
The fifty-second session of the International Tropical Timber Council (ITTC-52) and the associated sessions of its four Committees met in Yokohama, Japan from 7-12 November 2016. At this session, the Council discussed: the selection of the next International Tropical Timber Organization (ITTO) Executive Director; the response to the impairment of ITTO funds announced at ITTO-51; ITTO’s ongoing cooperation with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); developments regarding forests in the UN Framework Convention on Climate Change (UNFCCC); and the ITTO/Convention on Biological Diversity (CBD) Collaborative Initiative.

Delegates also convened the fifteenth sessions of the Committee on Economics, Statistics and Markets and the Committee on Forest Industry, and the Committee on Reforestation and Forest Management, to approve projects and pre-projects, review projects and pre-projects under implementation and ex-post evaluations, and conduct policy work. The thirty-first session of the Committee on Finance and Administration (CFA) focused on changing ITTO’s financial governance architecture and amending the Staff Rules and Regulations.

Decisions were adopted on: projects, pre-projects and activities; extension of the ITTO Biennial Work Programme 2015-2016; amendments to the ITTO Staff Regulations and Rules; revision of ITTO Financial Rules and Procedures; further measures regarding ITTO’s financial impairment; guidelines for addressing ITTO’s financial shortfall; terms of reference of the CFA; standards of conduct for the ITTO Executive Director; an ad hoc working group to consider the rotation in the framework of the selection of the ITTO Executive Director; and the election and appointment of Gerhard Dieterle (Germany) as the new Executive Director.

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.

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
The ITTA, 1983 established the ITTO, headquartered in Yokohama, Japan, and established new thematic programmes for strategic use of donor funding. ITTO 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 73 members, which are divided into two caucuses: producer countries (35 members) and consumer countries (38 members), including the European Union (EU). 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 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). The Council also is assisted by the Informal Advisory Group (IAG), created in 1997, which meets just prior to Council sessions to produce recommendations and decisions that the ITTC may wish to consider.

**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 Biennial Work Programme (BWP) for 2008-2009; ITTO Objective 2000; and the ITTO Action Plan 2008-2011. ITTC-44 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 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 status of implementation of the 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 no more than US$400,000 shall be spent from the Administrative Budget on annual Council meetings held in a Producer country. The Council also adopted decisions on the ITTO/Convention on Biological Diversity 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 status of implementation of the 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 in 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 Executive Director position 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 and extending Ze Meka’s contract for an additional year. 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:** The 51st session of the ITTC met from 16-21 November 2015 in Kuala Lumpur, Malaysia. The Council was unable to reach agreement on the selection of a new Executive Director, postponing decision on this matter until ITTC-52 and named an interim Officer-in-Charge (OIC) in light of Ze Meka’s resignation just before the meeting. Decisions were adopted on: renewing the mandate of the IAG; the admission of observers; and the terms of reference for a panel to investigate the loss of ITTO funds through failed investments.

**ITTC-52 REPORT**

ITTC-52 Chair Jennifer Conje (US) opened the Council session on Monday, 7 November 2016. Noting that the future direction of ITTO was in the Council’s hands, she urged members not to lose sight of what they are trying to save. She said steps taken since ITTC-51 made clear the need to revise and strengthen ITTO internal controls and to chart a path forward that would allow ITTO to resume operations and projects and fulfill its mandate.

Makoto Sekiyama, City of Yokohama, noted the 30th anniversary of ITTO and praised ITTO for helping Yokohama’s citizens, especially its children, better understand the importance of protecting and conserving tropical forests.

Philip Ngole Ngwese, Minister of Forests and Wildlife, Cameroon, stressed his country’s commitment to ITTO and the role ITTO can play in helping Cameroon realize its commitments under the Paris Agreement on climate change. He underscored the need for the ITTC to break the current deadlock over ED selection.
Steven Johnson, OIC, ITTO, listed items for discussion at ITTC-52, including the ED election and the loss of US$18.2 million in funds. He called for regaining donor trust, in light of decreasing voluntary funding, and asked members to consider whether ITTO should continue doing fieldwork.  

ORGANIZATIONAL MATTERS: OIC Johnson confirmed that quorum was attained for the session. Chair Conje presented the provisional agenda (ITTC(LII)/1 Rev.1). Indonesia asked to discuss, under Other Business, an amendment of the Rules of Procedures to permit election of an ED from a non-member country. The agenda was adopted.

OIC Johnson reported Madagascar’s recent ratification of ITTA, 2006 and presented their contribution to the Administrative Budget (ITTC(LII)/13). Johnson additionally presented the proposed distribution of votes (ITTC(LII)/15) for the 2015-2016 biennium, noting that the current number of members is 73: 35 Producers and 38 Consumers.

COUNCIL SESSIONS

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

REPORT OF THE CREDENTIALS COMMITTEE: On Monday, Katharina Kuehmayer (Austria) presented the report of the Credentials Committee (ITTC(LII)/3), saying 54 members were accepted, including the EU, and underlined information on redistribution and delegation of voting rights under ITTA, 2006.

In response to questions, OIC Johnson confirmed that voting rights are reinstated when the ITTO’s bank confirms receipt of a country’s funds. He said absent countries can delegate their votes to another caucus member; otherwise, total votes for that caucus are reduced, resulting in a current total of 768 Producer votes. He then explained provisions in the ITTA, 2006 affecting reallocation of votes.

On Tuesday afternoon, Chair Kuehmayer reported (ITTC (LII)/3 Rev.1) that: credentials had been received from Colombia; payments had been received from Cameroon and Peru; and Myanmar had delegated its votes to Thailand. She said that, as a result, the Producers vote total had risen to 901.

Brazil asked which countries had pending payment issues and OIC Johnson responded that Panama had sent a copy of its check not yet arrived at the ITTO bank.

On Wednesday, the Credentials Committee reported (ITTC(LII)/3 Rev.3) that the credentials of 58 countries had been accepted, with India’s delegation of its votes to Brazil and the acceptance of Fiji’s credentials.

ADMISSION OF OBSERVERS: On Monday, Chair Conje invited the Council to consider the lists of observers for admission (ITTC(LII)/Info.3), according to the review of procedures related to admission of observers undertaken at ITTC-51. OIC Johnson highlighted the presence of eight observers.

REPORT OF THE INFORMAL ADVISORY GROUP: Chair Conje summarized the report of the IAG (ITTC(LII)/2), highlighting its recommendations to: postpone consideration of changes to the IAG’s terms of reference until ITTC-53; extend the 2015-2016 BWP for one year; convene the Expert Panel for Technical Appraisal of Project Proposals once in 2017; and encourage members to continue contributing to projects.

ENHANCING COOPERATION BETWEEN ITTO AND CITES: On Thursday, OIC Johnson presented a report on the listing of tropical tree species in the CITES Appendices and on the implementation of the ITTO-CITES Programme (ITTC(LII)/4). He emphasized that at the recent CITES Conference of the Parties (CoP17) in Johannesburg, South Africa, all the proposals to list tropical tree species in the CITES Appendices were approved, inter alia, the inclusion of Dalbergia species (rosewoods) in Appendix 2. He reported that the ITTO-CITES Programme has completed over 40 country-specific activities and outreach activities. He further noted that because of the issue with failed investments, the EU had decided to channel funds for a third phase of the programme to CITES Secretariat but that the ITTO will continue to collaborate on the programme and to include work on CITES in the BWP.

Milena Schmidt, CITES Secretariat, highlighted positive perception of CITES as a tool for SFM in tropical tree species range states as one of the main achievements of the programme and its demonstration to countries that they can count on the international support accompanying the listing of species under CITES. Noting the increased number of commercially important tropical tree species covered by CITES, she stressed the relevance of continued support to CITES’ national authorities and thanked the EU for funding the third phase of the ITTO-CITES Programme.

The EU, US, China, Colombia, Mexico, Malaysia, Madagascar, Panama and Germany commended the programme for its tangible results and for being a successful example of cooperation among organizations. The US announced its contribution to the new phase of the Programme of US$205,000. Germany announced it will organize, in 2017, an expert meeting on capacity building for competent authorities to support the implementation of CITES decisions on Dalbergia species.

BIENNIAL REVIEW AND ASSESSMENT OF THE INTERNATIONAL TIMBER SITUATION IN 2015-2016: On Tuesday afternoon, Frances Maplesden, ITTO consultant, presented a preliminary analysis of the world timber situation for 2015-2016 (ITTC(LII)/5), noting that it was based on data received from responses by countries to the Joint Forest Sector Questionnaire (JFSQ), which are incomplete. She underlined data quality issues and said current conversion factors, from weight to volume may be inaccurate due to changes in technology and wood resources and are in need of revision.

Presenting production and trade trends for wood products, Maplesden reported that Asia is the largest producer of tropical industrial roundwood and sawnwood, and China the main destination for both and the largest producer of tropical plywood. She identified market issues linked to the general economic slowdown in 2015, particularly in emerging economies, and related impacts of production, and the effects of China’s economic downturn on tropical wood products trade.

Indonesia suggested the use of weight unit measures for more precise data on furniture. Maplesden clarified that the JFSQ does not ask for volume figures for furniture.

Guatemala highlighted an ITTO-supported project to improve national forest statistics. Papua New Guinea sought clarification on the relationship between China’s import of roundwood and exports of plywood, to which the Secretariat responded that logs imported in China are later processed into plywood.

SELECTED DIRECTOR (MATTERS RELATED TO ARTICLE 14 OF ITTA, 2006): On Monday morning, Anna Tyler (New Zealand), Co-Chair of the panel created to examine applications for the post of ITTO ED (ITTC(LII)/6), reported on the panel’s deliberations from 28-30 June 2016. She stated that the panel reviewed 33 applications, comprising 19 candidates from Producer countries, 12 from Consumer countries and two from non-member countries, of which six were shortlisted: Stephanie Caswell (US), Gerhard
Dieterle (Germany), Putera Parthama (Indonesia), Sheamala Satkuru (Malaysia), Torgny Söderman (Sweden) and Ivan Tomaselli (Brazil). The Council took note of the panel report.

**Introduction of the Candidates:** On Monday afternoon, each of the six candidates presented their case for becoming the next ED. Stephanie Caswell proposed three specific strategies in fulfilling ITTO’s mandate: expanding the funding base, including by making the ITTO an implementing agency for the Global Environment Facility (GEF) and the Green Climate Fund (GCF), to facilitate financing project proposals from countries and restore confidence in ITTO; building stronger partnerships with civil society and trade advisory groups; and potentially renegotiating ITTA, 2006 to fit into the evolving international forest-related policy landscape, including, *inter alia*, the World Bank Forest Carbon Partnership Facility, the Sustainable Development Goals (SDGs), and the Paris Agreement on climate change.

Putera Parthama described the problems of ITTO as: financial crisis associated with lack of transparency, efficiency and innovative funding resources; lack of impact and of a strong role in global fora; and absence of efforts to address timber issues. He suggested rebuilding trust through transparency and efficiency, including through savings on staff expenditures, accelerating the process for becoming an implementing agency for GEF and GCF, and demonstrating tangible impacts of ITTO projects.

Gerhard Dieterle underlined the need to ensure full recovery from the ITTO financial crisis and to position it as a strategic partner in the international forests regime. He asserted that he had the right skills to lead in strengthening ITTO’s voice, regaining trust and credibility, and building further consensus between Producers and Consumers. He called for ITTO to make the case that forest use does not threaten biodiversity conservation and said forests’ key role in economic growth and conservation should unlock new financial resources for scaling up SFM and sustainable value chains.

Sheamala Satkuru recalled the legacy of the ITTO’s mandate and emphasized the necessity of: strong leadership; regaining trust and confidence within the Council and in attracting new donors and partnerships; trade in sustainably produced tropical timber and wood products in addition to SFM; enhancing collaboration with the private sector, and civil society, and integrating the work of ITTO with climate-related funding opportunities and with the SDGs; and dispelling negative myths of tropical timber as being unsustainable, including by working closely with the retail sector.

Torgny Söderman introduced himself as a “doer” with significant experience with the private and public sectors, and international development experience. He highlighted the success factors for running organizations as: working in teams, securing funds, and managing funds efficiently. Noting ITTO’s many achievements, he suggested future emphasis on: plantation forests with indigenous species; wood processing; certification; and involvement of the private sector. He stressed the ITTO needs a “doer” who believes in ITTO’s mandate.

Ivan Tomaselli emphasized his 30 years of involvement with ITTO. He focused on lessons learned and how best to move forward, calling for a “change plan” based on strategic assessments, identification of needs and expectations, and definition of priority areas for intervention, in order to maximize results. He said his priorities would be: increasing the impact of the ITTO in SFM; improving the efficiency of the Secretariat; and improving funding through discussions with donors and identification of new funding sources.

All six candidates were asked to respond to four questions, two from Consumers and two from Producers.

On the question by Consumers about potential conflicts of interests and what steps the candidate would take to address them, all six candidates responded they had no conflicts of interest.

On the question by Producers about what would be the first action if elected, Caswell highlighted developing communication products that address ITTO’s contributions to the SDGs and the Paris Agreement and expanding ITTO’s funding base. Parthama emphasized transparency, efficiency and a programmatic approach to projects for tangible impacts. Dieterle underscored building collaboration and consensus in order to manage ITTO’s financial recovery and establishing partnerships with large or significant funding sources. Satkura emphasized strengthening ITTO internally and securing urgent funding for existing projects. Söderman stressed resolving the financial problem and re-establishing trust. Tomaselli underscored reviving the Thematic Programmes, carrying out an assessment of the Secretariat, proposing ways to increase ITTO’s impact, and working with donors.

Consumers asked what the candidates see as ITTO’s strengths and weaknesses and where ITTO will be in four years. On strengths, candidates underlined: capacity to make and implement decisions; the policy-project interface; consideration of emerging issues; a holistic view of tropical forests; a three-decade history of knowledge and information production; its mandate; and the collective role of its members. On weaknesses they noted: lack of *gravitas* internationally due to its small size, failure to utilize research outputs and lack of demonstrable impacts, problems in compliance and weakness in managing the organization; the need for more tangible SFM indicators; and the need for both external and internal auditing to ensure accountability and transparency. On the vision, they underscored: ITTO becoming an implementing agency for the GEF and GCF; a strong balance between policy work and thematic and project-based work; improved cost efficiencies in project implementation; greater role of productive forests and harvested wood products in achieving multiple goals; more transparent handling of funds; more work on wood processing, plantations and certification; and stronger ties with the private sector.

Producers asked what strategy the candidate would propose to improve trade flows and coordination of timber products trade between Consumers and Producers. Caswell identified the potential for raising the profile of productive tropical forests in achieving SDGs, and emphasized ways to better serve Producer countries in the face of growing pressure by consumers for forest certification and verification. Parthama stressed good communication and cooperation between Producers and Consumers and announced Indonesia will become the first country to issue Forest Law Enforcement, Governance and Trade licenses as per its agreement with the EU. Dieterle called for rewarding demand for sustainable products and establishing and implementing incentives on the ground through assistance to local producers, smallholders, indigenous communities, and the domestic trade. Satkura noted the importance of communication strategies, marketing activities, and continuous and effective advocacy. Söderman said he would try to get Consumers and Producers to work together to promote certified products and build trust in the market. Tomaselli said promoting trade and tropical forest product sales is complex, and suggested that ITTO stimulate member countries to prepare project proposals on quality, technologies, sustainability, image and services.
Chair Conje encouraged delegates to talk to all the candidates in the coming days, and said she would ask the caucuses early in the week about how they wish to proceed with the election.

Selection of the Executive Director: On Tuesday afternoon, Chair Conje re-opened discussion on this item, asking participants for their views on the process for electing a new ED. The EU announced that Spain had now delegated its votes to the EU in writing, and presented it to Chair Conje.

Cameroon, for Producers, emphasized the appointment decision, but stressed that the selection of an ED should not be delayed. Cameroon, for Producers, said she favored selecting the ED by consensus and requested a 24-hour postponement of discussion.

The US, noting that the most productive way forward would be to allow members to give a first indication of their preferences, called for a special vote for ED. The EU, with Japan, seconded the call. Australia said that Consumers see a vote as a tool to help achieve consensus.

Brazil, supported by Togo, Cameroon for Producers, and Panama, asked to postpone the vote until Wednesday since some members were still arriving and some payments, including Panama’s, were still being processed.

At the request of the Chair, the UNCTAD Legal Adviser explained that in the case of a lack of consensus, the Rules of Procedure state that a simple distributed majority vote must be taken to decide whether to hold a special vote.

The simple distributed majority vote failed with 100% of Consumers in favor of a special vote but only 45.1% of Producers in favor.

On Wednesday, New Zealand, on behalf of Consumers, called for a vote on the ED, with Cameroon, for Producers, seconding the motion. OIC Johnson reminded delegates that a special vote requires a two-thirds majority vote by Producers and at least a 60% majority for Consumers, on the condition that these votes belong to at least half of the Producers and half of the Consumers. The Republic of Korea called a point of order requesting a secret vote.

The special vote for the new ED produced no winner.

On Thursday, Cameroon, on behalf of Producers, called for a draft decision for creating a working group to discuss the principle of rotation of the ED appointment between Producers and Consumers. Upon Consumers’ request for further clarification, the Producers said the working group would be intersessional.

Following a brief recess, Consumers indicated willingness to review the rotation principle in an intersessional process as long as that decision was not conditioned on the outcome of a vote on the ED at ITTC-52, and called for a special vote on the election of the ED.

Chair Conje announced consensus from both caucuses to establish a working group, with the Consumer’s caveat, and noted the need to draft a decision, since an intersessional working group would have financial implications.

Cameroon, for Producers, noted agreement for a special vote, but called for a prior decision on rotation. New Zealand, for Consumers, objected.

With no consensus on taking a special vote immediately, Chair Conje called for a simple majority vote on whether to have a special vote. The vote failed.

On Friday morning, New Zealand, on behalf of Consumers, presented a non-paper with the principle of rotation included in the appointment decision, but stressed that the selection of an ED should not be delayed. Cameroon, for Producers, emphasized that an intersessional working group should examine the practical implementation of the principle of rotation, both within caucuses and between the two caucuses. Brazil requested clarification on the meaning of principle of rotation.

Peru urged delegates to select an ED to set a positive tone for ITTC-53, scheduled to take place in Lima, Peru, in 2017. The US stressed that a Consumer ED should be given a chance to overcome the impasse. Togo stressed that the decisions on establishing a working group and on the appointment of the ED must be drafted together in the spirit of compromise between the caucuses.

Malaysia called for an ED with the capacity to inspire donors. New Zealand noted the willingness of Council members to select the ED and establish a working group, and urged members to find the most direct way to achieve these objectives.

The EU, seconded by Malaysia, called for a special vote to elect the ED.

Togo said it was saddened to see a call for a vote while additional proposals for reaching agreement had been offered in the discussions.

The Chair of the Credentials Committee informed delegates of a letter from the Embassy of Colombia in Japan dated 11 November 2016, authorizing Brazil to vote on Colombia’s behalf, but that she had not had time to consult with members of the Credentials Committee.

Chair Conje proposed that the votes of Colombia be counted, unless any Council member objected. Noting, however, that there were no objections by members of the Council, Chair Conje said the votes of Colombia would be counted.

A special vote was held, which did not result in a winner.

On Friday afternoon, the contact group on rotation reported that it had agreed that a decision should be drafted to create an intersessional working group to define the principle of ED rotation and procedures for operationalizing it. Cameroon, supported by Togo, asked that the creation of the working group be included in the decision appointing the new ED.

On Saturday morning, Indonesia said it was withdrawing its candidate for ED and called for the appointment of Gerhardt Dieterle by consensus. The Council elected Dieterle by acclamation.

Dieterle thanked Council members for his appointment and pledged to work to ensure ITTO’s strength and growth, stressing that it will require the cooperation of Secretariat and member states. He underscored his appreciation for the work of OIC Johnson and the Secretariat. He promised to “invest every effort” to nurture partnership between Producers and Consumers, and to always listen to the Council and member governments.

Many delegations and observers congratulated the new ED and expressed their appreciation to OIC Johnson for steering the Secretariat through difficult moments, and Chair Conje for guiding the Council to a successful outcome. Several also thanked ED candidate Parthama for withdrawing his candidacy in the spirit of consensus.

Malaysia emphasized that the election of the ED by consensus reflects the maturity of ITTO and is a victory for all its members, and that the future of the Organization and of sustainable timber depends on solidarity among Producers and Consumers.

Brazil stressed the renewed spirit of partnership in the Organization and the importance for the new ED to take on board the plurality of concerns and interests of the members, and acknowledged the important decisions taken at ITTC-52 for the recovery of the Organization.
Chen Hin Keong, TRAFFIC, Chair of the Civil Society Advisory Group (CSAG), underscored the desire of CSAG members to work with the new ED through an ITTO/CSAG strategic framework on issues including: transparent and equitable timber trade, gender, and social forestry aspects especially for indigenous peoples and local communities. He urged the Council to develop proper procedures for ED selection as carried out by other international organizations so that future selection processes can be carried out in a more efficient manner.

**ITTO BIENNIAL WORK PROGRAMME (BWP):** On Wednesday, the Secretariat presented a progress report on the BWP for 2015-2016 (ITTC(LII)/7 Rev.1), noting that, while the six activities funded by the core budget have not been affected by the impairment of funds, voluntary contributions for 30 activities in the six Strategic Priorities have amounted to US$3,577,481, representing only 46.4% of the US$7,698,159 budgeted. He said more than half of the funding received (US$1,773,659) was for ITTO-CITES cooperation (Strategic Priority 2), and pointed out that of the 30 activities seeking voluntary contributions, four (13.3%) have received full funding, 15 (50%) have received partial funding and 11 activities (36.7%) remain unfunded.

Noting the shortfall in voluntary contributions and the IAG proposal to extend the current BWP by a year, the EU suggested prioritizing ongoing projects rather than starting new ones.

**PROGRESS REPORT ON THE IMPLEMENTATION OF THE ITTO THEMATIC PROGRAMMES:** On Wednesday, the Secretariat introduced this item (ITTC(LII)/8), noting that no new financial pledges for projects have been made in 2016, and presented a progress report assessing 51 completed projects, 22 ongoing projects, two pending projects that are affected by the impairment of funds, and four projects that have entered into the sunset clause. On Forest Law Enforcement, Governance and Trade (FLEGT), he noted that seven projects were completed, including on improving governance and transparency of timber harvests and trade in Cameroon, and improving forest law enforcement in Guatemala. On Reducing Deforestation and Forest Degradation and Enhancing Environmental Services (REDDES), five projects have been completed, including a project on SFM in Malaysia and one on capacity building for Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries (REDD+) in Myanmar, both of which have contributed to the respective countries’ REDD+ readiness plans. On Trade and Market Transparency, five projects have been funded following achievements in compliance with CITES. OIC Steve Johnson noted that 13 ongoing projects have been affected by the impairment of funds, with total funding affected amounting to US$1.74 million.

**DEVELOPMENTS IN THE UNFCCC REGARDING FORESTS AND THEIR POTENTIAL IMPLICATIONS FOR TROPICAL FORESTS AND THE WORLD TROPICAL TIMBER ECONOMY:** On Thursday, the Secretariat introduced this agenda item (ITTC(LII)/9), noting that Article 5 of the Paris Agreement on climate change has specific provisions for taking action to conserve and enhance sinks and reservoirs for greenhouse gases, including forests, and to take action to implement and support REDD+ and joint mitigation and adaptation approaches. He noted that 11 Producer countries have submitted their reference levels for REDD+ through six successfully completed technical assessments, with five other countries expected to complete their assessments by the end of November 2016.

In the ensuing discussion, Indonesia, supported by Costa Rica, China, the US and Papua New Guinea, stressed the added value of the ITTO in supporting UNFCCC and related work, especially through the REDDES thematic programme, and highlighted the importance of ITTO collaboration with the GCF, among other topics. Indonesia requested clarification on how ITTO can become accredited to the GCF and whether ITTO can enhance its work in providing critical input to the UNFCCC and other forest-related processes. OIC Johnson responded that environmental and social safeguards as well as gender guidelines are already being developed by ITTO, and underscored that the GCF represents the largest potential source of financing for ITTO activities. He noted that if the Council agrees, more resources can be mobilized to ensure greater ITTO participation at UNFCCC meetings.

**ITTO/CBD COLLABORATIVE INITIATIVE TO CONSERVE TROPICAL FORESTS:** On Thursday the Secretariat reported on this Initiative (ITTC(LII)/10). He noted that donors such as Belgium, Japan, Switzerland, Republic of Korea and Switzerland have contributed US$12.5 million of the Initiative’s US$15 million budget for the initial four-year period, with 10 projects and one pre-project implemented, involving 22 countries in all, and two awaiting agreement.

Catalina Santamaria, CBD Secretariat, said the Joint Initiative has promoted the adoption of an inclusive and integrated approach to biodiversity conservation and sustainable use in the planning and implementation of its projects. She explained that the CBD Secretariat’s contributions have largely focused on ensuring that project proposals clearly and explicitly refer to: how SFM practices support forest aspects of the Aichi Targets; the types of impacts on biodiversity and livelihoods generated; existing benchmarks and parameters to track project deliverables; and the identification of national data that can complement CBD reporting requirements.

During discussion, several delegations commended the work of the Initiative and Republic of Korea announced its intention to expand its cooperation with the Initiative.

**IMPAIRMENT OF ITTO FUNDS:** On Monday morning, Chair Conje said discussion of the investigation into the impairment of ITTO funds would be broken into three sub-items: revisions of the ITTO financial rules and procedures, audit standards, and relevant staff regulations and rules; impacts on projects and ameliorative measures; and legal implications.

Rob Busink (Netherlands), Co-Chair of the Oversight Committee (OC) created by ITTC-51, presented the OC report (ITTC(LII)/11(a)), noting that it includes an addendum on improving internal control standards and investment policy based on an independent investigation completed in April 2016. He stated that the funds lost, amounting to US$18.2 million, will not be reimbursed, therefore short-term measures are required to regain the confidence of members, donors and the public.

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**Revisions of the ITTO Financial Rules and Procedures, Audit Standards, and Relevant Staff Regulations and Rules:** On Monday, Stephanie McFadden O’Neill (US) presented the report of the Expert Panel on the revision of the ITTO Staff Regulations and Financial Rules established under Decision 1(LI.1) (ITTC(LII)/11(b)), highlighting changes on: standards of conduct, conflicts of interest; email use; disciplinary procedures; protection for whistleblowers; and standards of conduct for
the ED. She noted that changes to the Financial Rules focus on simplifying and streamlining procedures and increasing transparency.

Chair Conje reported requests by NGOs for public disclosure of documents related to the investigation on the impairment of funds and of the audits.

**Impacts on Projects and Ameliorative Measures:** On Monday, OC member Jorge Malleux (Peru) noted that a draft decision included in document ITTC(LII)/11(a) proposes guidelines for redistributing funds from ITTO accounts to cover a total of US$14.2 million for ongoing and future projects already financed, but that US$4 million would still need to be covered.

OC member Luke Thompson (US) underscored: the need for new donor funding to overcome the financial shortfall; closing remaining funding gaps; and streamlining efficiencies at the Secretariat and implementation levels.

**Legal Implications:** On Monday, OIC Johnson reported on ITTO’s lawsuit against the investment advisor who sold the product that led to the loss of funds, noting that the first court proceedings would be held on 10 November 2016. Johnson also reported that ITTO had received a bill of US$97,000 for legal expenses related to the liquidation of one of the funds, which the Secretariat refused to pay.

On Tuesday, Thursday and Friday, closed sessions were held to further discuss this agenda item.

**PROGRESS REPORT ON THE ITTO FELLOWSHIP PROGRAMME:** On Saturday the Secretariat presented the Progress Report (ITTC(LII)/12). She explained that due to the impairment of ITTO funds, the Fellowship Programme had been suspended, with no new applications received during the autumn 2016 cycle. She noted a US announcement of funding support for the programme.

She explained that since its inception in 1989, the programme has enabled 1,342 young and mid-career people from 49 countries to pursue professional development. She discussed the results of an impact assessment conducted in summer 2016 through a survey of programme beneficiaries, including: 82% reporting very large or moderate contributions to promoting reforestation/forest conservation in their home countries; 88% reporting improved productivity and performance of their home institution; and 42% indicating that knowledge and skills acquired through the programme had helped them influence national forestry and environment policy in their home countries.

**DRAFT ANNUAL REPORT FOR 2015:** On Saturday, 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, including improvements in ITTO’s project search tool; a timeline of key achievements; field results of Thematic Programmes; statistics and market assessment work; and key outcomes of ITTC-51.

**SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (BPF): Pledges to the Special Account and the Bali Partnership Fund:** On Friday afternoon, Chair Conje opened the floor for interventions on pledges to the Special Account and the BPF (ITTC(LII)/13). Noting its show of confidence for the technical and administrative abilities of ITTO, the US announced its 2016 contributions to ITTO: US$20,000 for work on the ITTO Guidelines on Gender Equity; US$20,000 for an African Regional Workshop on ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests; US$10,000 for further workshops on criteria and indicators (C&I); US$205,000 for the ITTO-CITES Programme; US$100,000 for the mangrove forests and ecosystem conference to be held in Indonesia; US$40,000 for CSAG and Trade Advisory Group (TAG) stakeholder engagement; US$10,000 for ITTO involvement with the Collaborative Partnership on Forests; US$60,000 for the ITTO Fellowship Programme; US$4,000 for ITTO work with the World Customs Organization; and US$380,000 for multiple member country projects, which includes activating new ITTO project work.

The Republic of Korea noted that it has signed a Memorandum of Understanding with the ITTO Secretariat to enhance cooperation on the sustainable management of tropical forests, which envisions secondment of a senior official to the Secretariat.

Noting that it had provided ITTO with US$2.6 million in March 2016, disbursement of which was frozen pending action to deal with the impairment of ITTO funds, Japan said it could only release these funds once the new financial governance package and revisions to Staff Rules and Regulations were adopted and implemented. Japan also indicated its willingness to reallocate whatever funds remain from completed projects it financed to ongoing projects needing funds.

The EU said it was in the same position as Japan, and noted it was doing its best to work through CITES and the Food and Agriculture Organization of the United Nations (FAO) to keep projects going where those organizations were involved.

**Report of the Panel on Sub-Account B of the Bali Partnership Fund:** The Chair of the Panel, Rob Busink (Netherlands), presented the report (ITTC(LII)/14), stating that as of 11 November 2016 the total funds available in Sub-Account B were approximately US$700,000, and in the Unearmarked Fund, approximately US$2.1 million. He reported that the Panel decided to recommend to the Council that the entire balance in Sub-Account B and Unearmarked Fund, approximately US$2.8 million, be made available to address the issue of ITTO fund impairment.

**JOINT COMMITTEE SESSION**

On Wednesday afternoon, delegates met in a Joint Committee Session, chaired by ITTC-52 Vice-Chair Tabi Agyarko (Ghana), to examine the Report of the Expert Panel for Technical Appraisal of Project Proposals and hear ex-post evaluations of completed projects. This was followed by the Annual Market Discussion for 2016 under the theme “Free Trade Agreements – Challenges and Opportunities for the Tropical Timber Trade.”

**REPORT OF THE EXPERT PANEL:** Valéria Rigueira (Brazil), Chair, Expert Panel for Technical Appraisal of Project Proposals, presented the Panel’s report (ITTC/EP-51). She said the Panel, consisting of six Producer and Consumer members, had reviewed 43 proposals, using the ITTO Guidelines for Project Formulation criteria and scoring system. She reported that the Panel noted, *inter alia:* 60% of projects dealt with reforestation and forest management; few transnational proposals were presented; gender issues are not being incorporated in most project proposals; many projects fail to address sustainability after completion and the knowledge management component; many projects do not fully utilize the ITTO Manual for Project Formulation; and many proposals do not adequately delineate the roles and responsibilities of collaborators in the project. She noted recommendations to, *inter alia,* always: seek guidance from country focal points before formulating proposals; use the Manual’s protocol; and reference relevant ITTO guidelines in the proposal. She also encouraged members to request training on project formulation.
During the ensuing discussion, the US asked about pre-projects that are recommended for projects that are then unsuccessful or poorly designed as projects. Rigueira said submitting proposals through country focal points can help alleviate this.

In response to Benin, the Secretariat recommended that countries facing a sunset clause, particularly given the financial impairment, submit a formal request to extend the project for 22 months and noted a lack of funding for training in project formulation since 2014. In response to Peru, Rigueira said the July 2016 meeting of the Expert Panel was postponed, with concomitant adjustments in the project cycle.

**EX-POST EVALUATIONS:** The Secretariat presented an evaluation report on *ex-situ* and *in-situ* conservation of teak (*Tectona grandis*) to support SFM (CRF(L)/4), a project undertaken from 2006-2009 to enhance Myanmar’s economy through sustainable production and export of high quality teak. He reported lessons learned, including that good project administration and technical excellence do not necessarily trigger the changes required for SFM. He recommended considerations on ensuring integration of results of technical projects into national forest policy during the planning phase and applying appropriate methods and specialists when technically-oriented projects are combined with social or community forest approaches.

Thailand expressed interest in collaborating on teak with ITTO partners, including Myanmar, and requested support.

**ANNUAL MARKET DISCUSSION 2016:** On Wednesday afternoon, panel moderator Jorge Malleux, Peru, opened the Annual Market Discussion, emphasizing the relevance for ITTO after the US, and requested support.

Erik Fischer Llanos, Peruvian Exporters Association, presented on the impact of trade agreements on the tropical timber trade in Peru. Noting that Peru uses little of its forest resource for timber for export or domestic use, he stressed the need to valorize forestlands and provide livelihoods to impoverished forest populations who otherwise seek incomes from burning forests for agriculture, illegal mining, or coca production. He called for: promoting legal trade in timber products; reevaluating tropical timber trade promotion measures; and improving the business climate for both producers and their markets.

During discussion, participants asked: how to increase the social benefits from investing in forest production; whether FTAs improve market transparency; and how to introduce equity into the trade to satisfy local demand. Téllez Pacheco responded that it is important to bring communities together to build trust and provide training, noting that big equipment is problematic for small communities. Recalling that foreign investors need legal certainty, he said the Mexican government is channeling such investment.

One participant said addressing illegal logging alone will not address forest destruction but called for enhancing the value of tropical forests through focusing on the whole forest and improving governance and government capacity.

The US commented that the FTA has brought several benefits to Peru related to modernization and timber tracking and identification.

Delegates also addressed the definition of illegal logging, timber traceability systems, and the effects of the FTA on forest-dependent communities.

In concluding the Annual Market Discussion, Barney Chan, Trade Advisory Group, underscored the value of the ITTO on a global stage, noting that ITTO: does not set out prescriptions on SFM but develops guidelines that are field tested with members; has a fair and level playing field for interaction among all stakeholders; and delivers market intelligence through continuous updates on trends, prices, and production and export volumes, which no other international organization can provide.

Delegates also discussed how to refocus attention on promoting sustainable trade in tropical timber and to build on partnerships with like-minded organizations, such as the cooperation between ITTO and CITES.

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

The joint hold 50th sessions of CEM and CFI, co-chaired by Alicia Grimes (US) and Akiko Nakano (Japan), 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; and policy work.

**NEW PROJECTS AND PRE-PROJECTS:** On Tuesday, the Secretariat introduced discussion on new projects and pre-projects. The Committee declared the following three projects...
approved under the time-bound electronic no-objection procedure to accept Expert Panel ratings (ITTC/EP-51):

- Establishing a system for the collection, storage, processing and dissemination of forest and wildlife statistics in Cameroon;
- Promoting partnership between farmers groups and forest industry in Indonesia; and
- Achieving SFM through enhanced competitiveness of small and medium wood industries in Indonesia.

The EU, supported by Cameroon, inquired about the budget for new projects and the source of additional funding. Chair Grimes emphasized that funding for projects relies on voluntary contributions from donors and stated that new and eligible funding for projects is not affected by the financial impairment. Guatemala, supported by Côte d'Ivoire, inquired as to whether existing projects already in progress, or reviewed proposals already received by the ITTO, would continue to be funded or receive feedback with regard to future funding. CEM Vice-Chair Jorge Mallexus (Peru), as a member of the OC, noted that a draft decision has been considered, which offers a series of alternative options for avoiding greater financial impacts on projects already underway, including the pooling of funds from different accounts.

**COMPLETED PROJECTS AND PRE-PROJECTS:** On Tuesday, the committees heard reports on, and the committees declared complete, seven projects (CEM-CFI(L)/2) on:

- promotion of sustainable management of African forests;
- enhancing forest law enforcement in Papua New Guinea;
- development and implementation of a species identification and timber tracking system in Africa with DNA fingerprints and stable isotopes;
- establishment of a national forest statistics information management system in Benin;
- a sustainable model for the Brazilian wood flooring production chain;
- development of intra-African trade and further processing of tropical timber and timber products, involving Côte d'Ivoire, Cameroon, and the Democratic Republic of the Congo; and
- support to improve the productivity of the Peruvian timber industry for the production of higher value-added products.

**SELECTION OF PROJECTS FOR EX-POST EVALUATION:** On Tuesday, CFI Chair Nakano noted that no project under the CEM or CFI presently met the criteria for ex-post evaluation and suggested that ex-post evaluation be considered at a later session.

**POLICY WORK:** The committees addressed policy work on Thursday.

**Market Access:** The Secretariat presented on developments in ITTO Producer member FTAs as well as in regional trade agreements, which he noted have grown significantly in recent years, particularly in Asian and Latin American Producer countries.

**Forest and Timber Certification:** The Secretariat highlighted that a total area of 28.9 million hectares of certified forests were in ITTO Producer countries, accounting for 6.3% of the world's total area of certified forests. He said the Forest Stewardship Council (FSC) covered 18 million hectares of certified forest area of ITTO Producers by the end of 2015, accounting for 9.7% of total FSC certified forests in the world. He recognized Brazil, Republic of Congo and Indonesia as possessing the highest number of certified forest among ITTO Producers. For the Programme for the Endorsement of Forest Certification (PEFC), he noted 8.2 million hectares of forest were certified in ITTO Producers, accounting for 3% of the total PEFC certified areas in the world, with Malaysia, Brazil and Indonesia having the highest percentage of PEFC-certified forest areas of ITTO Producers, and briefly highlighted these countries’ scheme. He underscored that while PEFC continues to be the largest forest certification scheme in the world, the FSC captured the largest share of ITTO Producer countries’ certified forests.

**Strengthening the Participation of the Private Sector in the Work of ITTO:** On strengthening private sector participation in advancing ITTO’s objectives, TAG Chair Chan proposed a workshop, hosted by the EU Sustainable Tropical Timber Coalition, with the aim of blending financial and intellectual resources between ITTO and private sector representatives from national timber trade and industry associations to address, *inter alia*, advantages and disadvantages of collaborations and priority areas for collaboration.

**Development of Environmental Product Declarations (EPD):** The Secretariat noted that work on this item had been cancelled due to ITTO fund impairment.

**Demonstration and Adoption of Credit Schemes for Small and Medium Forest Enterprises:** Representatives of this project’s executing agency, the Natural Resources Development Center, Indonesia, described some of the challenges faced, particularly overcoming a central government policy directive against bank lending for forestry. They noted that many small-scale enterprises do not meet the requirements of official financial sources such as banks, and that there is a need for improving the capacity and capability of managers in administrative, financial and technical matters. In response to an inquiry from Côte d’Ivoire, the Secretariat explained that this project was originally scheduled for implementation in several countries, but since it received only partial funding it had only been implemented in Indonesia. He expressed hope that it can be deployed in other countries as funding becomes available under the next BWP. The EU suggested that the next communication about the project should discuss how to share the knowledge gained so as to improve chances replicability and scaling up.

**BWP FOR THE COMMITTEES 2017-2018:** On Thursday, CEM Chair Grimes noted that the Committees will extend the 2015-2016 BWP by an additional year due to ITTO’s financial impairments and requested proposals for activities to be included in a draft ITTO BWP for 2018-2019 to be considered and adopted at ITTC-53. Indonesia, supported by Papua New Guinea, proposed an activity for CFI in product quality of timber processing for incentivizing producers to operate efficiently and reduce wood waste. Papua New Guinea proposed an activity to develop standard procedures whereby the ITTO can assist member countries exporting timber to ensure they are exporting high quality products. The Secretariat confirmed that both suggestions would be considered for the BWP 2018-2019.

Sweden, supported by the US, identified four activities of the BWP 2015-2016 that should be retained in the next BWP: web-based interactive profiles to support tropical timber market diversification; promoting trade in tropical timber from sustainably managed and legally harvested sources; enhancing the technical capacity of member countries to meet reporting requirements, and enhancing cooperation between ITTO and the World Customs Organization. André de Boer, European Timber Trade Federation, supported by the US, highlighted the importance of maintaining the ITTO Market Information Service. Upon discussion of Malaysia’s experience in drafting guidelines for the Asia-Pacific Economic Cooperation Expert Group on
Illegal Logging and Associated Trade, CEM Chair Grimes noted that Malaysia’s recommendations on the guidelines would be included in the BWP 2018-2019.

On a question from Brazil regarding development of an EPD for selected tropical wood products, Barney Chan said an EPD had already been conducted for three specific wood products, and the results published, but that more funds are needed for EPDs for additional wood products. Indonesia also proposed the organization of an international conference, with ITTO and partners, to promote timber legality assurance for ITTO Producers which would focus on, inter alia, addressing market requirements, improving stakeholder capacity, and strengthening collaborations and partnerships in implementing legality assurance. The Secretariat noted that this activity would be included in the 2018-2019 BWP.

PROJECTS AND PRE-PROJECTS IN PROGRESS: The Committees considered this item (CEM-CFI(L)/3) on Thursday. The Secretariat noted that several projects had suffered problems, gone over budget, or been affected by the financial impairment. On a CEM pre-project to a feasibility study on certification of the National Office of Forests’ national plantation estates in Benin, the Secretariat noted that its main output was a project proposal submitted to the Expert Panel in 2015 but not recommended for funding. He said a final revised audit report was not received before ITTC-52 and thus could not be declared completed.

In the CFI, two projects were declared complete: one on assistance for project identification and formulation and strengthening the performance of the wood processing sector in Guyana through building local capacity, and another on enhancing national systems that promote forest products trade and sustainable utilization of forest resources.

A project on reviving forestry education in Liberia was declared terminated because no final report was received.

Three projects were temporarily suspended, due to the impairment of funds, on: improving forest governance in Mozambique; developing supply capacity of wood-based biomass energy through improved enabling conditions and efficient utilization of degraded forest lands involving local communities in North Sumatra Province, Indonesia; and promotion and sustainable management of lesser-used timber species in the moist forests of the Departments of Atlantida, Colon and Northern Olancho in Honduras.

The following projects, with funding pledged at ITTC-51 but then suspended awaiting the ITTC-52 decision on impairment of funds, were at risk of losing “approved” status at the end of 2017:

- Promotion of sustainable management of African forests;
- SFM in the Chimbo River Basin, Ecuador;
- Establishing a system for the collection, storage, processing and dissemination of forest and wildlife statistics in Cameroon;
- Development of Intra-African trade and further processing of tropical timber and timber products, Phase 1 Stage 2;
- Enhancing the Bali wooden handicraft industry by improving the quality of planted-wood raw materials and complying with legality standard in Indonesia;
- Promoting partnership between farmers groups and forest industries in Indonesia;
- Genetic conservation, utilization and management of gall rust resistant strains of Falcataira moluccana in the Philippines; and
- Achieving SFM through enhanced competitiveness of small and medium wood industries in Ciamis District of West Java Province, Indonesia.

CEM Chair Grimes noted that the CFA was considering how to move forward on these eight projects.

ELECTIONS OF CHAIR AND VICE-CHAIR FOR 2017: On Thursday, the Committee approved Jorge Malleux (Peru) as Chair of the CEM and Lokossoou Achille Orphée (Benin) as Chair of CFI. The Bureau also approved Björn Merkell (Sweden) as Vice-Chair for the CEM.

DATES AND VENUES OF THE 51ST AND 52ND SESSIONS: On Thursday, delegates agreed that the 51st and 52nd sessions of the committees will be held in conjunction with ITTC-53 and ITTC-54, respectively.

RECOMMENDATIONS TO THE COUNCIL: The committees recommended that funding be made available for three approved CEM and five CFI projects and pre-projects. The committees also noted the CFI recommendation to terminate one project.

REPORT OF THE SESSION: On Friday, the committees accepted the draft report (CEM-CFI(L)/4), with several amendments, for submission to the Council. On policy work for 2017 related to market access, CEM Chair Grimes suggested replacing text on tax aspects of FTA for tropical timber with text on small and medium enterprises and access to credit. Guatemala suggested adding text in the appendix on the support that his country has received from ITTO on traceability systems to increase the legality of the forestry sector. CEM Chair Grimes suggested adding another appendix presenting a letter from the Global Timber Forum, addressed to Council, describing an expansion of a network of timber-related industries.

COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT

The 50th session of the CRF, co-chaired by Nurudeen Iddrisu (Ghana) and Marijukka Mähönen (Finland), convened Tuesday through Friday to consider: new and in-progress projects and pre-projects; completed projects and pre-projects; selection of projects for ex-post evaluation; and policy work.

NEW PROJECTS AND PRE-PROJECTS: On Tuesday, the Secretariat introduced discussion on new projects and pre-projects. The Committee declared the following five projects and two pre-projects approved under the time-bound electronic no-objection procedure to accept Expert Panel ratings (ITTC/EP-51):

- Enhancement of wildland fire prevention and control in Benin;
- Sustainable indigenous mixed species reforestation in Ghana;
- Building the capacity of local village communities for the restoration, management and governance of forest reserves in Mali;
- Production, conservation and sustainable management of forest seeds in Benin;
- Promoting sustainable development and utilization of kemenyan (Styrox spp.) resources in Indonesia;
- Development of a payment for environmental services scheme for local community groups and private developer forest plantations on degraded lands in Ghana; and
- Promoting agro-forestry and reforestation of degraded lands in India.

Responding to a query by the EU about the sources of funds for these projects, the Secretariat said that funding is yet to be identified.

COMPLETED PROJECTS AND PRE-PROJECTS: On Tuesday, Chair Iddrisu opened discussion on the Report on Completed Projects and Pre-Projects in Reforestation and Forest
Management (CRF(L)/2). The Committee declared the following 10 projects complete:

- Forest management, community involvement and sustainable use of Si-Kop Forest Area in Cameroon;
- Establishment and management of production-protection community forests in Lower and Middle Atrato, Colombia;
- Conservation and recovery of degraded land in family agricultural units in the eastern Brazilian Amazon;
- C&I for the evaluation of tropical forest management sustainability in Mexico;
- Conservation and utilization of medicinal plants in forest fringe communities in Ghana;
- Institutional strengthening of the environment ministry for integrated forest fire management in Panama;
- Management of the Emerald Triangle Protected Forests Complex in Cambodia, Laos and Thailand;
- Strengthening the capacity in forest law enforcement and governance in Cambodia;
- Establishing geographic information systems for the sustainable management of forest areas in Togo; and
- Guidelines for the management of tara (Caesalpinia spinosa) plantations in the sub-humid tropics of the coastal region of Peru.

**EX-POST EVALUATIONS:** The Secretariat noted that an evaluation report on ex-situ and in-situ conservation of teak (*Tectona grandis*) to support SFM (CRF(L)/4) in Myanmar had been presented in the Joint Committee session.

**POLICY WORK:** On Tuesday, delegates discussed progress in the implementation of several policy-related matters.

**Revision of ITTO C&I:** The Secretariat reported that, based on the comments made at ITTC-51 on the draft C&I guidelines, the working paper, “Criteria and Indicators for the Sustainable Management of Tropical Forests,” was published in August 2016 in the ITTO Policy Development Series.

**Promoting the Conservation, Restoration and Sustainable Management of Mangrove Ecosystems:** The Secretariat reported that the remaining balance of US$22,000 of the US$50,000 provided by the US for this activity has been affected by the loss of ITTO funds. He noted that Japan and Indonesia have committed funds for the organization of an international conference in Indonesia but said more funds will be needed.

Stressing the importance of mangroves ecosystems in mitigating natural disasters, the US said it would consider contributing to funding the international conference.

**Promoting the Implementation of Guidelines for the Management of Secondary Tropical Forests, the Restoration of Degraded Tropical Forests and the Rehabilitation of Degraded Forest Land:** The Secretariat reported on the completion of case studies from Ghana, Indonesia and Mexico, and the publication, in collaboration with the World Resources Institute, of the report, *Assessing the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded Secondary Tropical Forests*, that was launched in December 2015 at the 21st meeting of the UNFCCC Conference of the Parties (COP 21) in Paris.

**Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects (ESIA Guidelines):** The Secretariat referred to document CRF(L)/5, noting it contains the simplified and user-friendly version of the draft guidelines presented at ITTC-51. He noted the draft guidelines suggest three categories of projects, those: requiring full social and environmental impact assessment; requiring impact assessment with a narrower scope; and not requiring an impact assessment. He suggested that the Committee consider three options: adopting the guidelines subject to amendments by the Committee; a no objection approach for adoption by mid-2017; or postponing adoption of the guidelines to CRF-52 in case substantial revision is needed.

The EU supported the adoption of the guidelines. Côte d’Ivoire asked if the guidelines were available in French. The Secretariat clarified that only the English version exists. The US welcomed the improvements and considered the guidelines as a “living document” to be refined over time, suggesting a pilot phase application to new projects. She noted the guidelines would require further work if used as basis for ITTO accreditation to the GCF.

The Committee decided to adopt the ESIA Guidelines subject to amendments proposed by members during CRF-50. The Committee strongly recommended the wider application, as a pilot phase, of the adopted ESIA Guidelines by the Secretariat and member countries submitting projects for funding where appropriate, until the modification of the ITTO Project-related Guidelines and Manuals begin to reflect the ESIA Guidelines. The Committee also recommended including an activity on modification of those Guidelines and Manuals be the future BWP.

**ITTO Guidelines to Incorporate Gender Equity in the Organization’s Activities, Programmes and Projects in Member Countries:** The Secretariat reported that because of lack of funds no follow-up work was undertaken on this activity since ITTC-51. Noting no interventions from the floor, Chair Iddrisu encouraged delegates to submit inputs during the week.

**BWP OF THE COMMITTEE:** On Thursday, Chair Iddrisu introduced this item, noting that the IAG had recommended extending the existing BWP for another year. She invited delegates to make proposals for activities to be included in the draft 2018-2019 BWP to be considered and adopted at ITTC-53. The US asked for follow-up work on gender equity, which the Secretariat said it could do if additional funding can be found.

**REVIEW OF PROJECTS AND PRE-PROJECTS IN PROGRESS:** On Thursday, the Secretariat reported on the implementation of approved projects and pre-projects, projects awaiting implementation agreements, and projects awaiting financing (CRF(L)/3), focusing on projects and pre-projects: with implementation problems; requiring additional funds; requesting extension of more than six months beyond the original duration; or requiring major modifications of the work plan and budget.

The following projects under implementation remained incomplete pending submission of project reports and/or financial audits:

- Sustainable management of tropical planted forest in Republic of Congo, to be recommended for termination;
- Sustainable management of commercial production forests in the Brazilian Amazon – Phase II;
- National reforestation policy and afforestation strategy in Liberia; and
- Community-based forest management of the Sungai Medihit watershed in Malaysia

The Secretariat highlighted the slow progress in the implementation of a project on C&I for sustainable management of planted forests and community forests in Thailand.

The following projects were discussed for which implementation agreements are suspended until the Council makes a decision on the allocation of funds to address ITTO fund impairment:
The committee had a heavy task in front of it, namely building guidelines can be modified to take the ESIA Guidelines into account and its recommendation to implement them in a pilot phase in a project. The CRF also noted its approval of the ESIA Guidelines and to recommend the termination of one project and one pre-project to the Council, including, inter alia: asking the Council to do whatever it can to find the necessary funds for the five projects. The CRF also noted its approval of the ESIA Guidelines and its recommendation to implement them in a pilot phase in project proposals until the ITTO project-related manuals and guidelines can be modified to take the ESIA Guidelines into account.

RECOMMENDATIONS TO THE COUNCIL: On Thursday, the committee discussed its draft recommendations to the Council, including, inter alia: asking the Council to do whatever it can to find the necessary funds for the five projects and two pre-projects approved by the CRF, but still lack funding, and to recommend the termination of one project and one pre-project. The CRF also noted its approval of the ESIA Guidelines and its recommendation to implement them in a pilot phase in project proposals until the ITTO project-related manuals and guidelines can be modified to take the ESIA Guidelines into account.

REPORT OF THE SESSION: On Friday, the committee accepted the draft report (CRF(L)/6), with minor amendments, for submission to the Council.

COMMITTEE ON FINANCE AND ADMINISTRATION

The CFA, chaired by Rob Busink (Netherlands), met from Tuesday to Saturday. Chair Busink opened the CFA by noting that the committee had a heavy task in front of it, namely building a new and strong financial governance structure to restore credibility among donors, partners, civil society and others. The provisional agenda (CFA(XXXI)/1) was adopted without amendment.

The Secretariat explained the current structure of the four ITTO accounts, consisting of the Administrative Account and three voluntary accounts: the Special Account, the BPF Account, and the Executing Agencies Account. He also reviewed proposed changes to this structure in response to the US$18 million impairment of funds, notably the elimination of the Executing Agencies Account.

APPROVAL OF THE BIF and the Secretariat presented a revised Biennial Administrative Budget for 2016-2017 (CFA(XXX)/2 Rev.3), noting that while the budget had been approved by ITTC-51, the 30th CFA had suggested that, given ITTO’s funding uncertainties, the 31st meeting of the CFA might wish to revisit it.

Noting that changes have not been proposed in the Administrative Budget, the EU suggested leaving this agenda item open since some of the discussion regarding impairment of funds may have impacts on parts of the budget. She also noted that the Expert Panel has proposed that the Council have some decision approving the Administrative Budget and that the 31st meeting of the CFA might wish to revisit it.

The CFA took note of the report.

CURRENT STATUS OF THE ADMINISTRATIVE ACCOUNT: On Tuesday, the Secretariat reviewed the current status of the Administrative Account (CFA(XXXI)/4 Rev.1). The Secretariat reported, inter alia, that arrears and interest charges owed US$4,784,868.79 and US$78,745.69, respectively, in contributions, and noted that arrears affected eligibility to submit project proposals for the Democratic Republic of the Congo, Gabon, Central African Republic, Albania and Liberia. He also noted arrears in contributions from former ITTO members Bolivia, Nepal, Nigeria, Russian Federation, Vanuatu and Venezuela totaling US$1,823,157.28, with total arrears from current and former members totaling US$6,810,479.75.

The CFA agreed to return to this issue later.

RESOURCES OF THE SPECIAL ACCOUNT AND THE BIF: On Tuesday, the Secretariat presented on the Resources for the Special Account and the BPF (CFA(XXXI)/5), reporting that the balance in these accounts totaled US$8.86 million but that commitments total US$18 million.
AUDITOR’S REPORTS FOR THE FINANCIAL YEARS 2014 AND 2015: On Tuesday, the Secretariat introduced the Auditor’s Reports for Fiscal Year (FY) 2014 (CFA(XXXI)/6 Rev.1), noting it was presented at ITTC-51 but its adoption was suspended.

The EU queried: whether diligent civil servants should have understood the financial problem from the report; the change from US$6 million in impairment for 2014 to US$5,967,546 for 2015 in the balance sheet; and the auditors’ statement that the report “should not be distributed to or used by anyone other than members of ITTO.”

The auditors, BDO Toyo, responded that auditors only check that the financial statement includes everything and the impairment was clear in it.

On restricted distribution, the Secretariat said that the rules were formulated by the ITTO. The EU, with Japan, suggested that the statement should instead read that the audit had been done in accordance with ITTO rules. The EU requested that the Council decision on this item state explicitly that information for 2014 was incomplete due to inadequate terms of reference for the auditors.

The US asked that previous auditors’ terms of engagement be circulated, to assist in making future decisions. The Secretariat agreed to do so.

On the auditor’s report for FY2015 (CFA(XXXI)/6), Peru questioned whether the auditors ensured that correct procedures were followed and whether investments made were duly authorized by the Council. A representative of BDO Toyo clarified that they understood the investments to be an organizational decision, but that specific procedures for improving internal rules would be recommended.

APPOINTMENT OF AUDITOR: On Tuesday, the Secretariat introduced the agenda item on appointment of the auditor (CFA(XXXI)/7), stressing that continuity of auditing is vital during the 2016 transitional year before new financial rules are incorporated into financial accounting. He said that changing auditors during this period to those who are unfamiliar with ITTO accounts may result in higher costs and delays in financial accounting. The Secretariat also emphasized that financial statements must be based upon the International Public Sector Accounting Standards (IPSAS) and while ITTO is yet to implement the IPSAS, the initial phase towards their incorporation in financial reporting has already been conducted by BDO Toyo suggesting that if IPSAS are to be implemented cost-effectively and rapidly BDO Toyo is the only auditor whose auditors.

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On Saturday morning, the CFA resumed discussions on this issue, with Chair Busink noting the two options available: extending the contract with BDO Toyo or appointing different auditors for three years.

The US, with the EU, supported extending the contract with BDO Toyo with the understanding that it would work under the new rules for auditing at no additional cost and commit to new standards as described in their letter of engagement. The US emphasized the importance for the Council to be kept informed on the selection process and receive the full terms of engagement for the auditors.

The EU stressed that a new letter should be sent to BDO Toyo indicating that the new rules and standards will apply.

The CFA agreed to recommend to the Council to extend for one year the contract with BDO Toyo under the conditions discussed by the Committee.

IMPAIRMENT OF ITTO FUNDS: Revisions of the ITTO Financial Rules and Procedures, Audit Standards, and Relevant Staff Regulations and Rules: The CFA discussed this issue from Wednesday to Friday, including in an informal working group. On Wednesday, Chair Busink opened the discussions on this item (ITTC(LII)/11(b)), asking two members of the Expert Panel on Revision of the ITTO Staff Regulations and Financial Rules established under Decision 1 (L.I.1), Stephanie McFadden O’Neill (US) and Jill Hanna (EU), to summarize the work and recommendations of the Panel.

McFadden O’Neill noted that during its work, the Expert Panel drafted standards of conduct for the ED because the ED currently is not subject to those regulations and rules and, as such, not subject to Council oversight. She said the Panel also addressed the need to revise the financial rules for investment and auditing, for example by allowing the external auditor access to his predecessor auditor to assist in auditor inquiries, ensuring that auditors are required to comment on the adequacy of internal controls, providing audit documents in electronic form to member states and making them publicly accessible on the ITTO website.

Hanna explained that the revised financial rules are extensive because the existing rules were not fit for purpose, and because ITTO, as a self-standing body, does not have access to the same set of accounting, auditing and inspection tools that UN bodies have.

David Brooks, ITTO consultant, detailed the changes proposed to the Staff Regulations and Rules. Several delegates queried: a proposed provision for withholding ITTO’s contributions to the Provident Fund at the discretion of the ED in cases of summary dismissal; definitions of gross negligence and serious misconduct that could and associated disciplinary procedures; and the lack of clear instruction on the fate of funds to be withheld.

On the legality of withholding funds, Carlos Moreno, UNCTAD Legal Advisor, noted that addressing issues on summary dismissal and disciplinary measures through a proposed Joint Disciplinary Committee would not adhere to due process, and suggested that the ITTO follow the model of the International Labour Organization (ILO) Administrative Tribunal. Members of the Expert Panel reminded delegates that ITTO is independent of UN-related processes, and that application to the ILO Administrative Tribunal or other external arbitration mechanisms would be costly, with unclear added value given the relatively small size of ITTO.

Delegates also discussed, inter alia, the need to have consistency in procedures, and to guarantee adequate time for an accused staff member to prepare a defense while ensuring a swift progress in dealing with a misconduct case.

Delegates discussed the incorporation of the whistleblower policy adopted by the Council in 2013 into the Staff Regulations and Rules and proposed changes strengthening protection for whistleblowers, including encouraging, under specific circumstances, individuals to report misconduct to Council officers instead of through the ED.

On Thursday, the CFA discussed a revised version of document ITTC(LII)/11(b) prepared by an informal working group to address the concerns raised on disciplinary measures, the Provident Fund, and the whistleblower policy.

The CFA adopted, ad referendum, the ITTO Staff Regulations and Rules as revised.

On the proposed Standards of Conduct for the ITTO ED, the delegates discussed, inter alia: adopting a decision on the Standards of Conduct for the ITTO ED, to apply to all future
ED appointments; whether only the Council has the authority to terminate the ED’s contract or whether this authority could be delegated to a panel of individual Council members; a proposal to withhold the Organization’s contribution to the Provident Fund in case of serious misconduct or gross negligence by the ED similar to the rule that applies to ITTO staff members; and whether the ED needs to give at least a year’s notice to the Council about his/her contract coming to an end.

Brooks detailed the changes made to the Financial Rules and Rules Relating to Projects of the ITTO, explaining that much of it had not been changed but rather rearranged, with a chapter on investments being the only completely new one.

Delegates discussed, *inter alia*: monitoring the amount of funds in the working capital reserve of the Administrative Account; revised language on programme support ensuring that project document translation costs are charged to the administrative budget; greater clarity on independence of auditor appointment from the Secretariat through an annual performance review by the Council; and the need for careful examination of the risks involved in any investment, with the Expert Panel noting that the use of the word “investment” in the proposed chapter was similar to that used by other international organizations both within and outside the UN system. One delegate also emphasized that ITTO investment policy requires updated terms of reference for the CFA, which are currently lacking.

Delegates also discussed a rule on reporting on disbursement of funds to individual projects, noting it is meant to increase transparency for donors.

On Friday, the CFA continued to discuss the revised version of document ITTC(LII)/11(b) to consider six new annexes on: auditing procedures and financial statements reporting; auditing standards; financial delegations and disbursement procedures; terms of reference for an Investment Oversight Panel; investment policy; and procurement procedures. Delegates agreed that titling annexes as “manuals” should be replaced with “procedures” in order to emphasize their obligatory aspect.

Delegates also discussed the transparency of audit documents to be made publicly available on the ITTO website, and the need to revise text to reflect this aspect in Annex Two. On Annex Four pertaining to financial delegations and disbursement procedures, revised text was adopted in the title in order to shift elaboration on procurement procedures to Annex Seven.

On terms of reference for the Investment Oversight Panel, the Secretariat noted the Panel would function as an important new element of the financial governance of ITTO. Delegates discussed, *inter alia*: reversing the order of Annexes Five and Six in order to reflect the investment policy, followed by terms of reference for its oversight; the composition and number of members of the Panel, including whether members should be chosen according to their expert capacity or as members of the Council; terms of reference of the CFA in relation to reporting requirements of the Panel, and the composition of the Panel and its terms of reference. Delegates agreed that a learning-by-doing approach in maintaining oversight by the CFA is necessary to ensure effectiveness of investment oversight.

The CFA adopted, *ad referendum*, the annexes to the ITTO financial rules and procedures, audit standards, and relevant staff regulations and rules, as revised.

On the proposed investment policy, two delegations noted that some redrafting was needed to ensure that the policy emphasizes less the maximization of returns and more the minimization of risk. A drafting group was formed for this task.

The annex on Procurement and Tender Procedures was adopted without amendment.

**Impacts on Projects and Ameliorative Measures:** On Friday evening, the CFA discussed a draft decision on the guidelines for addressing ITTO financial shortfall contained in the annexes of the Report to the Chairperson of the OC (ITTC(LII)/11(a). Luke Thompson, US, member of the OC, emphasized that the draft decision aims at providing the Council with the option for applying funds in a fair, practicable and actionable manner such that the maximum number of projects and activities of the BWP can be maintained and outputs achieved.

OIC Johnson presented the breakdown of ITTO funds and commitments, noting three types of funds and the amount of relative cash available, which could be used for addressing the shortfall: funds not otherwise earmarked by the Council; funds requiring donor consent prior to allocation; and other funds committed by other decisions. He further noted commitments owing from the Special Account and the BPF, and amounting to respectively US$14.2 million for approved ongoing projects and activities, and US$3.78 million for refunds due to donors for completed projects, totaling the US$18.2 million lost. OIC Johnson explained that the amount impacted and required for continuation of projects and activities is US$14.2 million, which could be made up with the “funds not otherwise earmarked” and some of the “other funds” such as from programme support and *ex-post* pooled funds, the Working Capital Reserve, and donors’ funds if the donors agree, as Japan had already done. Furthermore, he explained, savings can be made on activities by the Secretariat in the BWP with no outstanding contracts, and a proportional 10-20% cut in the remaining budget of each project could be applied, which would be sufficient to allow all other projects and activities to continue.

Several delegates intervened regarding the donors’ funds, with the EU requesting clarifications about a mismatch in two different annexes of the document between the figures related to the “refunds to donors from completed projects” and noting that the draft decision should explicitly acknowledge that it does not address the US$3.78 million of refunds to donors from completed projects, that were lost.

Delegates agreed to submit the draft decision to the drafting committee, as amended.

**REQUEST BY THE CENTRAL AFRICAN REPUBLIC FOR “RELIEF FROM OBLIGATIONS”:** The EU noted that relief could not be considered since the Central African Republic was absent from the session, and therefore must be postponed until ITTC-53.

**ELECTIONS OF CHAIR AND VICE-CHAIR FOR 2017:** On Friday, the CFA elected Mad Zaidi Mohd Karli (Malaysia) as Chair and Luke Thompson (US) as Vice-Chair.

**DATES AND VENUES OF THE 32ND AND 33RD SESSIONS:** On Friday, the CFA agreed that the 32nd and 33rd sessions of the Committee will be held in conjunction with ITTC-53 and ITTC-54, respectively.

**RECOMMENDATIONS TO THE COUNCIL:** On Saturday, the Committee approved five recommendations to the Council, namely: to adopt the report of the Independent Public Accountants on the Accounts of the Organization for FY2014 (CFA(XXX)/6 Rev.1); adopt the report of the Independent Public Accountants on the Accounts of the Organization for FY2015 (CFA(XXXI)/6)); approve the appointment of BDO Toyo to audit the accounts of the Organization for FY2016, as an exceptional extension of appointment, provided that the quality and scope of
audit is in compliance with the revised financial rules and there is no additional costs to the Organization; approve the transfer of US$350,000 from the Working Capital Reserve to increase the amount of the Special Reserve; and examine and take actions to secure the needed resources to achieve the objectives of the Organization.

REPORT OF THE SESSION: On Saturday, the Committee accepted the draft report (CFA(XXXI)/8), with minor amendments, for submission to the Council.

CLOSING PLENARY

The closing plenary took place on Saturday afternoon.

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES: CRF Chair Idrissi presented the CRF report (CRF(L)/6), which was adopted. CEM Chair Grimes and CFI Chair Nakano presented the report of the CEM-CFI (CEM-CFI(L)/4), which was adopted. CFA Chair Busink presented the report of the CFA (CFA(XXXII)/8), which was adopted.

ELECTION OF CHAIR FOR 2017: The Committee approved Tabi Agyarko (Ghana) as Chair for 2017.

DATES AND VENUES OF ITTC-53 AND ITTC-54:

Peru confirmed that ITTC-53 will take place in Lima, Peru, from 27 November to 2 December 2017, and presented a short video welcoming delegates to his country. Japan confirmed that ITTC-54 will take place in Yokohama, Japan, with dates to be determined at ITTC-53.

OTHER BUSINESS: Indonesia noted that standard procedures for the selection of future EDs must be clarified in Article 14 of ITTA, 2006 in order to avoid future delays in ED selection and asked the Secretariat to be tasked to examine this issue. The Secretariat said this concern would be mentioned in the report of the Council. Togo announced interest in hosting ITTC-55 to be confirmed at ITTC-53. Benin expressed interest in hosting the 2nd ITTO Regional Workshop on ITTO guidelines for the sustainable management of natural tropical forests, under Activity 4b of the BWP 2015-2016, to take place in June 2017.


Decision 1(LII) (ITTC(LII)/16) on projects, pre-projects and activities, states that the Council: endorses the approval of 11 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:

• a project on SFM in the Chimbo River Basin, Ecuador, approved during the 2016 project cycle;
• eleven projects and pre-projects approved during 2016 that were pending full or partial financing;
• ten projects approved in earlier project cycles or through Council decisions;
• ten activities approved in the BWP 2015-2016; and
• an activity on timber legality legislation.

Decision 2(LII) (ITTC(LII)/17) on the BWP 2015-2016:

• extends the BWP 2015-2016 for a period of one year;
• urges members to pay their assessed contributions in a timely manner and consider making additional resources available, either through voluntary contributions or in-kind resources to implement the BWP 2015-2016; and
• requests the ED to seek additional funding sources to finance continued implementation of the BWP.

Decision 3(LII) (ITTC(LII)/18 on amendments to the Staff Regulations and Rules (Second Edition), states that the ITTO decides to:

• approve the amendments to the Staff Regulations and Rules (Second Edition) contained in the annex to the decision;
• approve the implementation of the revised Staff Regulations and Rules (Third Edition) with immediate effect from 14 November 2016; and
• resume consideration of the Staff Regulations and Rules of the ITTO (Third Edition) at ITTC-53 to take account of the outcome of related work in the UN.

Decision 4(LII) (ITTC(LII)/19) on revision of ITTO Financial Rules and Procedures, adopts the revised Financial Rules and Procedures Related to Projects of the ITTO and the associated policies and procedures, namely on:

• the Investment Policy;
• the Charter for the IOP;
• the Auditing Standard;
• the Audit and Financial Statements Reporting Cycle Procedures;
• the Financial Delegations and Disbursement Procedures; and
• the Procurement and Tender Procedures.

The six instruments are appended to the decision as Annex 1. The decision also:

• approves the establishment of the Investment Oversight Panel (IOP) as soon as practical and asks the Panel to appoint its own Chair on an interim basis until ITTC-53;
• approves the implementation of the revised Financial Rules and Rules Relating to Projects of the ITTO and the associated policies and procedures with effect from 1 January 2017 or as soon as practical thereafter;
• abolishes with immediate effect the Executing Agencies Account established under Decision 3(XXXV); and
• authorizes the ED to utilize an amount not exceeding US$200,000 from the Working Capital Reserve to meet expenses related to the adoption of the IPSAS and to increase the scope of the 2016 audit in accordance with the ITTO Audit Standards; and
• authorizes the ED to utilize an amount not exceeding US$20,000 from the Working Capital Reserve to meet the expenses related to establishing the OIP and facilitating its first face-to-face meeting.

Decision 5(LII) (ITTC(LII)/20) on further measures regarding the financial impairment:

• requests the ED to invite former employees to contribute to meeting the financial shortfall, including by returning to the Organization its contributions plus interest to their Provident Funds;
• requests the ED to maintain the ability of ITTO to pursue further legal action by initiating a third party notice to the former ITTO employees; and
• requests the ED to provide regular updates on the implementation of this decision to the Chair and Vice-Chair of the Council.

Decision 6(LII) (ITTC (LII)/21) on guidelines for addressing the ITTO financial shortfall:

• recalls the loss of US$18.2 million in ITTO funding due to failure of investments;
• notes that as a result of the financial losses the ITTO Special Account and the Bali Partnership Fund no longer contain sufficient funds to fulfill outstanding ITTO commitments to ongoing projects and activities (US$14.2 million) and donor refunds due from completed projects (US$3.8 million);
• acknowledges the need for a fair and transparent process to allocate limited resources to outstanding commitments; and
• acknowledges that this decision addresses ITTO commitments of US$14.2 million to ongoing projects and activities and does not address refunds of US$3.8 million owed to donors from the remaining balances of completed projects that were impacted;

The Council also decides to request the ED to apply the following guidelines to projects and activities pledged before ITTC-51 in addressing the financial shortfall:

- minimize administrative and support costs;
- ensure that project expenses legitimately incurred by implementing agencies and/or treated as liabilities in ITTO accounts including contractual obligations to donors, are met as expeditiously as possible;
- consult with donors;
- consult with executing agencies, country contact points, project managers and regional officers on the recommencement of impacted projects, making all savings possible in the budget of these projects;
- take into account geographical balancing of impacts and diversity of project activities;
- consider recommending projects for termination that have not started for at least two years following funding, provided donors approve of any use of funds derived from termination; and
- close, scale back or postpone selected activities of the BWP 2015-2016, except those for which implementation contracts have been signed, which do not have enough funds for their completion, or are not a priority for 2017 under the extension of the 2015-2016 BWP, and provided the donors must approve of any funds thus derived.

The Council also:

- requests donors with unallocated funds in ITTO accounts to use them insofar as possible to address the funding shortfall and welcomes the efforts of donors who have already done so;
- urges all members to consider contributing resources to address the shortfall;
- authorizes the ED to utilize: up to a maximum of US$5.24 million from the Special Account and the BPF; and, as an extraordinary measure and to indicate the shared commitment of members, up to a maximum of US$5.66 million from the reserves of the Administrative Account;
- requests the ED to consult with implementing agencies on possible cost savings in remaining projects/activities, including a proportionate cut across all remaining projects and activities as the most immediate, fair and transparent solution for ensuring the resumption of the maximum number of projects/ activities possible;
- confirms that no payment is due with respect to the demand made by the liquidators of the Ardent Fund, taking into account the Headquarters Agreement with Japan; and
- requests the ED to provide detailed reports to the Council on the application of the provisions of this decision, including a preliminary report within three months of the adoption of the decision and an annual summary report at ITTC-53.

Decision 7(LII) (ITTC (LII)/22) on terms of reference of the CFA, decides to adopt the revised terms of reference for the CFA to:

- examine and make recommendations on the administrative budget and management operations;
- review the assets and liabilities of the Organization and make recommendations on prudent asset and cash flow management and levels of reserves needed to carry out its work;
- review the work and recommendations of the IOP;
- examine and make recommendations on the budgetary implications of the BWP and on actions that might be taken to secure the resources needed to implement ITTA’s objectives;
- recommend the choice of independent auditors and review the independent audited statements;
- recommend any modification to the Organization’s Rules of Procedure, Staff Regulations and Rules, or the Financial Rules and Rules Related to Projects; and
- review the Organization’s revenues and the extent to which they constrain the work of the Secretariat.

Decision 8(LII) (ITTC(LII)/23) adopts the standards of conduct for the ED contained in its annex. The standards say the ED shall be subject to the Staff Regulations insofar as they can be applied to him/her, and demonstrate a commitment to, inter alia:

- exercise authority in compliance with relevant regulations, rules, policies and guidelines;
- “shape, guide and support the Organization’s commitment to an ethical culture” by ensuring accountability, transparency, integrity, respect and fairness in all Secretariat decisions and actions;
- exercise responsible stewardship of ITTO resources;
- implement independent audit recommendations; and
- issue documentation in a timely fashion.

The standards also cover termination of the ED in cases of gross negligence or serious misconduct, requires the ED to give at least six months’ notice prior to resigning, and calls on the ED to ensure that the issue of appointing a new ED is on the agenda of the Council at least one year before his/her term expires.

Decision 9(LII) (ITTC(LII)/24) establishes an Ad Hoc Working Group to consider rotation in the framework of the selection of the ED, made up of experts serving in their personal capacity, six from Producers and six from Consumers, and to present the results of its work to ITTC-53.

Decision 10(LII) (ITTC(LII)/25) on the appointment of the ED, appoints by consensus Gerhard Dieterle as the new ED for a period of four years, and states that the ED shall be subject to the ITTO Staff Regulations and Rules insofar as they can be applied to him, and to the Standards of Conduct set out in Decision 7(LII).

CLOSING STATEMENTS: Tabi Agyarko (Ghana), on behalf of the Council and the Secretariat, presented a small gift of gratitude to outgoing Chair Conje. OIC Steven Johnson congratulated new ED Dieterle and stressed that the success of Council in selecting an ED and addressing the financial shortfall could not have been accomplished without the support of all members and the hard work of the Secretariat.

Outgoing Chair Conje stated that the selection of a new ED for the ITTO is a historic moment, highlighting the spirit of collaboration and good will between Consumers and Producers of tropical timber, and adding that it often takes years for organizations to accomplish what the ITTC has done in one year. She stressed the core challenge of Council in the coming year will be to apply the principles on revised financial rules and regulations, investment policy, auditing standards and oversight in demonstrating concrete proof to donors that the ITTO is working internally to be more accountable, effective and efficient in fulfilling its mandate going forward. She adjourned the meeting at 3:20 pm.
A BRIEF ANALYSIS OF ITTC-52

No matter though our decks be swept
And mast and timber crack –
We can make good all loss except
The loss of turning back.
“A Song in Storm,” Rudyard Kipling

ITTC-52 delegates arrived in Yokohama, Japan, with jaws set and sleeves rolled up, ready to do the necessary work and take the tough decisions required to restore ITTO’s health and credibility. Their looks of grim determination were testament to the loss of US$18.2 million in failed investments disclosed at the end of 2015 and the failure to appoint, for two consecutive years, a new Executive Director.

Given that Yokohama is a major port with deep roots in seafaring, it was perhaps inevitable that during the week Council members would resort often to analogies involving a ship in a storm. “Imagine a ship with its beautiful sails and one day someone notices a crack in the mast,” ITTC-52 Chair Jennifer Conje told Council members. “One month goes by and the crack is deepened; two months go by and it is even deeper. The crew decides to turn back home, but in the midst of the journey they run into a typhoon. The mast breaks. The ship has survivors but is deeply battered.” She finished the analogy by noting the ship has lost personnel, including their captain, and their food supply, but the crew’s hard work prevents the ship from sinking, and through sheer determination they find safe harbor and contemplate the necessary repairs and restocking.

Over the course of the week, delegates examined the many impacts of the financial impairment and worked to adopt a new set of financial governance instruments and new staff rules to ensure it never happens again, in order to enable ITTO to “set sail” again. They also made the difficult political compromises needed to select a new ED so that the ITTO ship once again has a captain.

This brief analysis will examine the unique storms that ITTC-52 had to face and how some critical decisions taken have the potential to help ITTO re-establish trust and confidence in its ability to steer the right course toward a future horizon of international trade in sustainably-managed tropical timber.

MAKING ITTO SHIPSHAPE AGAIN

Overwhelmingly, the biggest issue that ITTC-52 had to tackle was the unprecedented loss of funds caused by failed investments in high-risk funds by former ITTO management, which had a negative impact on ITTO’s many activities and left countries in the lurch as project funding vanished. The financial loss first revealed to Council just prior to ITTC-51 in November 2015 had prevented some approved projects from being started, resulting in some now facing possible expiration under the ITTO’s sunset clause. ITTO also had to freeze some ongoing projects in midstream, forcing some to be abandoned altogether as contracts could not be paid and agencies moved on to other work.

ITTC-52 decided to apply extraordinary measures to allow the maximum possible recommencement of projects and activities in 2017 in a “fair and transparent manner.” In the decision on the guidelines for addressing the financial shortfall, the Council requested donors with unallocated funds in ITTO accounts to use them to address the problem and authorized the Executive Director to use up to approximately US$10 million from the reserves of ITTO accounts to allow ongoing and already approved projects to be completed. Making up for US$18.2 million lost is a heavy load for an organization the size of ITTO. Resuming normal operations will not happen without first further cutting projects in the field and activities of the Secretariat.

The fact that new pledges of voluntary funding almost vanished altogether at ITTC-51 was another consequence of the Organization’s financial crisis. Donor countries’ trust in the Organization wavered. Several donors, as the EU representative put it, were left in an uncomfortable position of justifying to their bosses why more money should be provided to an organization where a large chunk of the budget can just disappear and not be discovered for two years.

Throughout 2016, Council members worked diligently to repair the leaks in the ITTO ship before ITTC-52. An Oversight Committee was set up to develop strategies for managing impacts of the loss of project funds, advise on evolving legal issues, and review proposals for amending the financial and administrative rules. In addition, a special expert panel was set up to advise on the revision of ITTO staff regulations and financial rules.

This work continued during ITTC-52, through long negotiations in the CFA. Members succeeded in constructing a new financial governance and oversight architecture, setting new rules and standards of conduct governing the ED, and revising the Staff Rules and Regulations to better protect whistleblowers and provide for remedies when serious misconduct or gross negligence is found. As a result, six of the ten decisions adopted by the Council address these issues.

SOMEONE TO LEAD US THROUGH TROUBLED WATERS

While negotiating the new financial and administrative rules and procedures and agreeing on how to reallocate funds was time-consuming, the process proved relatively straightforward in that Council agreed on what needed to be done and how best to accomplish it. As one member of the Oversight Committee put it, “this is tedious work, but it is vital if we are ever to get donors to trust ITTO with their funds again.”

The most contentious issue at ITTC-52, however, was the election of the ED. While this was to be expected, the Producer and Consumer groups’ conflicting interests in what they desire in an ED and the failure to select an ED at ITTC-50 and ITTC-51, had given this issue a sense of crisis, which was only exacerbated by the financial loss discovered in 2015. As the week progressed, it became clear that only one candidate, Gerhard Dieterle (Germany), had enough momentum to become the ED. However, it took until the final day of the meeting before the Indonesian candidate withdrew and called for unanimous consensus to support Dieterle.

Initially the blockage seemed to be over the question of whether EDs should only come from Producer countries as they always have in the past. While Producers cited a so-called “gentlemen’s agreement” on this from the early days of the Organization, some Consumer donor countries were adamant that no further voluntary funds would be contributed to the Organization unless Consumers were part of the ED rotation. This question was addressed by a compromise decision, proposed by Producers, to establish an intersessional working group to discuss the rotation issue. While this compromise removed a stumbling block to selecting the ED this time, Producer countries warned that the intersessional group’s work should be given serious consideration at ITTC-53, suggesting that this underlying divide between Producers and Consumers remains unresolved. As one seasoned participant observed, “we’ve only delayed that battle, not avoided it.”
**A NEW CAPTAIN, A NEW COURSE?**

In his acceptance remarks, the newly appointed ED, Gerhard Dieterle, promised not only to make ITTO healthy again, but to help it grow. He also promised to work hard to heal any divisions between Producers and Consumers and foster dialogue between them and to strengthen ITTO partnerships with other international organizations, emphasizing the economic, social, and climate co-benefits of sustainably managed tropical forests.

Restoring ITTO dialogue would also require engaging with civil society, as urged by the Civil Society Advisory Group spokesperson. It was readily apparent that civil society was particularly absent in Yokohama, in comparison to some recent Council sessions. Dieterle’s emphasis on social and environmental co-benefits of SFM suggests that he is conscious of the need to stimulate civil society engagement in ITTO’s work.

**MORE THAN THE SUM OF ITS PARTS**

With the steps taken at ITTC-52, namely on financial and administrative measures and the selection of the ED, the ITTO ship might stay afloat, and perhaps eventually sail into calmer seas. On its final day, the US announced US$8845,000 in new pledges as a vote of confidence. Japan told the Council that once they see that the new financial governance is being appropriately implemented, they will disburse funds previously pledged for additional ITTO projects, which have been frozen in the aftermath of the financial crisis. The EU echoed this statement.

Will the decisions taken at ITTC-52 ensure that ITTO find its way out of rough water to meet the demands of its members and ensure its longer-term future? The answer to this question is all the more pertinent given the looming expiration of the ITTA, 2006 in 2021. As delegates repeatedly mentioned during the week, recovery will require confidence building, a restoration of trust and a repair of ties among members, and as both Chair Conje and newly appointed ED Dieterle alluded to on ITTC-52’s final day, it will require the combined effort of everyone to once again steer the ITTO ship to calmer seas.

*Whereby it shall appear*  
*How in all time of our distress,*  
*And our deliverance too,*  
*The game is more than the player of the game,*  
*And the ship is more than the crew!*  

“A Song in Storm,” Rudyard Kipling

**UPCOMING MEETINGS**

**PEFC Forest Certification Week:** During Forest Certification Week, the Programme for the Endorsement of Forest Certification (PEFC) will hold its 21st General Assembly and a Stakeholder Dialogue on the role of forest certification in promoting sustainable landscapes for sustainable livelihoods. PEFC is an international non-governmental organization dedicated to promoting SFM through independent third-party certification.

**dates:** 14-18 November 2016  
**location:** Bali, Indonesia  
**contact:** PEFC  
**email:** info@pefc.org  
**phone:** +62-21-799-4540  
**www:** http://pefc.org/pefc-week-2016/general-info/pefc-week

**Enabling Results-Based Payments for REDD+ in Tropical Forests:** This side event at UNFCCC COP 22 is co-sponsored by ITTO and Japan’s Forestry and Forest Products Research Institute.  
**date:** 17 November 2016  
**location:** Marrakech, Morocco  
**contact:** Hwan-ok Ma, ITTO Secretariat  
**email:** ma@itto.int  
**phone:** +81-45-223-1110  
**fax:** +81-45-223-1111  
**www:** https://www.youtube.com/watch?v=10dozd-15PA

Ecosystem Services for Sustainable Development Goals in Africa: Jointly organized by the World Agroforestry Centre (ICRAF) and the Ecosystem Services Partnership, this conference will bring together African experts, students, policy makers, and the private sector to discuss Africa’s contribution towards data and evidence on best practices for management, and restoration of ecosystem services for decision making particularly towards the realization of SDGs.  
**dates:** 21-25 November 2016  
**location:** Nairobi, Kenya  
**contact:** Ecosystem Services Partnership  
**email:** conference@es-partnership.org  
**phone:** +31-317-763-990  
**www:** http://www.esconference.org/africa2016

**6th Meeting of the Congo Basin Forest Partnership:** The Congo Basin Forest Partnership coordinates efforts to sustain forest resources, enhance natural resource management and improve the standard of living in the Congo Basin. The Partnership brings together 70 partners, including African countries, donor agencies, governments, international organizations, NGOs, scientific institutions and the private sector, and convenes biannually to coordinate priority activities, propose actions on emerging issues and share information with others that are active in the Congo Basin.  
**dates:** 21-26 November 2016  
**location:** Kigali, Rwanda  
**contact:** Dany Dogmo Pokem  
**email:** dany.pokem@pfbc-cbfp.org  
**www:** http://pfbc-cbfp.org/news_en/items/MOP-KigaliRwanda.html

**OLI to Develop Global Forest Indicators to Support Implementation of the 2030 Agenda and the International Arrangement on Forests (IAF) Strategic Plan:** This organization-led initiative (OLI), hosted by the FAO, will provide a platform to propose a set of common, concise global indicators for input into negotiations on the UNFF Strategic Plan 2017-2030, to help monitor progress in achieving the forest-related SDGs and relevant goals and targets of other forest-related global processes. It will also provide input on a cycle and format for reporting, and provide guidance on the Global Forests Assessment 2020.  
**dates:** 28-30 November 2016  
**location:** Rome, Italy  
**contact:** CPF Secretariat  
**phone:** +1-212-963-3401  
**fax:** +1-917-367-3186  
**email:** cpf@un.org  
**www:** http://www.cpfweb.org/92408/en/

**CBD COP13, Cartagena Protocol on Biosafety COP/MOP8, and Nagoya Protocol on Access and Benefit-Sharing COP/MOP2:** The 13th COP to the CBD, the 8th COP serving as the Meeting of the Parties (MOP) to the Cartagena Protocol on Biosafety and the 2nd COP serving as the MOP to the Nagoya Protocol on Access and Benefit-sharing will take place concurrently. The meetings will be preceded by a High Level Segment on 2-3 December.  
**dates:** 4-17 December 2016  
**location:** Cancún, Mexico  
**contact:** CBD Secretariat  
**phone:** +1-514-288-2220  
**fax:** +1-514-288-6588  
**email:** secretariat@cbd.int  
**www:** https://www.cbd.int/cop2016/

**UNFF Working Group and Special Session:** The back-to-back meetings of the UN Forum on Forests (UNFF) Working Group and Special Session are expected to negotiate and endorse the Strategic Plan for 2017-2030 and the 4-year Programme of Work (4POW) for 2017-2020, based on recommendations submitted by the UNFF Ad Hoc Expert Group.  
**dates:** 16-20 January 2017  
**location:** UN Headquarters, New York  
**contact:** UNFF Secretariat  
**phone:** +1-212-963-3401  
**fax:** +1-917-367-3186  
**email:** unff@un.org  
**www:** http://www.un.org/esa/forests/

**5th Mediterranean Forest Week:** The 5th Mediterranean Forest Week aims to strengthen exchanges and synergies between global stakeholders in the restoration of Mediterranean forests and landscapes, to help achieve SDG 15 (Life on Land) and other
globally agreed targets related to forest restoration, and facilitate the adaptation of Mediterranean forest landscapes to climate change. **dates:** 20-24 March 2017 **location:** Agadir, Morocco **contact:** International Association for Mediterranean Forests **phone:** +33-491-90-7670 **email:** contact@medforestweek.org **www:** http://www.5.medforestweek.org

**XIX Commonwealth Forestry Conference:** Organized by India’s Forest Research Institute and the Indian Council of Forestry Research and Education, with support from the Indian Government and the Commonwealth Forestry Association, the conference will convene under the theme of “Forests for Prosperity and Pósterity.” Sub-themes include biodiversity conservation and management, good governance in forestry, forests and climate change, and forests and water. **dates:** 3-7 April 2017 **location:** Dehradun, India **contact:** Dr. Savita, Chief Coordinator **email:** cfc2017india@gmail.com **phone:** +91-135-275-5277 **fax:** +91-135-275-6865 **www:** http://www.cfc2017.in/

**International Conference on Sustainable Mangrove Ecosystems:** Organized jointly by ITTO, the International Society for Mangrove Ecosystems, Indonesia’s Ministry of Environment and Forestry, and the Center for International Forestry Research (CIFOR), and sponsored by the governments of Japan and the US, this conference will discuss policies and best practices in the restoration, conservation, management and sustainable use of mangrove ecosystems towards achieving sustainable forest management in the context of the 2030 Agenda for Sustainable Development. **dates:** 18-21 April 2017 **location:** Bali, Indonesia **contact:** Ma Hwan-ok, ITTO Secretariat **email:** ma@itto.int **phone:** +81-45-223-1110 **fax:** +81-45-223-1111 **www:** www.itto.int/workshop/

**UNFF 12:** The twelfth session of the UNFF (UNFF12) is expected to discuss and approve, *inter alia*, the Strategic Plan for 2017-2030 and 4POW for 2017-2020. **dates:** 1-5 May 2017 **location:** UN Headquarters, New York **contact:** UNFF Secretariat **phone:** +1-212-963-3401 **fax:** +1-917-367-3186 **email:** unff@un.org **www:** http://www.un.org/esa/forests/

**IUFRO 125th Anniversary Congress:** Under the theme “Interconnecting Forests, Science and People,” this International Union of Forest Research Organizations (IUFRO) Congress will celebrate IUFRO’s past achievements and highlight its ongoing role in providing a basis for political decisions involving forests, through sessions on the role of forests in, *inter alia*: improving people’s livelihoods and quality of life, sequestering carbon and building resilience to climate change, addressing biodiversity loss and biological invasions, and enhancing the provision of freshwater. **dates:** 19-22 September 2017 **location:** Freiburg, Germany **contact:** Konstantin von Teuffel, Congress Organization Chair **email:** konstantin.teuffel@forst.bwl.de **www:** http://iufro2017.com/

**30th Session of the Latin American and Caribbean Forestry Commission (LACFC 30):** LACFC is one of six Regional Forestry Commissions established by FAO meeting every two years to provide a policy and technical forum for countries to discuss and address forest issues on a regional basis. **dates:** 23-27 October 2017 (TBC) **location:** Honduras (TBC) **contact:** Jorge Meza Robayo, FAO Regional Office for Latin America and the Caribbean **email:** Jorge.Meza@fao.org **phone:** +56-2-22923-2181 **fax:** +56-2-22923-2101 **www:** http://www.fao.org/forestry/31106/en/