert the Council to the loss of funds. There was much discussion around the correct scope, purpose and obligations of financial auditors, and the EU said "it is self-evident these audited reports are not acceptable." The Secretariat clarified that the auditors' terms of reference are set out in the ITTA, 2006 and follow international standards, and that the US\$2.1 million in interest was only received at the end of September 2015. Cameroon and the EU suggested the auditors be invited to the CFA to present the information and answer questions.

The EU pointed out that the external audit had been conducted by the same company that did the original audit, which posed a conflict of interest. The Secretariat responded that using the same company to conduct the external review of its own audit offered the advantage that the company was already conversant in ITTO

process and procedures, and noted that the company was also selected due to limited resources, recalling that the EU had not objected to this at the time.

The EU questioned why the 2013 auditor's report failed to mention major details regarding the investments. The US questioned the use of the term "impairment of funds," given that the funds had been lost to a failed investment. She said that had it been acknowledged explicitly as a "loss," the CFA would have noticed this. The Secretariat explained that at the time they were still waiting for the litigation process regarding the investment to conclude, noting that at that point they were hopeful the investment would produce returns.

The US requested to see the auditor's contract and suggested switching to another company. Switzerland asked the Secretariat whether the terms of reference need updating. The Secretariat responded that International Public Sector Accounting Standards (IPSAS) is gaining traction as an international standard that provides a uniform approach to auditing. Switzerland cautioned against waiting another year to make the necessary changes to the terms of reference. Chair Kaya noted that the IAG report contained recommendations to avoid such problems in the future, and suggested this form part of the decision. This matter was then taken up in a CFA Working Group that met throughout the week to consider an appropriate response to the loss of ITTO funds. On Saturday, the Working Group presented a draft decision to the Council.

#### **BIENNIAL ADMINISTRATIVE BUDGET, 2016-2017:**

Delegates considered two draft revisions of the Biennial Administrative Budget on Thursday and Friday (CFA(XXX)/2 Rev.1 and 2 Rev. 2). On Thursday, the Secretariat summarized a draft (CFA(XXX)/2 Rev.1) based on the adoption of the proposed new staff rules. Delegates discussed whether 50% of three staff position salaries—related to the Fellowship Programme and the CITES-ITTO Programme—should be moved from the Programme Support Fund to the Administrative Account. The Secretariat explained that the main reason for the shift is that the Administrative Account is more secure, due to a decrease in voluntary contributions into the Programme Support Fund. The EU and Switzerland highlighted that the proposed shift would place a burden on all member countries rather than just special fund donors, which is neither fair nor affordable. Germany urged keeping a balance of staff between the two budgets. The US opposed the adoption of the draft budget as it stands, stating the need for cost-saving measures in light of the recent loss of ITTO funds. All delegates supported budget changes to provide Japan-based staff with improved health insurance.

On Friday morning, the Secretariat introduced a revised budget (CFA(XXX)/2 Rev. 2), having removed issues relating to the proposed new staff rules, with the exception of health insurance provision. Regarding the movement of three staff salaries between budgets, discussions continued as to whether it would be possible and feasible to move them back at a future date. Germany pointed to the need to respond to changing economic conditions, and the EU requested the Secretariat provide information on standard UN procedures for funding staff posts from programme or core funds. After much discussion, delegates agreed to move the salaries to the Administrative

Account, noting that, despite the budget normally being decided biennially, the issues of staff salaries, staff levels and work load should be reopened at next year's CFA.

On ITTO's application to the GCF, the EU questioned the appropriateness of applying to the Fund at this time, while Germany cautioned against missing an opportunity for funding in light of ITTO's dwindling resources.

On recovering lost funds, the EU questioned whether excess funds in the Working Capital Account could be used to cover the shortfall, and requested that the Secretariat prepare a budget for an investigation into this matter. The US suggested keeping accounts separate, and that the loss from the failed investment should be addressed separately from the cost implications for the associated investigation.

**REVIEW OF CONTRIBUTIONS TO THE ADMINISTRATIVE BUDGETS:** On Thursday, the Secretariat discussed draft Statements of the Administrative Account (CFA(XXX)/3). He noted recent assessed contributions from Thailand and Croatia following their ratification of ITTA, 2006. In response to a query from Switzerland on why longstanding arrearages are still recorded, the Secretariat said that there was no mandate to write this off. The EU recalled that IPSAS requires outstanding amounts to be written off after four years, and that ITTO will be required to conform with this if they are to be accredited. The Secretariat said that the ED has the mandate to write off one-fifth of arrears of members under extenuating circumstances, and that a complete write-off would require a decision by the Council.

**STATUS OF THE ADMINISTRATIVE ACCOUNT:** On Thursday, the Secretariat reviewed the current status of the Administrative Account (CFA(XXX)/4). He noted that a savings of US\$946,657 will accrue in 2015, and would be transferred to the Working Capital Account. He said Producer and Consumer members owed US\$4,406,866 and US\$167,184, respectively, in contributions.

**RESOURCES OF THE SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND:** On Friday, the Secretariat presented on the Resources for the Special Account and the BPF (CFA(XXX)/5). The Secretariat indicated that out of the total budget of US\$33.21 million, US\$28.62 million was dispersed, leaving an outstanding obligation of US\$4.59 million.

The Secretariat also noted that US\$21.92 million had been pledged towards the Thematic Programmes, out of a total indicative funding target of US\$58 million. He added that: BPF Sub-Account A had received US\$25.10 million, which had already been fully committed; and BPF Sub-Account B had received a total of US\$20.03 million, and after allocations had a balance of US\$308,256.

**PROGRESS REPORT ON THE IMPLEMENTATION OF THE BWP FOR THE YEARS 2013-2014:** On Friday, the Secretariat presented the final report on Activity 54 of BWP 2013-2014 on "Mobilizing New Funding and Partnerships for ITTO and Its Objectives" (CFA(XXX)/8), noting that consultants had conducted a survey to better understand donor needs and priorities. He said that the survey showed that 72% of respondents had indicated that ITTO was "extremely important," 75% said their support for ITTO would stay the same, and

10% indicated it would decrease. The overall conclusion was that fundraising is time-consuming and requires long-term relationship building.

**ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING:** On Thursday, the Secretariat noted that in the interest of pursuing GCF accreditation, ITTO has developed a draft policy and programme on money laundering and terrorism financing (CFA(XXX)/9), for consideration by the CFA. Japan, supported by Mexico, questioned whether this was needed at this time. The US suggested this be postponed until after the investigation into the loss of ITTO funds has concluded.

**ITTO STAFF REGULATIONS AND RULES:** Due to time constraints, the Committee decided to defer consideration of proposed new staff rules and regulations until the CFA's next session.

**OTHER BUSINESS:** The Central African Republic noted that it has submitted a letter to ITTO requesting that its arrears be cancelled, citing extenuating circumstances due to recent civil conflict. He noted that the situation is likely to improve following elections to be held in December 2015. In response to queries from Benin and Japan, the Secretariat indicated that as per Article 30 of ITTA, 2006, members may be granted relief from obligations where deemed necessary, but must be approved by a special vote by the Council. Japan and the US regretted they could not accept the cancellation due to lack of notice, but supported the cancellation on principle and suggested language indicating they hope to confirm positively by the next Council session.

On the adoption of IPSAS, the Secretariat indicated that a gap analysis assessing differences between ITTO's current accounting standards and those required by IPSAS had been conducted, identifying changes required to migrate to the IPSAS system. Japan, US, Benin, and Papua New Guinea expressed support for the idea in principle, but said that it was premature to take a decision on this matter. Highlighting the budget line for training staff in IPSAS, the EU suggested it is already being implemented despite not being a formal decision. Delegates agreed to have a further discussion on the adoption of IPSAS at the next Council session.

**ELECTIONS OF CHAIRPERSON AND VICE-CHAIRPERSON FOR 2016:** The Committee approved Rob Busink (Netherlands) as Chair for 2016, and Mad Zaidi Mohd. Karli (Malaysia) as Vice-Chair.

**DATES AND VENUES OF THE 31ST AND 32ND SESSIONS:** It was agreed that the thirty-first and thirty-second meetings of the Committee will be held in conjunction with ITTC-52 and ITTC-53 respectively.

**RECOMMENDATIONS TO THE COUNCIL:** On Saturday, the Committee approved three recommendations to the Council, namely: to endorse the Biennial Administrative Budget for the Financial Year 2016 and 2017 (CFA(XXX)/2 Rev.3), noting that given the current uncertainties there might be a need to revisit the biennial budget at the next Council session; to suspend the adoption of the Auditor's Report for the Financial Year 2014 (CFA(XXX)/6) until the investigation into the loss of

ITTO funds is completed; and to prioritize the consideration of the Central African Republic's request to write off its arrears for 2005-2011 in the agenda of CFA's next session.

**REPORT OF THE SESSION:** On Saturday, the CFA adopted the session's draft report (CFA(XXX)/10) with minor amendments.

### **EU-ITTO IMM SIDE EVENT**

On Wednesday, the EU and ITTO held a side event on the IMM, a project initiated in 2014 in response to demand for information on how FLEGT is affecting trade in tropical timber.

Bojan Grlaš, EU, provided an update on the EU FLEGT Action Plan, which establishes measures to prevent imports of illegal timber products and increase trade in those that are legal. He noted that both the FLEGT Action Plan and the EUTR will be reviewed in the coming months. He explained that IMM will improve knowledge and make it possible to track changes in the trade of legally verified timber and timber products, and help monitor the impacts of the FLEGT Action Plan.

Rupert Oliver, ITTO Consultant, said that IMM presents an opportunity to improve market data, with major implications for the industry. He described 52 indicators used to evaluate impact, of which: 33 targeted the EU, such as market impact and consumer perception of the sustainability of tropical timber; and 19 were aimed at timber producers, including: the value of trade flows; timber prices; time to clear customs; size and quality of investment; and perceptions of the sustainability of forestry. He described challenges, including poor quality of available data.

Grlaš presented the IMM Baseline Report, which establishes what the market situation was before the introduction of FLEGT. He noted that while the market has rebounded since the 2008 financial crisis, this is mostly due to a three-fold increase in exports to China, and that the EU market has contracted by 50%. The report also identifies 30 factors that affect the market, including competition from alternatives and a decline in the supply of timber.

Mariana Lubis, Ministry of Environment and Forestry, Indonesia, described Indonesia's forest certification and timber legality assurance system, which forms the basis of their Voluntary Partnership Agreement (VPA). She noted that timber exports have increased from US\$6.6 to US\$10.3 billion between 2013-2015.

Gustav Adu, Director at Kumasi Wood Cluster, Ghana, presented an outline of the FLEGT licensing process in Ghana since the VPA was ratified in 2010. He explained that FLEGT licenses act as an export permit required for all wood product exports to the EU, and require legal compliance in standards regarding processing, transport and trade, including a requirement that stock-taking, mapping and yield allocations occur before harvesting. He noted that the process is now focusing on thorough training and addressing civil society concerns about transparency and timely access to information.

Sarah Storck, Global Timber Forum, presented an assessment of the FLEGT market including an analysis of FLEGT timber in the overall EU timber market, and companies' perceptions of the VPA process. Despite research challenges, she concluded that most companies have a high awareness of the process, are willing to pay a higher price for FLEGT timber, and perceive it to be an important opportunity for helping restore the reputation

of the market. During discussion, speakers clarified that the VPA process includes plantation products, and that the EU is working to better understand the proportion of FLEGT timber being directed into domestic markets.

### **CSAG SIDE-EVENT ON FOREST GOVERNANCE:**

CSAG organized a side event on forest governance focusing on the challenges and issues of conservation and tree plantations in forest estates.

Balu Perumal, Malaysian Nature Society, presented on the forest governance challenges of forest conversion and tree plantations in permanent forest estates in Malaysia. He highlighted that most of Malaysia's wetlands areas are presently threatened by oil palm plantations, and expressed concern that fast growing industrial forest plantations have been earmarked for areas containing biodiversity hotspots. Referencing an IUCN Red List study that suggests that halving forest habitat leads to most of the habitat's species eventually becoming threatened, Perumal lamented that this is presently occurring in Malaysia's plantation forests. He recommended mainstreaming biodiversity conservation, disaster risk reduction and climate resilience across all ministries.

Maidi Ward, Ministry of Environment and Forestry, Indonesia, explained his country's policy framework for sustainable forest development in productive, natural and restorative forests. He demonstrated how forest certification has progressively increased in his country. He identified major challenges for Indonesia in terms of SFM, including overlapping permits, forest fires and recognition of local and customary communities. He concluded by identifying strategic programs in Indonesia such as low carbon development and forest restoration.

Hortense Ngono, Network of African Women for the Community Management of Forests, presented on the situation of forest conversion in Central Africa with a focus on participatory approaches. Noting that there has been a 10% increase of forest land that is managed by local communities in Central Africa from 2002 to 2013, she cautioned that this does not necessarily translate to local stakeholders having more land rights. In sharp contrast to other global regions, she said, only 5% of forests in Africa are managed by local communities. She noted that the state's traditional exclusive right to manage forests is increasingly being challenged in Cameroon and in the Democratic Republic of Congo. She concluded by underscoring the importance of enhancing women's participation in tropical forest management.

Chen Hin Keong, TRAFFIC, provided a summary of the general policies and legislative frameworks that surround sustainable tropical forest management. He explained how forest conversions have not only direct policy impacts, such as on biodiversity and indigenous peoples, but also indirect policy impacts such as on intellectual property rights, trade and commerce. He stressed the importance of establishing legal frameworks to implement policies that ensure protection of tenure rights. He concluded by recommending, *inter alia*, monitoring and evaluation of policy implementation with a feedback loop, and establishment of grievance mechanisms to ensure negative impacts can be constructively resolved.

In the ensuing discussion, participants expressing concern about the alarming increase in the establishment of plantations worldwide. Noting that caviar can now only be produced in captive breeding operations, CITES expressed hope that this type of *ex situ* conservation situation would not extend to tropical forest species. When asked what national governments are doing to ensure *in situ* conservation, Perumal enumerated Malaysian initiatives including the establishment of a biodiversity center based on a national plan strategy; creating virgin jungle reserves for future germplasm; leaving “mother trees;” and mapping the distribution of threatened species.

### CLOSING PLENARY

The closing plenary took place on Saturday afternoon.

**REPORTS OF THE COMMITTEES:** The reports of the Associated Committees of the ITTC were presented to the Council. CEM Chair Rahardja and CFI Chair Mendieta presented the report of the CEM-CFI (CEM-CFI(XLIX)/4), which was adopted. CRF Vice-Chair Iddrisu presented the CRF report (CRF(XLIX)/15), which was adopted. CFA Chair Busink presented the report of the CFA (CFA(XXX)/10), which was adopted.

### ELECTION OF CHAIR AND VICE-CHAIR FOR 2016:

The Committee approved Jennifer Conje (US) as Chair for 2016, and Tabi Agyarko (Ghana) as Vice-Chair. In gratitude to his achievements and dedication to the organization, Conje presented a plaque to outgoing Chair Freezailah (Malaysia).

**DATES AND VENUES OF ITTC-52 AND ITTC-53:** Japan confirmed that the 52nd session of the ITTC would take place in Yokohama, Japan, from 7-12 November 2016. Peru announced that it will host the 53rd session of the ITTC in Lima, Peru, and awaited a decision by the Council on expected dates for the beginning of November 2017.

**DECISIONS AND REPORT OF THE SESSION:** The Council adopted five out of six decisions without amendment.

**Decision 1(LI)** (ITTC(LI)/16) on projects, pre-projects and activities states that the Council: endorses the approval of 21 projects, pre-projects and activities through the time-bound electronic no-objection procedure and makes funding available for implementation. The Council authorizes financing for immediate implementation of the following projects, pre-projects and activities:

- three approved during the 2015 project cycles;
- six activities approved in the 2015-2016 BWP;
- twenty-one projects and pre-projects approved during 2015 pending full or partial financing; and
- an activity approved through Decision 4(LI) on investments and financial management.

The Council also authorized the financing for immediate implementation of 21 projects, pre-projects and activities as soon as earmarked funds are available in the BPF account. The Council further:

- urges members to consider funding projects, pre-projects and activities including through un-earmarked contributions to the Thematic Programmes Account and Special Account and make voluntary contributions to the BPF;
- requests the ED to continue consultations with potential donors to secure funds for projects, pre-projects and activities for which funds are not immediately available; and

- requests the ED to promptly carry out necessary corrective measures, pursuant to Decision 4(LI), to minimize the possible impacts on the funding of projects.

**Decision 2(LI)** (ITTC(LI)/17) renews the mandate of the IAG and applies the terms of reference on the roles and responsibilities of the IAG, mode of operation, relationship to other ITTO organization entities, and financial implications.

**Decision 3(LI)** (ITTC(LI)/21) on admission and activities of observers during Council sessions, states, *inter alia*, that the Council:

- requests the ED to amend the application form entitled Information relevant for Admission to Sessions of the ITTC and Associated Committees as “Observers”;
- authorizes the ED to review applications for compliance with these requirements; and
- requests the ED to publish results of the initial review on the website two weeks prior to Council session.

**Decision 4(LI)** (ITTC(LI)/19) on ITTO investments and financial management:

- recognizes the liquidation of the LM Managed Performance Fund led to the write-off of US\$6 million of ITTO investments, and that this investment, along with additional investments of approximately US\$12 million, may have contravened ITTO’s financial rules;
- notes that these investments must be fully investigated as soon as possible and the results made transparent; and
- notes that corrective and preventative measures must be taken promptly to ensure the credibility of ITTO and the uninterrupted funding of its projects and activities.

It decides to:

- establish an Oversight Committee to oversee the implementation of this decision and, along with the ED, commission an independent investigation to be carried out by appropriate expert(s);
- request the ED to immediately liquidate any investments not in line with ITTO’s financial rules;
- request the ED to take all available steps to minimize any losses to the organization;
- amend the ITTO whistleblower policy to encourage staff members to alert the Council regarding any serious irregularities; and
- request the Oversight Committee to submit a preliminary report to the Council no later than 31 January 2016, and a final report no later than 15 April 2016.

**Decision 5(LI)** (ITTC(LI)/20) on the principle of ED rotation was not adopted but member countries agreed to discuss it at ITTC-52.

**Decision 5(LI)** (ITTC(LI)/21), on matters related to Article 14 of the ITTA, 2006, requests the Officer-in Charge to re-advertise the position of ED, and decides to establish a panel of Producer and Consumer members charged with reviewing applicants and creating a short list with no more than six names.

**CLOSING STATEMENTS:** The EU said the Council has dealt well with the loss of funds by adopting a decision that will allow everyone to understand what has happened and restore the financial credibility of the ITTO. She lamented the lack of a new ED to reinvigorate the ITTO and bring it to its full potential. Finland, on behalf of Consumers, and Cameroon, on behalf of

Producers, noted the Council achieved some results “despite our differences and stumbling blocks.” Outgoing Chair Freezailah gave a heartfelt account of his 29 years at ITTO, saying the current organization gives him hope and inspiration for the future. He said the search for a new ED “eluded us despite our best efforts,” and highlighted the continued need for transparency, inclusiveness and democratization as a basis for confidence-building, common cause and solidarity. He adjourned the meeting at 7:04 pm.

## A BRIEF ANALYSIS OF ITTC-51:

### *THE GOOD, THE BAD, AND THE UGLY*

Heading into Kuala Lumpur, the selection of the new ITTO Executive Director was expected to dominate discussions at ITTC-51, especially after ITTC-50 was not able to reach a decision on this matter. However, the election was soon eclipsed by the Secretariat’s disclosure that up to US\$18 million of ITTO funds had been lost to high-risk investments in contravention of ITTO’s financial rules, and that this loss had gone unannounced and unnoticed for over a year. In addition, the ejection of a civil society observer, due to its criticism of Malaysia’s forestry practices, created a certain tension between Consumers, that had objected to this decision, and the host country that affected the mood of ITTC-51. All of this detracted from the many new and positive ITTO initiatives that were presented throughout the week.

This brief analysis will examine a number of these positive developments as well as the recent developments that overshadowed them, and consider what this means for ITTO’s future.

### *THE GOOD*

Since its inception, the ITTO has slowly evolved from a purely commodity-focused trade organization and, in doing so, has found its own niche in international governance of tropical forests. It is unique among forest-related international organizations, explicitly tying the consumption of tropical timber with a responsibility to ensure the sustainability of the resource. Since the adoption of ITTA, 2006, ITTO has more fully embraced consideration of the sustainability of forest resources and linkages to the broader landscape of forest-related multilateral environmental agreements. Some of the resultant work was highlighted at ITTC-51, including: cooperation with CITES; forest-related developments in the UN Framework Convention on Climate Change; and the Collaborative Initiative between ITTO and the Convention on Biological Diversity.

Other positive notes from this session included the discussion of draft guidelines on gender equality and the empowerment of women, which received universal support, with some even calling for ITTO to be a leader in this area. The EU also presented an Independent Market Monitoring project, in cooperation with ITTO, which is designed to assess whether the EU’s efforts to restrict illegal timber are working and what the impacts are on timber producing countries.

As always, the array of projects that were highlighted showcased a wide variety of work supporting sustainable forest management in the tropics, including projects on community participation in forest management, disaster risk reduction,

and fire management. The colorful display of ITTO’s many reports outside the plenary room begged to receive the attention they deserved, but most delegates were preoccupied with the numerous crises unfolding inside.

### *THE BAD*

The disclosure on the first day that up to US\$18 million of ITTO funds was “impaired” due to high-risk investments, landed like a bombshell. This is a significant amount for ITTO—according to the most recent Annual Report, US\$18 million would just about cover administrative expenses and project funding for 2014. This is a significant portion of the organization’s annual budget. One delegate estimated that this represents well over a year’s worth of project funding.

What was perhaps even more concerning was that this had not been explicitly brought to the attention of the Council at its last session, referenced in the auditors’ report as an “impairment of funds.” Several delegates were quick to point out that this term is a poor euphemism for “total loss,” and regretted that this had not been made more obvious.

How the ITTO deals with this crisis could very well determine its future. In the end, the Council was able to adopt a decision that establishes an independent panel, overseen by a panel of Producer and Consumer members, which will investigate the matter and produce a final report by 15 April 2016.

### *THE UGLY*

On the second day of the meeting, the Bruno Manser Fund (BMF), a Swiss organization that is critical of logging practices in the Malaysian State of Sarawak, was ejected from the meeting, despite strong requests from the EU and others to allow them to stay. The swiftness with which the Malaysian Chair gavelled the matter to a close caught many off guard, and caused some to question whether he should have declared a conflict of interest and allowed his Co-Chair to take over. By pressuring the Council to oust BMF, Malaysia gave BMF exactly what they wanted—a chance to draw international attention to ITTO’s opaqueness. This may affect Consumer countries’ appetite for supporting this organization financially, and it was heard that this could push Switzerland to withdraw completely as a member, especially since it has already significantly decreased its financial support in recent years.

BMF aside, the Civil Society Advisory Group has never been given much of an official role in ITTC, with their presence usually relegated to a poorly attended side event.

The unfortunate truth of the matter is that many of civil society’s largest and most influential players have long since abandoned ITTO in favor of other forest-related meetings as a venue to pursue their forest conservation agenda. This is partly due to the comparatively low standing civil society is assigned at ITTC, but also indicative of where the real power lies. Most notably, the US\$10 billion that backs REDD+, not even in existence a decade ago, now dwarfs the ITTO’s budget. Organizations such as the UN Framework Convention on Climate Change have learned that it is better to have their critics “inside the tent” than attacking them from outside. In this way, they harness their energy, media attention, and generate political will, which in turn results in greater funding.

Allowing the participation of civil society also contributes to transparency and scrutiny, which, as the financial scandal indicated this week, could benefit ITTO. Many within the Council understand this and have made it clear that they wish to see ITTO be more inclusive, highlighting that NGO participation can be a “privilege” for both the ITTC and the NGOs involved.

### THE FUTURE

The longstanding impasse between Producers and Consumers continued all week, preventing, yet again, the selection of a new Executive Director. Following the withdrawal of the Malaysian candidate, it came down to a decision between Gerhard Dieterle of Germany, and Eduardo Mansur of Brazil. Consumer members made it abundantly clear that they require a Consumer candidate in order to restore their confidence in the organization, as well as commensurate levels of funding. Producers, most vocally Brazil, argued that since Producers are the ones with the forests, and since ITTO headquarters is located in a Consumer country, the Executive Director should come from a Producer country. The EU pointed out that Brazil already heads other major forest and trade power nodes, including the Convention on Biological Diversity, the Food and Agricultural Organization, the World Trade Organization, and the UN Forum on Forests. In the end, they weren't even able to agree on a decision that would formalize the “gentleman's agreement” that the position should alternate between the two caucuses, although they did agree to consider the concept of rotating between the caucuses at the next Council session in 2016.

Needless to say, this is not a good time for the ITTO to be without an Executive Director. The organization faces significant challenges ahead in order to recover from the recent financial loss and to properly investigate what caused it. All have expressed confidence that Steven Johnson, as Officer-in-Charge and with over a decade of experience with the ITTO Secretariat, is very capable of steering the ship in the interim. But it remains unclear how long this arrangement can continue.

It is difficult to see how this impasse will be resolved. Many are calling for the organization to do away with the “Producer versus Consumer” model as being unnecessarily confrontational. However, this is so firmly entrenched within the structures and atmosphere of the ITTO that it is difficult to see how it would or could change.

The world's tropical forests continue to face severe threats, and have never been more in need of an organization capable of addressing the underlying causes of deforestation, including the consumption of timber from unsustainable sources. Yet, many left Kuala Lumpur concerned about the future of the organization. ITTO is at a pivotal moment in its history, and how it weathers the current storm could determine its future in safeguarding some of the world's most precious ecosystems. An emerging progressive side of ITTO holds great potential. However, it is only after resolving and fixing the issues of transparency, financial discipline and leadership that the international community's confidence in the ITTO will be restored.

## UPCOMING MEETINGS

**First Annual Forests and Livelihood: Assessment, Research and Engagement (FLARE) Network Conference:** The International Forestry Resources and Institutions (IFRI) research network, the World Bank Program on Forests (PROFOR), and the Musée de l'Homme Research Group on Social and Natural Evolution are convening this workshop to improve the assessment of forest governance approaches as a contribution to improved forest livelihoods, biodiversity conservation and sustainable use, and climate change mitigation and adaptation. The workshop will consider six themes: forest governance and landscapes, agricultural commodities, social and biological aspects of forest dependence, impact evaluations, pathways to prosperity, and climate variability and change. **dates:** 27-30 November 2015 **location:** Paris, France **phone:** +33-734-764-9542 **email:** IFRI@umich.edu **www:** <http://www.ifriresearch.net/2015/03/10/flare/>

**CITES 66th Standing Committee Meeting:** The 66th meeting of the Standing Committee (SC66) of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) will meet in Geneva. **dates:** 11-15 January 2016 **location:** Geneva, Switzerland **contact:** CITES Secretariat **phone:** +41-22-917-8139 **email:** [info@cites.org](mailto:info@cites.org) **www:** <https://cites.org/com/sc/66/index.php>

**African Forestry and Wildlife Commission 20th Session:** The Food and Agriculture Organization of the United Nations (FAO) will convene this meeting in order to bring together forestry experts and decision-makers from the region. The meeting is one of six region-specific meetings held every two years in support of the FAO Regional Forestry Commissions. **dates:** 1-5 February 2016 **location:** Tanzania **contact:** Foday Bojang **email:** [foday.bojang@fao.org](mailto:foday.bojang@fao.org) **www:** <http://www.fao.org/forestry/afwc/en/>

**Asia-Pacific Forestry Commission 26th Session:** The FAO will convene this meeting to bring together forestry experts and decision makers from the Asia-Pacific region. The meeting is one of six region-specific meetings held every two years in support of the FAO Regional Forestry Commissions. **dates:** 22-26 February 2016 **location:** Philippines **contact:** Patrick Durst **email:** [Patrick.Durst@fao.org](mailto:Patrick.Durst@fao.org) **www:** <http://www.fao.org/forestry/31089/en/>

**Fourth Session of the IPBES Plenary:** The fourth session of the Plenary of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) will review progress made on the adopted IPBES work programme for 2014-2018, including consideration of IPBES assessment reports on pollination and pollinators associated with food production, and scenarios analysis and modeling of biodiversity and ecosystem services. **dates:** 22-28 February 2016 **location:** Kuala Lumpur, Malaysia **contact:** IPBES Secretariat **email:** [Secretariat@ipbes.net](mailto:Secretariat@ipbes.net) **www:** <http://www.ipbes.net/index.php/plenary/ipbes-4>

**UNFF Ad Hoc Expert Group:** The first meeting of the Open-ended inter-governmental Ad Hoc Expert Group on the Development of Proposals on Matters Referred to in paragraph 44 of ECOSOC Resolution 2015/33 will meet in New York. **dates:** 25-27 April 2016 **location:** UN Headquarters, New York

**contact:** UNFF Secretariat **phone:** +1-212-963-3401 **email:** unff@un.org **www:** <http://www.un.org/esa/forests/forum/aheg/index.html>

**IUFRO All Division Meeting (Division 7: Forest Health):**

The International Union of Forest Research Organizations (IUFRO) will be holding the first global meeting of its Division on Forest Health. The meeting will be convened under the theme, ‘Global Change and Forest Health’ and will consider climate change, biological invasions, air pollution, forest pathology, forest entomology, and their interactions. **dates:** 25-29 April 2016 **location:** Istanbul, Turkey **contact:** Eckehard Brockerhoff **email:** [eckehard.brockerhoff@scionresearch.com](mailto:eckehard.brockerhoff@scionresearch.com) **www:** <http://www.foresthealth2016.com/>

**IUCN World Conservation Congress:** Held every four years, the Congress is the world’s largest conservation event, bringing together leaders from government, the public sector, non-governmental organizations, business, UN agencies and indigenous and grassroots organizations. **dates:** 1-10 September 2016 **location:** Honolulu, Hawaii, US **contact:** IUCN **phone:** +41-22- 999-0368 **fax:** +41-22-999-0002 **email:** [congress@iucn.org](mailto:congress@iucn.org) **www:** <http://www.iucnworldconservationcongress.org>

**CITES COP17:** COP17 is expected to address issues such as amendment proposals, nomenclature, non-detriment findings, capacity building and production systems for specimens of CITES-listed species. **dates:** 24 September – 5 October 2016 **location:** Johannesburg, South Africa **contact:** CITES Secretariat **phone:** +41-22-917-81-39 **fax:** +41-22-797-34-17 **email:** [info@cites.org](mailto:info@cites.org) **www:** <http://www.cites.org/>

**ITTC-52:** The next session of the ITTC and associated sessions of the four committees will take place in 2016. **location:** Yokohama, Japan **dates:** 7-12 November 2016 **contact:** ITTO Secretariat **phone:** +81-45-223-1110 **fax:** +81-45-223-1111 **email:** [itto@itto.int](mailto:itto@itto.int) **www:** <http://www.itto.int/>

**GLOSSARY**

BMF	Bruno Manser Fund
BPF	Bali Partnership Fund
BWP	Biennial Work Programme
C&I	Criteria and Indicators
CBD	Convention on Biological Diversity
CEM	Committee on Economics, Statistics and Markets
CFA	Committee on Finance and Administration
CFI	Committee on Forest Industry
CITES	Convention on International Trade in Endangered Species of Wild Flora and Fauna
CRF	Committee on Reforestation and Forest Management
CSAG	Civil Society Advisory Group
EPD	Environmental Product Declaration
ESIA	Environmental and Social Impact Assessments
EUTR	EU Timber Regulation
FAO	Food and Agriculture Organization of the UN
FLEGT	Forest Law Enforcement, Governance and Trade
GCF	Green Climate Fund
GPFLR	Global Partnership for Forest and Landscape Restoration
IAG	Informal Advisory Group
IMM	Independent Monitoring Mechanism
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPSAS	International Public Sector Accounting Standards
ISME	International Society for Mangrove Ecosystems
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
IUCN	International Union for the Conservation of Nature
NTFP	Non-Timber Forest Product
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SFM	Sustainable Forest Management
SME	Small and Medium-sized Enterprise
TAG	Trade Advisory Group
UNCTAD	UN Conference on Trade and Development
UNFCCC	UN Framework Convention on Climate Change
UNFF	UN Forum on Forests
VPA	Voluntary Partnership Agreement