

SUMMARY OF THE FIFTY-THIRD SESSION OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL AND ASSOCIATED SESSIONS OF THE FOUR COMMITTEES: 27 NOVEMBER – 2 DECEMBER 2017

The fifty-third session of the International Tropical Timber Council (ITTC-53) and the associated sessions of its four Committees met in Lima, Peru, from 27 November – 2 December 2017. At this session, the Council adopted the Biennial Work Programme (BWP) for 2018-2019 and the administrative budget for that biennium, as well as International Tropical Timber Organization (ITTO) Policy Guidelines on Gender Equality and Empowering Women. Delegates also discussed initial steps to improve ITTO's financing infrastructure and fundraising strategies, and whether to adopt and operationalize the principle of rotation in the selection of the ITTO Executive Director.

The fifty-first sessions of the Committee on Economics, Statistics and Markets, the Committee on Forest Industry, and the Committee on Reforestation and Forest Management also convened, to approve projects and pre-projects, review projects and pre-projects under implementation and *ex-post* evaluations, conduct policy work, and indicate their priorities for the BWP 2018-2019. The thirty-second session of the Committee on Finance and Administration met to discuss, *inter alia*, the Biennial Administrative Budget for 2018-2019, the resources of the Special Account and the Bali Partnership Fund, the auditor's reports for the financial year 2016, the appointment of the auditor, transparency of ITTO documentation, and a request from the Central African Republic to consider writing off its arrears.

Ten decisions were adopted on: projects, pre-projects and activities; the ITTO Biennial Work Programme for the years 2018-2019; the Administrative Budget for the 2018-2019 Biennium; the extension of the ITTO Strategic Action Plan 2013-2018; amendment of Rules of Procedure and financial rules and rules relating to ITTO projects; ITTO Policy Guidelines on Gender Equality and Empowering Women; reconfirmation of further measures regarding the financial impairment; application of Article 30 of the International Tropical Timber Agreement 2006 (relief from obligations) to the Government of the Central African Republic; improving ITTO's financing infrastructure and fundraising strategies; and rotation in the framework of the selection of the ITTO Executive Director.

A BRIEF HISTORY OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL

The International Tropical Timber Agreement (ITTA) was negotiated under the auspices of the UN 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 improve 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

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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 economy and the sustainable management of the resource base, simultaneously encouraging the timber trade and improving forest management. It entered into force on 7 December 2011.

The ITTA, 1983 established the ITTO, headquartered in Yokohama, Japan, and created new thematic programmes for strategic use of donor funding. ITTO administers assistance for related projects. ITTO has 73 members, which are divided into two caucuses: producer countries (35 members) and consumer countries (38 members), including the European Union (EU). ITTO's membership represents about 90% of world trade in tropical timber and 80% of the world's tropical forests.

The governing body of ITTO is the 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 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 (Cameroon) as Executive Director for five years, and decided that no more than US\$400,000 shall be spent from the Administrative Budget on any Council meeting held in a Producer country. The Council also adopted decisions on the ITTO/Convention on Biological Diversity (CBD) collaborative initiative on enhancing biodiversity in production forests and improved conservation and management of protected areas.

ITTC-47: The 47th session of the ITTC met from 14-19 November 2011 in Antigua, Guatemala. The Council considered: implementation of the BWP 2010-2011; activities to be included under the BWP for 2012-2013; the 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 the decision on this matter until ITTC-52, and instead 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 US\$18 million in ITTO funds through two failed investments.

ITTC-52: The 52nd session of the ITTC met from 7-12 November 2016 in Yokohama, Japan. The Council appointed Gerhard Dieterle (Germany) as the new Executive Director for a period of four years, revised ITTO Financial Rules and Procedures, adopted several decisions regarding ITTO's financial impairment and guidelines for addressing ITTO's financial shortfall, extended the ITTO Biennial Work Programme 2015-2016 through 2017, and created an *ad hoc* working group (AHWG) to consider rotation in the framework of the selection of the ITTO Executive Director.

ITTC-53 REPORT

ITTC-53 opened on Monday, 27 November 2017, with a formal ceremony featuring the President of Peru, Pedro Pablo Kuczynski Godard. Pablo Benjamin Quijandria Salmón, Vice Minister, Ministry of Agriculture and Irrigation, Peru, welcomed delegates on behalf of Minister José Manuel Hernández Calderón. He emphasized the importance of forests to Peru in terms of

exports and the provision of goods, services, and employment, while protecting biodiversity and combating climate change.

ITTC-53 Chair Tabi Agyarko (Ghana), on behalf of the Council, thanked Peru for hosting ITTC-53 and President Kuczynski for attending the opening of the Council.

Noting that Peru was a founding member of ITTO, Executive Director Gerhard Dieterle expressed the Organization's appreciation for the presence of President Kuczynski as an indication of Peru's continuing commitment to ITTO and its goals. He noted President Kuczynski's promotion of the role of forests in providing freshwater supply and his championing of forest restoration, and presented the President with a commemorative crystal plaque.

President Kuczynski observed that countries with large tropical forest cover such as Peru always struggle over whether to use forests or "leave them alone." He explained that Peru has sought to reduce exploitation of tropical forests and to create new forest cover, mentioning the experimental Blue Sierra Program to afforest the western edge of the Andes. He said Peru is convinced of the need to protect tropical forests, stressing that such protective initiatives should be international in nature.

Chair Agyarko officially opened the Council session by commending the efforts of the Secretariat to support the ITTO following the difficulties related to the impairment of funds, delayed election of the Executive Director, and reduced donor funding. He noted the growing gap between project fund requirements and the funds available, calling on the Council to make the difficult decisions needed to address this. He also emphasized the task of the Council to improve the rules and modalities for election of the Executive Director.

Benito Owusu-Bio, Deputy Minister of Lands and Natural Resources, Ghana, underlined the Ghanaian government's efforts to reduce forest degradation and deforestation, noting that a large part of this was from increases in cocoa agriculture, and highlighted the revision of Ghana's forest management policy to move away from viewing forests purely for timber trade to promoting payments for environmental services.

John Leigh, Executive Director, National Forestry and Wildlife Service (SERFOR), Peru, outlined SERFOR's efforts to create open, transparent, and sustainable management of the Peruvian forestry chain of custody that improves monitoring of forest products and tracking forest operators' activities, and addresses wildlife trafficking.

Eva Müller, UN Food and Agriculture Organization (FAO) and Chair of the Collaborative Partnership on Forests (CPF), applauded the ITTO and FAO partnership on forest governance and environmental service management. She emphasized the need for strengthening partnerships, pledged renewed commitment for joint activities with ITTO, and invited participants to a CPF international conference in February 2018 to explore ways to accelerate progress towards achieving Sustainable Development Goal (SDG) Target 15.2 and Target 1.1 of the UN Strategic Plan for Forests (UNSPF).

Manoel Sobral Filho, Director, UN Forum on Forests (UNFF), recalled UN agreement on the UNSPF, saying it provides an ambitious vision for global forests in 2030. He described its set of six Global Forest Goals and associated targets to be reached by 2030. Sobral urged partnering UNFF with ITTO to access and leverage funds to improve SFM in tropical forests worldwide.

In a video message, John Scanlon, Secretary-General, Convention of International Trade in Endangered Species of Wild

Fauna and Flora (CITES), underscored the ongoing collaboration of CITES with ITTO and highlighted the ITTO-CITES programme on tropical timber species.

Executive Director Dieterle underscored this crucial period for the ITTO, after the worst crisis in its history, and commended the Secretariat's efforts towards its recovery. He highlighted topics for discussion at ITTC-53, stressing the need for clear direction on ITTO's future. He noted that increased forest degradation is creating a gap between the supply of forest goods and services and the demand for these by growing populations that depend on them. He called for discussion on how ITTO can bring production forests and sustainable supply chains to the international agenda and on how to structure financing for this work.

ORGANIZATIONAL MATTERS: Chair Agyarko announced that Zhang Zhongtian (China) had been nominated by the Consumer caucus as ITTC-53 Vice-Chair. Executive Director Dieterle confirmed that quorum was attained for the session. Chair Agyarko presented the provisional agenda (ITTC(LIII)/1 Rev.1), which was adopted.

Executive Director Dieterle noted that the membership of ITTA, 2006 remains at 38 Producers and 35 Consumers but reported that Sri Lanka has indicated interest in ratifying and becoming a member. Chair Agyarko drew attention to the distribution of votes for the 2018-2019 biennium provided in the annex to document ITTC(LIII)/1 Rev.1.

COUNCIL SESSIONS

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

REPORT OF THE CREDENTIALS COMMITTEE: On Saturday, Leoncio Julio Ugarte Guerra (Peru), Chair, Credentials Committee, presented the report of the Committee (ITTC(LIII)/3), saying that the credentials of 46 countries and the EU had been accepted, with delegation of votes: from Australia to New Zealand; from Austria, France, Latvia, and Poland to Estonia; from Croatia, Hungary, Ireland, Lithuania, Luxembourg, Portugal, Slovak Republic, and Spain to the EU; and from the UK to the Netherlands. The Council approved the report.

ADMISSION OF OBSERVERS: On Monday, Chair Agyarko invited the Council to consider the lists of observers for admission (ITTC(LIII)/Info.3 and ITTC(LIII)/Info.5) according to the review of procedures related to admission of observers undertaken at ITTC-51. With no objection raised, he declared the 15 observers listed in ITTC(LIII)/Info.5 formally admitted.

STATEMENT BY THE EXECUTIVE DIRECTOR: Executive Director Dieterle highlighted Secretariat actions since ITTC-52 to recover from ITTO's financial crisis, including, *inter alia*: implementing revised financial rules and auditing procedures; efforts to recover lost funds; developing draft gender guidelines; testing new environmental and social safeguards; rebuilding trust and confidence in ITTO; and reestablishing ITTO's role in the international forest regime. He then presented ideas for future ITTO work, emanating from: new scientific research indicating that forest degradation, largely due to poor forest management, is leading to higher levels of carbon dioxide emissions than previously estimated; and a growing gap between supply and demand for timber and other harvested forest products due to declining capacity of many degraded forests to supply essential forest products and services, and rapid population growth that increases demand for them.

Dieterle noted that productive forests, forest landscapes, and value chains must be promoted for the global forest climate and development agenda, emphasizing that this fits ITTO's mandate. He recommended five approaches to close the supply-demand gap, including: conserving essential high-biodiversity and protection forests to provide public goods; restoring degraded multipurpose forest landscapes for productive use; investing in highly productive forests for mass-market consumer products to relieve pressure on high-biodiversity natural forests; managing and using existing forests sustainably and efficiently; and establishing green supply chains and trade to ensure legality and sustainability. He said these approaches represent a win-win opportunity for ITTO. Dieterle called for recognizing that productive tropical forests are not a "problem" but rather an important part of the solution, and stressed the need for a stable, coherent, and simple ITTO financing structure, reinforced with unearmarked funds, to rebuild the full support and trust of all members.

The Chair opened the floor for comments on the Executive Director's presentation. On a query from the US to keep the current structure, and slot green supply chains into the existing thematic programmes, Dieterle noted elements of green supply chains do exist under various funding areas, but not as a programme. He stressed that the current funding architecture is overly complex and should be simplified. The EU and France expressed support for emphasizing green supply chains, with France announcing it will be seconding a forestry officer to the ITTO Secretariat to increase capacity. The US noted it would consider the Executive Director's proposal further.

REPORT OF THE INFORMAL ADVISORY GROUP

(IAG): On Monday, Chair Agyarko introduced the IAG report (ITTC(LIII)/2), including Decisions 3(XXII), 5(XXVI), 2(XLIX) and 2(LI)), and invited members to consider the report before providing feedback.

ITTO BIENNIAL WORK PROGRAMME (BWP):

Current BWP: On Tuesday, the Secretariat presented a progress report on the implementation of the BWP for 2015-2016 (ITTC(LIII)/5), noting that ITTC-52, under Decision 2(LII), had decided to extend that BWP into 2017. He noted that the BWP contained 51 activities, 30 seeking voluntary contributions, six funded through the cooperation budget, and 15 routine activities with no cost implications. He reported that of the 30 activities seeking voluntary contributions 20% received full funding, 43.3% partial, and 36.7% none at all, with the Strategic Priority on good governance and enabling policy frameworks for strengthening SFM and related trade receiving the least amount of voluntary funding sought at 16.9%, while the Strategic Priority on increasing the contribution of tropical forests to national and local economies received 119.3% of the voluntary funding sought.

Noting a number of activities that could not be funded, the EU said this underscores the need to provide prioritization of activities in the next BWP, especially in the early stages of ITTO's financial recovery.

The Secretariat also offered a brief presentation on communications and outreach efforts, both standalone and those in support of other activities, noting recent efforts to use social media to reach target audiences and drive traffic to the ITTO website, and plans for a completely revamped website to be launched in 2018. In response to questions from the US, the Secretariat said: all social media apps provide metrics to track traffic; the Secretariat can provide the link to the new website's

test site to delegations interested in providing feedback; and the upcoming communications strategy will aim to identify which outreach efforts are most cost-effective.

ITTO Fellowship Programme: On Friday, the Secretariat presented the Fellowship Programme's progress report (ITTC(LIII)/8), and Zhang Zhongtian, Chair of the Fellowship Selection Panel, presented the Panel's report (ITTC(LIII)/9), noting 137 applicants, of which 46 were pre-selected. He reported that the Panel recommended the Council award 18 fellows, 33% of whom are women, with 39% from Africa, 33% from Asia/Pacific, and 28% from Latin America and the Caribbean.

Draft ITTO Policy Guidelines for Achieving Gender Equality and Empowering Women (GEEW): On Tuesday, Chair Agyarko introduced the report on this item (ITTC(LIII)/6). Stephanie Caswell, ITTO Consultant, summarized the steps taken to develop the guidelines, including consideration of other forest-related gender guidance documents, such as the Green Climate Fund (GCF) and Global Environment Facility (GEF) gender requirements, the strategies and plans of the CPF, and the 2030 Agenda for Sustainable Development.

Malaysia, with the Civil Society Advisory Group (CSAG) and the US, commended the development of the guidelines. CSAG recommended strengthening the section on women's empowerment, and suggested requiring gender-responsive indicators throughout the project cycle in order to enforce implementation of the GEEW. UNFF recalled its objective to achieve gender parity by 2021, and said the entire UN system is to do so by 2028. The EU urged the Council to accelerate the decision process to ensure rapid implementation of the GEEW. The US suggested taking concrete actions to ensure implementation, such as incorporating scoring on women's empowerment in project appraisals, and investigating the use of existing training materials on gender. Executive Director Dieterle said the GEEW should be "a living document," with gender aspects considered in the same way as environmental and social aspects are during project proposal screening.

Draft BWP for 2018-2019. On Tuesday, the Secretariat presented the Draft BWP 2018-2019 (ITTC(LIII)/7), noting the BWP was developed while taking note of input from Members, the Trade Advisory Group (TAG), CSAG, BWP 2015-2016, and Strategic Priorities from the Strategic Action Plan 2013-2018. He underscored that new structures and formats were developed for grouping and presenting the BWP activities in the draft, as well as to link each BWP activity with a relevant ITTO Strategic Priority and the UNSPF Global Forest Goals. He noted that activities in the BWP require funds from both the core budget and voluntary contributions, requiring, in total, about US\$9.87 million.

Executive Director Dieterle explained that the new BWP had evolved from being a "shopping list" of activities to having an internal logic that speaks directly to ITTO's core objectives as per the ITTA mandate. He highlighted the five proposed new areas of activities, namely:

- field-oriented activities in member countries, that focus on ITTO's role in establishing value chains;
- normative work on policy guidelines or other strategic work, that will focus on changes for the ITTO's future;
- collaborative work/meetings with other organizations/initiatives;
- communications and outreach-related work; and
- analytical, statistical, and other recurring work, which is a core strength and provides competitive advantage for ITTO.

During the discussion, the EU called for further slimming down activities, given that ITTO is still in financial recovery. Japan stressed ensuring capable management of the BWP, with transparency and regular feedback. China underscored their support in developing green supply chains. In response to feedback and queries from the US, Executive Director Dieterle said ITTO's role in collaborative efforts with the World Bank and FAO would be linking the data with information from producers on the ground to enable them to gain access to macroeconomic financing and incentives.

ENHANCING COOPERATION BETWEEN ITTO AND CITES: On Friday, the Secretariat presented a report on the listing of tropical tree species in the CITES Appendices and on the implementation of the ITTO-CITES Programme (ITTC(LIII)/4). The ITTO Secretariat reported no new proposals for listing. He noted that the second phase of the Programme, funded by the European Commission (EC) and managed by ITTO, had ended in 2016 and due to the uncertainties created by ITTO's financial impairment, the EC had given the grant for the third phase directly to the CITES Secretariat to manage, while ITTO still performs the Programme's technical functions.

Milena Sosa-Schmidt, CITES Secretariat, noted that the EC announced a contribution of €7 million in July 2017 to support the sustainable management of tree species through CITES, which will support 25 countries of CITES-listed tree species exporters in Africa, Asia, and Latin America. She said the first call for proposals for the CITES Tree Species Programme went out in August 2017, resulting in 68 proposals from 41 countries. Sosa-Schmidt explained that the Programme's Advisory Committee has decided that US\$5 million in funding currently available will cover 18 proposals, while covering all 68 would require US\$14 million. She urged other donors to join the EC in funding the Programme.

Cameroon, Panama, and the EU also urged other donors to contribute. The US expressed its support for the Programme, and announced its intention to financially support it through ITTO under the BWP 2018-2019.

PROGRESS REPORT ON THE IMPLEMENTATION OF THE ITTO THEMATIC PROGRAMMES: On Wednesday, the Secretariat introduced this item (ITTC(LIII)/10), saying 79 projects have been approved for funding: 29 under Forest Law Enforcement, Governance and Trade, 31 under Reducing Deforestation and Forest Degradation and Enhancing Environmental Services, five under Community Forest Management and Enterprises, and 14 under Trade and Market Transparency. He reported that as of October 2017, 65 projects had been completed, seven were ongoing, four had lapsed, and three had been terminated. He referred members to selected achievements and impacts of the completed projects, summarized in Chapter 4 of the report.

China highlighted the positive impacts of the CITES WeChat mobile web page project, saying this makes possible wide distribution of critical timber and species information every two weeks, thus positively influencing logging practices. Papua New Guinea urged reconsideration of the terminated project on chain of custody verification for timber, and Cameroon thanked ITTO for support on two projects in Cameroon.

Japan lamented potential funding gaps and irregular payment, due to shortage of funds, for a project on strengthening participatory systems in the Amazon region.

The EU reiterated an earlier call for more results-oriented projects that form part of a coherent set of activities. The Secretariat referenced the Executive Director's opening presentation that addressed this issue.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (BPF): Report of the Panel on Sub-Account B of the BPF: On Friday, the Secretariat introduced the report of the panel on Sub-Account B of the BPF at its 23rd Meeting (ITTC(LIII)/11) and the Council adopted the report.

Cameroon, on behalf of Producers, expressed concern over lack of funds, especially for projects already analyzed and approved, which have entered the "sunset" phase without funding. She requested reassurance from Consumers and donors, through reconsidering the sunset clause's terms and an adjustment in the current approach to extend these projects' life cycle. Peru, with Costa Rica, noted that the funding crisis had been a problem prior to the impairment of funds, and reminded that, without adequate funding, the ITTO becomes paralyzed and unable to provide any support to tropical timber-producing countries.

Executive Director Dieterle concurred that the lack of funding indicates structural deficiencies within the organization, and urged strengthening the Organization's financial expertise.

Chair Agyarko referred the item for further consultation in the caucuses, and invited submissions to the Secretariat. On Saturday, Chair Agyarko advised the Council that Producers may apply to the Executive Director for extension for such projects.

Pledges to the Special Account and the BPF: On Saturday morning, Chair Agyarko opened the floor for interventions on pledges. Acknowledging the visionary leadership of the new Executive Director and the direction of the BWP 2018-2019, Germany pledged US\$1 million to extension of the teak project, to act as a nucleus fund for transnational activities.

Citing disapproval from his country's audit board for negligence in overlooking the loss of US\$6 million during the previous financial periods, Japan regretted being unable to make any new pledges. He undertook to make every effort to convince his government of the sincere desire of ITTO to manage its funds responsibly in future, and urged the ITTO to continue efforts to recover lost funds and pursue legal efforts to hold former ITTO staff accountable.

China pledged a voluntary contribution of US\$100,000 to the Special Account.

Noting the promise of good stewardship under the new Executive Director and the opportunity afforded by the BWP 2018-2019 to reinvigorate focus, the US pledged: US\$50,000 towards the activity on incentives for green-growth value chain investments in tropical forests; US\$75,000 towards the activity on strengthening participation of the private sector in the work of ITTO, with the World Resources Institute (WRI) pledging an in-kind contribution for work on compliance and matching countries' contributions; US\$200,000 towards enhancing cooperation between ITTO and CITES; US\$25,000 towards operationalizing the GEEW under the ITTO; US\$25,000 for cooperation and consultation with the CPF; US\$40,000 for engagement with private sector and civil society groups; US\$50,000 for the ITTO Fellowship Programme; US\$50,000 for full project development of the natural regeneration of timber forest species in Tahuamanu province in Peru; US\$50,000 for increasing acacia plantation and timber processing industry efficiency in Viet Nam; and US\$80,000 for establishing a system

for collection, storage, processing, and dissemination of forest and wildlife statistics in Cameroon.

The Republic of Korea pledged US\$40,000 for ITTO projects, and Chair Agyarko noted that Finland, the Netherlands, and Japan have requested using un-utilized funds for the Fellowship Programme and to support activities. Chair Agyarko thanked members for their pledges, saying “A friend in need is a friend indeed.”

ITTO COLLABORATIONS WITH OTHER ORGANIZATIONS/INITIATIVES: Discussion on this item was held Wednesday and Friday.

Eva Müller, FAO, stated that FAO and ITTO are longstanding partners, and underlined that now, more than ever, partnerships are important for the synergistic effects of both greater impact and ability to access financing. She emphasized outcomes of the FAO Sustainable Wood for a Sustainable World meeting, including on: the need to change the public perception that productive forestry is negative and causes deforestation; leveling the playing fields between legal and illegal timber; improving market access for sustainable timber products, especially from small-holders; and securitization and monetization of the full range of forest products and services, noting increasing global demand. Müller highlighted the need to engage with architects to promote the use of traditional and new wood products in the building industry. She also underlined ITTO’s role, along with FAO and other CPF members, in the international conference, Working Across Sectors to Halt Deforestation and Increase Forest Area, to be held at FAO headquarters in February 2018.

Michael Kleine, International Union of Forest Research Organizations (IUFRO), presented advantages of ITTO collaboration with IUFRO, including being the only forestry network with a global scope for cooperation in forest science with access to over 15,000 scientists’ research. He noted IUFRO does not merely generate science, but also “brings it to where the findings are needed.” Highlighting some of the programmes that can benefit ITTO members, Kleine said there are many opportunities to collaborate with the science community, and pledged full support to ITTO members through providing science-based results and opportunities for capacity building.

David Cooper, CBD, in a video message, thanked the ITTO for continued collaboration in strengthening efforts towards achieving the Aichi Biodiversity Targets, and invited the organization to participate in developing the Post-2020 Strategic Plan for Biodiversity. He congratulated the ITTO member countries that were part of the joint Emerald Triangle Protected Forests Complex initiative, stressing it will provide a major contribution against biodiversity loss and climate change.

The Secretariat highlighted the background to the ITTO-CBD collaboration, and reported on 10 further joint projects under implementation, lauding the focus of the joint initiatives of improved production and protection of forests through sustainable forest management. The Secretariat launched the “Bright Green Hotspots” technical publication, containing the outcomes of the Emerald Triangle Protected Forests Complex project.

In comments, Thailand, Guatemala, Malaysia, and Benin expressed their thanks to donors and implementing stakeholders for their efforts, and together Indonesia and Japan highlighted the importance and benefits of CBD/ITTO cooperation.

IMPAIRMENT OF ITTO FUNDS: On Monday, the Secretariat presented a summary report on the implementation of decisions dealing with the impairment of ITTO funds

(ITTC(LIII)/12). He highlighted that: all impacted projects are back on track; ITTO reserves are currently depleted; a court case against the investment advisor is ongoing; ITTO’s former management may yet be found partly liable for the loss; and all Council decisions have been implemented and internal controls strengthened.

The US confirmed that the US Justice Department has yet to respond to requests for information or follow-up actions regarding the Ardent Fund case and the New York-based companies involved. He asked for confirmation that the revisions to UN Staff Compensation Rules have been concluded. The Secretariat responded that these are still underway, and committed to prepare recommendations for ITTC-54 in this regard.

Japan urged the Secretariat to pursue recovery of ITTO contributions to former management’s provident fund for their retirement, and, supported by Switzerland, offered text of a draft decision on “reconfirmation of further measures regarding the financial impairment.” He stressed that unless the steps outlined in the draft decision pertaining to the recovery of funds are adopted, Japan will withhold voluntary contributions to ITTO.

The Republic of Korea, Guatemala, and Peru commended the work of the Secretariat to enable resumption of all projects, and the Republic of Korea pledged further support by continuing their financial contribution to project funds.

The EU welcomed the report, saying it signified that the ITTO was on the road to recovery. He expressed disappointment in the response from previous Executive Director Ze Meka that declined to return any funds.

REPORT OF THE AD HOC WORKING GROUP TO CONSIDER ROTATION IN THE FRAMEWORK OF THE SELECTION OF THE EXECUTIVE DIRECTOR: On Tuesday, Jorge Malleux Orjeda (Peru), Co-Chair of the AHWG created under Decision 9(LII), presented the AHWG’s report (ITTC(LIII)/13). He reported that the Group had identified options including alternating: between the two caucuses or between the caucuses and within subdivisions in each caucus; among regions, with Producers split into three regions and Consumers either split into two regions or not split; or among individuals with no predetermined rotation. He noted the Group had listed advantages and disadvantages of each option for both Producers and Consumers. He noted that the AHWG also considered renewable and non-renewable term limits of between three and six years, noting that some rotation cycle options could take up to 72 years to complete.

New Zealand, for Consumers, said this issue is not a priority for Consumers at ITTC-53 and noted that Decision 9(LII) calls for giving paramount consideration to efficiency, integrity, and competency in appointing an Executive Director.

Cameroon, for Producers, called for a decision on rotation at ITTC-53 and favored a rotation among regions, with Producers split into three regions and Consumers considered one region. She suggested applying this principle to the current Executive Director’s term, which could be extended from four to six years in total.

On Wednesday, Chair Agyarko asked for delegations’ observations on the AHWG’s report. The EU welcomed the work done, but suggested that further discussion of the issue should take place at a later stage, well before the selection of the next Executive Director. She favored focusing on pressing matters such as the BWP, Administrative Budgets, and other steps necessary to get ITTO back to business.

Japan noted that the decision creating the AHWG stressed that the paramount consideration in selecting the Executive Director should be who is the most qualified. He suggested raising it during the next ITTA negotiations. He said debating the issue at ITTC-53 might suggest that the Organization is more concerned with nationality than qualifications, which might negatively affect public support in Japan for hosting ITTO.

Ghana, supported by Peru and Togo, said foregoing discussion of rotation at this stage is not fair to the Producer caucus, and the decision could be taken quickly at ITTC-53 so as to free time for other important issues on the agenda.

Chair Agyarko proposed creating a small contact group to deliberate on the issue. The Consumers requested flexibility on the contact group numbers and sought clarification about the Producer proposal. The Producers asked for a counterproposal from the Consumers. Chair Agyarko stated that the contact group would be open-ended, but cautioned members to keep it small. AHWG Co-Chairs Malleux Orjeda and Zhang were appointed as Co-Chairs of the contact group and the group was instructed to report to plenary on Friday.

The contact group met Wednesday and Thursday. On Friday, Cameroon, for the Producers, supported by Peru, said that their position remained unchanged and called for the issue of rotation to be decided at this Council session. New Zealand, for the Consumers, said that some Consumer members are not yet in a position to make a decision on the rotation, and while they are appreciative of the contact group meetings that provided more clarity on the proposed modalities, further consultations with their capitals and legal advisers is needed before they can make a decision. She underscored that according to a draft decision proposed by Consumers, they would be willing to decide on rotation at the next Council session. Producers inquired if Consumers have agreed to the principle of rotation, and that the ITTC-54 decision would be on which modality to adopt. The Chair adjourned the Council session for the caucuses to consult, following which the contact group reconvened, with Chair Agyarko invited to assist the negotiations. The contact group agreed on a draft decision for Council approval that accepts the principle of rotation and says ITTC-54 will decide which option for rotation to apply.

JOINT COMMITTEE SESSION

On Wednesday afternoon, participants met in a Joint Committee Session, chaired by Zhang Zhongtian, to discuss the report of the Expert Panel for Technical Appraisal of Project Proposals, followed by the Annual Market Discussion.

REPORT OF THE EXPERT PANEL: On Wednesday afternoon, Jobst-Michael Schröder (Germany) presented the findings and recommendations of the ITTO Expert Panel (EP) (ITTC/EP-52), noting that the financial impairment reduced the EP to one meeting in 2017. He listed EP recommendations, including on: seeking more guidance from country focal points; making greater use of the Manual for Project Formulation; undertaking analysis of all parties affected by a proposed project; considering gender issues and promoting participation of women and indigenous groups in projects; strengthening ITTO focal points; funding training on project formulation; and working to shorten the timeframe from proposal submission to implementation.

ANNUAL MARKET DISCUSSION 2017: On Wednesday afternoon, panel moderator André de Boer, TAG Co-Coordinator, opened the Annual Market Discussion, emphasizing the relevance for ITTO of this year's theme "Sharing Experiences on Promoting Investment in Tropical Timber Industries and Tropical Forestry."

Ingrid Nielsen, Indufor Group, Finland, citing cases from Viet Nam, Europe, and Tanzania, said the future growth of the forest industry will be dependent on private and small-scale plantations. Referring to the Tanzanian Private Forestry Project, which will benefit 60 villages where 15,000 hectares of pine and eucalyptus plantations are being established, she identified increasing the share of smallholder foresters, and scaling and diversifying production, as major challenges to industrializing the plantation.

Erik Fisher, National Export Association, Peru, presented on Peruvian concession forests, and on proposals to promote investment in the timber industry, and their impact on socio-economic development. He identified incorrect and unsustainable forestry practices as the main reason for Peru not realizing its timber export potential despite having the fourth largest tropical forest cover globally. Fisher cited Maderacre and Consolidado Otorongo concession forests, where camera traps have revealed the biodiversity and conservation role of these forests in providing refuge to healthy wildlife populations.

Ivan Tomaselli, President, STCP Consulting and Engineering, Brazil, presented on regional experiences in attracting investments for the forestry sector. He compared industrial timber production development in countries across Latin America over the past 40 years, noting differences in the growth of the forestry industry between countries due to intra-sectoral factors. On the key drivers in Latin America for successful growth in forest industries, he underscored: timber investment management organizations for funding; long-term regional forestry programmes and policy stability; and integrated forestry industry development and establishment of industrial clusters for processing a variety of timber products.

Bob Tate, Papua New Guinea Forest Industries Association, presented on reconciling investment policy confusion, conflict, and conditionalities from the timber industry perspective. Tate cited examples of non-governmental organizations (NGOs) and development and governmental agencies adding confusion and conditionalities to the Papua New Guinea forestry industry, even though the deforestation versus reforestation rates were "sustainable." He lamented that environmental NGOs have blocked the adoption of national forestry standards several times, and that domestic forestry policy is sometimes disregarded in favor of other development objectives. He said that this, together with government instability, is limiting industry investment.

Christian Held, UNIQUE Consulting, Germany, presented the results of studies comparing the business cases of natural, plantation, and silvo-pastoral forest management systems for investing in timber production. He reported conclusions, *inter alia*, that: the condition of natural forest resources, markets, and the policy framework must be taken into account; plantations require substantial investment compared to natural forests; silvo-pastoral systems are competitive in terms of resource efficiency, food production and economic performance; and natural forest management offers economic, social, and ecological returns.

Rik Sools spoke on the FORM International experience in unlocking investments for forest restoration on degraded lands in Africa. He described their work to provide models for planting trees to restore degraded land while addressing the growing

supply gap in timber. He noted challenges in: gaining access to finance; changing perceptions of plantation forestry as “high-risk” and the perception of plantations as equating to “land grabbing” or “forest conversion”; familiarizing investors with African forestry; and building capacity.

During the ensuing discussion, members commented on the economic and productive distinctions between natural forests and plantations, with India noting that plantations can never replace natural forests. Colombia reminded that country contexts vary, and timber supply and demand are affected by these factors. Held highlighted that, due to immature and inadequate economic valuation of natural forests, countries must “work with what they have.” Fisher urged changing the economic paradigm, noting that conservation should imply correct management of natural ecosystems, therefore “we have to save what we have now.”

Concluding the Annual Market Discussion, Barney Chan, TAG, reported on the first African Forestry Investment Conference, held in Ghana in June 2017, and highlighted the importance of a growing tendency to include wood in long-term construction, such as in all-timber tall structures and hybrid structures combining wood and steel. He cautioned that ITTO needs to address these global changes through setting up an expert working group to investigate new technological advances in the long-term wood construction sector, and biomass power plants that drive increased demand. He said TAG pledges its support through providing expert advice in developing green timber supply chains in Africa. Chan encouraged ITTO to garner private sector support, and said “business-as-usual” must change in order to address changing global timber demands.

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

The jointly held 51st sessions of the CEM and CFI, co-chaired by Malleux Orjeda (Peru) and Achille Orphée Lokossou (Benin), 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 Thursday, CEM Vice-Chair Björn Merckell (Sweden) opened discussion on new projects and pre-projects. The Committee declared the following projects approved under the time-bound electronic no-objection procedure to accept Expert Panel ratings (ITTC/EP-52):

- community forest landscapes and small enterprises contributing to legal timber trade in Ghana;
- market survey for forest products in Peru;
- implementing mechanisms to improve traceability in the forest production chain in Guatemala;
- strengthening and consolidating the national process for controlling illegal logging and associated trade in Cameroon;
- enhancing the capacity of forest communities in forest governance, monitoring, and community development projects in Ghana’s Mankranso Forest District;
- the trends of Chinese wood product markets and their dependence on international tropical timber trade towards 2030;
- development and strengthening of the domestic market for non-timber forest products and environmental services in Guatemala; and
- increasing efficiency of the acacia plantation and timber processing industry in Viet Nam.

COMPLETED PROJECTS AND PRE-PROJECTS: On Tuesday, CEM Chair Malleux Orjeda opened discussion on the Report on Completed Projects and Pre-Projects in Reforestation and Forest Management (CEM-CFI(LI)/2). The Committees heard reports on and declared complete, three projects on:

- traceability of timber produced by forest concession and native communities in Peru;
- feasibility study on the certification of national plantation estates in Benin; and
- capacity building and reduced impact logging in dry inland forest in Malaysia.

SELECTION OF PROJECTS FOR *EX-POST*

EVALUATION: On Tuesday, CEM Chair Malleux Orjeda noted that no projects under the CEM or CFI had been selected at ITTC-52 for *ex-post* evaluation because of ITTO’s financial crisis. The Secretariat pointed out that currently there are no funds in the budget for *ex-post* evaluations, so if the Committees wanted them, project donors would have to fund the evaluation. The Committees declined to recommend projects for *ex-post* evaluations

POLICY WORK: The Committees addressed policy work on Tuesday through Thursday.

Market Access: The Secretariat summarized recent market access developments, including: all EU Member States instating penalties under EU Timber Regulations; the US Lacey Act covering a broader range of imported plants and plant products; implementation of Australia’s 2013 Illegal Logging Prohibition Act; a recent law in Japan to address illegal timber on the market by having a voluntary register of companies committed to trade only in legally harvested timber products; an increase in tropical timber species in the CITES Appendix II; and increasing regional trade agreements.

Forest and Timber Certification: The Secretariat noted that there was a big jump in how much forest was certified, with an 80% increase from 2015. He said that while the Programme for the Endorsement of Forest Certification (PEFC) is the biggest overall certification scheme, covering about two-thirds of certified forest, the Forest Stewardship Council scheme is more prevalent amongst ITTO members. He noted, however, that national certification schemes in Brazil, Malaysia, and Indonesia were approved by PEFC. Chair Malleux Orjeda observed that it was interesting to hear about growth in forest certification, but ITTO does not promote certification schemes. Peru commented that even though ITTO does not promote a specific certification scheme, it is useful to inform ITTO members of the aspects of, and practices within, the certification schemes that ITTO does endorse.

Selected Data and Analysis from Elements for the ITTO Biennial Review and Assessment of the World Timber

Situation: Sarah Storck and Rupert Oliver, Consultants, reported to the Committee regarding Forest Law Enforcement, Governance and Trade (FLEGT) licensing and independent market monitoring (IMM) work according to the BWP 2015-2016 strategic objectives. The Secretariat noted that this activity was suspended in 2016 due to the ITTO financial impairment, but the funds for the activity had been protected and activities recommenced in 2017. The consultants explained the work of IMM relating to EU trade in FLEGT-licensed timber, including analyzing trade statistics and data as well as conducting survey-based market research, scoping surveys, and communication and publication of findings. The consultants highlighted that trends in demand for

FLEGT tropical timber in the EU have mostly followed overall timber industry trends. They noted that Indonesia started shipping FLEGT timber to the EU in 2016 but, based on trade data and market inertia, there has not been a significant jump in sales of Indonesian FLEGT timber over other timber and suggested that it is perhaps too early to see a change. Cameroon noted they are in the process of becoming FLEGT capable and are interested to follow how Indonesia's timber trade with Europe benefits from FLEGT. The EU commended the project and announced that further funding contributions have been made available to continue the activities.

Strengthening the Participation of the Private Sector in the Work of ITTO: The Secretariat noted the TAG's proposal on this issue should be covered during the discussion of the BWP 2018-2019.

Demonstration and Adoption of Credit Schemes for Small and Medium Forest Enterprises: Peru reported on its recent efforts to provide incentives and financing to encourage management of natural forests. Indonesia reported on its project, building on one previously carried out in Peru, regarding credit schemes for small and medium forest enterprises (SMFEs). Regarding lessons learned, Indonesia said that many banks do not lend to SMFEs because of the timelines involved in return-on-investment and that many SMFEs require technical and administrative capacity building. Costa Rica raised the issue of ensuring cash flow to SMFEs until they can produce revenues from timber sales, saying his country is experimenting with an advance purchase scheme. Indonesia said managing cash flow is also a problem in his country, which is why the project provides capacity building on cash flow management.

BWP FOR THE COMMITTEES 2018-2019: The Committees considered the draft BWP for 2018-2019 (ITTC(LIII)/7) from Wednesday through Friday. On Wednesday afternoon, the Secretariat identified activities that will be funded from the core budget, including the Annual Market Discussion, the ITTO Market Information Service, enhancement of statistical work and databases on statistics, and the biennial review and assessment of the world timber situation. He identified new activities being proposed, and, due to funding constraints, invited members to prioritize among: incentives for green-growth value chain investments in tropical forests; building legal and sustainable forest product supply chains; strengthening participation of the private sector in the work of ITTO; and enhancing teak management.

The US cautioned that the terms of reference (ToR) for the activity on building legal and sustainable forest product supply chains are very broad and lack specifics, which could lead to cross-over into policy areas not deemed appropriate for ITTO or provide an unfair market advantage, such as subsidy-setting or propping up prices. She asked for revision of the ToR to specify the exact nature of activities and its funding, without which the US would not be able to agree to the BWP.

During Thursday's deliberations on proposed activity 3 regarding strengthening private sector participation in ITTO's work, the US announced an in-kind contribution, with two NGOs, on training packages to pilot due diligence capacity building for small and medium enterprises in Peru, which could potentially be scaled up and used to leverage funds for other countries.

The Chair announced the US had submitted comments on revising the ToR for an activity on building legal and sustainable forest product supply chains.

On enhancing teak management, in answer to a US query, the Secretariat explained that it emanated from the German government's interest in funding a programme on teak in Asia, and was made an activity rather than a project so as to be expedited. He said it was broadened to cover both natural and planted teak in all three producer regions, but will be similar to a project. The Secretariat also noted collaboration by IUFRO and TeakNet to raise awareness, including with a teak conference in Africa. He said the activity constitutes one element of the Executive Director's vision for supply chains, noting that if effective for teak the activity can be a model for other species.

Chair Malleux Orjeda asked whether the budget of US\$50,000 allocated to the activity on statistical capacity building through workshops is adequate, given the importance of these workshops. The Secretariat noted that ITTO and FAO co-host these workshops in the tropics and said this arrangement allows for two workshops per year, which is in line with the resources available and the accustomed amount of capacity building.

PROJECTS AND PRE-PROJECTS IN PROGRESS:

The Committees considered this item (CEM-CFI(LI)/3 Rev.2) on Thursday. The Secretariat reported a current delay in releasing funds for a project on improving forest governance in Mozambique, due to lack of required information. Japan, the project donor, asked for an intersessional progress report from the Secretariat. On SFM in the Chimbo River Basin, Ecuador, the Secretariat reported that funds should be released for implementation by January 2018, after the draft inception report and work plan are finalized. On promotion and sustainable management of lesser-used timber species in Honduras, the Secretariat noted the project agreement must be signed within two years of funding being made available. CFI Chair Lokossou deferred discussion pending the presence of the Honduran representative. Japan cautioned about the ITTO's need for accountability with donor governments and asked for timely implementation.

On projects approaching the "sunset" clause limit, the Secretariat noted that a letter from Cameroon, on establishing a system for forest and wildlife statistics in Cameroon, had been accepted for reinstatement of the project but that it still needs financing. He noted the need for review of the rules on projects subject to "sunset" with and without funding.

Indonesia noted several projects about to "sunset" and the Secretariat said Indonesia's letter had also been accepted.

ELECTIONS OF CHAIR AND VICE-CHAIR FOR 2018:

On Thursday, the Committee approved Björn Merrell (Sweden) as Chair of the CEM and Anna Tyler (New Zealand) as Chair of CFI for 2018.

DATES AND VENUES OF THE 52ND AND 53RD

SESSIONS: On Friday, delegates agreed that the 52nd and 53rd sessions of the Committees will be held in conjunction with ITTC-54 and ITTC-55, respectively.

RECOMMENDATIONS TO THE COUNCIL: The Committees agreed to recommend: that the "sunset" clause be revisited, possibly within a proposed intersessional working group that will consider financing issues related to the project cycle; that financing should be made available as soon as possible for projects and pre-projects; and policy work on certification statistics.

REPORT OF THE SESSION: On Friday, the Committees reviewed the draft report (CEM-CFI(LI)/4) for submission to the Council. In the report's section on policy work: the US proposed

textual amendments to clarify the paragraph describing the Lacey Act; New Zealand suggested deletion of a sentence on the EU Timber Regulation, which said that the FLEGT license is also recognized by Australia's due diligence requirements; and Japan corrected text on the timber law in Japan. The US provided further minor textual amendments under the IMM progress report, and on the BWP of the Committees. On the item on projects pending approval, Honduras, who was not present when the item was first raised, explained the reason for their project's delay was due to several changes within the ministry that must sign off on the project agreement. The Committees approved the report for submission to the Council.

COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT

The 51st session of the CRF, chaired by Marjukka Mähönen (Finland) with Dambis Kaip (Papua New Guinea) as Vice-Chair, 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 the discussion on new projects and pre-projects. The Committee declared four projects and two pre-projects approved under the time-bound electronic no-objection procedure to accept Expert Panel ratings (ITTC/EP-52):

- promotion of community-level forest landscape planning, diversification, restoration, and protection to reduce forest degradation and improve biodiversity and local livelihoods in Ghana;
- enhancing capacity of local communities and forest administration to effectively implement the community forestry programme in Cambodia;
- forest fire prevention and response in tropical forests and forest plantations in Peru;
- carbon storage in timber-producing forests as a value criterion in rural communities in Mexico;
- establishment of enabling conditions for the restoration and sustainable development of forests in Guatemala; and
- development of a full project proposal to generate tools to ensure the establishment of timber forest species through natural regeneration in Peru.

The CRF also noted another project, on land management, SFM, and commercial production in Ecuador, had been rated by the Expert Panel as eligible to be commended to the Committee, but the necessary revisions had not been completed in order for it to be approved through the time-bound no-objection procedure.

Noting that six projects had been not been commended by the Expert Panel because of missing or incomplete elements in the proposals, Japan urged countries to be more careful in preparing proposals and to follow the guidelines of the ITTO Manual. Benin, supported by Cameroon, said the number of unapproved projects suggested a need for more capacity building in project proposal preparation. The Secretariat agreed that careful proposal preparation is important, and pointed out that the ITTO Manual has existed since 2009, and that ITTO has conducted a series of regional workshops and has directly assisted several member countries in proposal preparation.

COMPLETED PROJECTS AND PRE-PROJECTS: On Wednesday, the Committee considered the report (CRF(LI)/2) of one completed project on the development of quality-of-governance standards 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 Papua New Guinea. The delegate from Papua New Guinea presented the report, highlighting the development objective of contributing to good governance in with a specific objective of developing a voluntary standard for REDD+. He described a stakeholder workshop and an online survey, and outlined lessons learned, including how a multi-stakeholder process simplifies project coordination, implementation, and reporting processes while establishing formal arrangements to deploy the voluntary standard.

Japan congratulated Papua New Guinea on the successful completion of the project, and expressed hope for full realization of the outcomes.

The Secretariat noted that no pre-projects had been declared complete for ITTC-53.

EX-POST EVALUATIONS: Chair Mähönen introduced this item on Wednesday evening, reminding the Committee of the five thematic groups of 12 projects that were selected during the Committee's 49th session. The Secretariat outlined the procedure of selecting new projects for *ex-post* evaluation every three years, noting that these 12 projects were still ongoing, and invited members to consider the Myanmar teak conservation project report, exhibited in the lobby area. Mähönen noted that projects selected during the 2015-2016 period may be extended into 2018-2019 under the same thematic groups. She lamented that, due to the impairment of funds, only limited *ex-post* evaluations will be possible during 2018, but noted that towards the end of 2018, these evaluations can be resumed and said the Secretariat seeks guidance on prioritizing the thematic groups for project selection for *ex-post* evaluation for 2019.

Germany, Côte d'Ivoire, Guatemala, and the US suggested prioritizing improvement and conservation of genetic resources, the results of which are urgently sought by the timber producing sector.

POLICY WORK: Delegates discussed a number of policy issues (CRF(LI)/4) on Tuesday.

ITTO Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests: The Secretariat reported that the Guidelines had been published in 2015 and had been promoted at regional workshops in August 2015 in Kuala Lumpur, Malaysia, and in May 2017 in Benin, with a third workshop planned for Latin America in 2018 if funding was approved by ITTC-53.

Strengthening Cooperation and Collaboration between ITTO and African Member Countries on Criteria and Indicators (C&I) and Related Topics: The Secretariat and Benin reported on a second regional workshop on ITTO C&I held in Benin, attended by 32 participants from 12 countries, which undertook a comparative review of country implementation of the C&I and their linkages with climate change, REDD+, and the Aichi Targets on biodiversity. They noted that the workshop recommended updating the C&I in the 2018-2019 BWP.

Benin, Côte d'Ivoire, and Peru emphasized the importance of C&I and urged further work in the 2018-2019 BWP. The US agreed on the importance of C&I work, but said they have some concerns about the terms of reference for the proposed activity on this issue in the next BWP.

National and International Efforts in the Prevention and Management of Fire in Tropical Timber-Producing Forests: The Secretariat highlighted ITTO support to the Global Fire

Monitoring Centre and regional fire networks and conferences in Africa, Asia, and Latin America, and its efforts to enable attendance of 14 countries at a Fire Prevention Conference in the Republic of Korea and a Wildlands Fire Conference in Washington, D.C., US.

Promoting the Conservation, Restoration, and Sustainable

Management of Mangrove Ecosystems: The Secretariat presented on the International Conference on Sustainable Mangrove Ecosystems, held in Bali, Indonesia, in April 2017. He said the conference resulted in the Bali Call to Action for Sustainable Mangrove Ecosystems, which prioritizes conservation and sustainable management and use of mangrove ecosystems in national policies and laws, and promotes sound land-use planning through clarifying land tenure and user rights for local communities to ensure their effective involvement and empowerment.

Indonesia and the US expressed gratitude for the hard work, and the US referred to recommendations offered under an activity on restoration, conservation and sustainable use of mangrove systems of the draft BWP for 2018-2019 to find creative, non-workshop actions.

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 proposed alignment of ITTO guidelines to the Global Forest Goals, the Sustainable Development Goals (SDGs), and the Paris Agreement on climate change, saying the latter two directly make provision for tackling deforestation and land degradation within the framework of global carbon measures.

Developments in the UN Framework Convention on Climate Change (UNFCCC) regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy:

The Secretariat reported on UNFCCC COP 23, outlining Paris Agreement Article 5 on forests and land, under which parties are required to take action to conserve and enhance sinks and reservoirs of greenhouse gases. He noted that only one agenda item under the Subsidiary Body for Implementation's 47th session dealt with mitigation actions in the forest sector by developing countries. On other activities and discussions during COP 23, he emphasized financial commitments, including under the GCF, the REDD+ pilot programme that will be operational with a maximum amount of US\$500 million until 2022, and numerous multilateral REDD+ initiatives, in which countries continue to move from preparation to implementation.

Guatemala, Costa Rica, Colombia, and Peru expressed appreciation for the information, particularly on potential funding streams, and Peru suggested that ITTO consider supporting countries in developing funding proposals.

BWP OF THE COMMITTEE FOR 2018-2019: Chair Mähönen introduced this item on Wednesday evening (ITTC(LIII)/7) and the Secretariat identified relevant activities for prioritization, including: restoration, conservation, and sustainable use of mangrove ecosystems; hosting C&I workshops and adapting the 2016 ITTO C&I for SFM to the African context; operationalizing the proposed ITTO GEEW and updating the ITTO Guidelines for Forest Landscape Restoration; prevention and management of fire in tropical timber-producing forests; hosting an international conference on halting deforestation and increasing forest area; collaboration on C&I for SFM; and

completion of the Status of Tropical Forest Management 2019 Report.

Guatemala, noting that individual countries' priorities might differ, prioritized prevention and management of fire in tropical timber-producing forests, and suggested adding to this theme a sub-item on forest disease, pests, and plagues.

Costa Rica urged including an activity on value added of timber, which is critical in poorer areas, and Peru suggested that prioritization of current selected activities and proposals for new activities should also be discussed within the two caucuses. He sought guidance from the Secretariat on potentially hosting a regional Latin American workshop on developing C&I similar to those held in Africa and Asia. The Secretariat confirmed that some available funding could allow for this with support from countries in the region.

The US: concurred with the current list of priorities; urged collaboration with other well-funded entities, such as the Bonn Partnership, WRI, and the International Union for the Conservation of Nature (IUCN); and asked whether using internal ITTO resources rather than external consultants would be possible in order to reduce costs.

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(LI)/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 Secretariat informed the Committee that the implementation of most project activities had been revitalized since early 2017 after being slowed down or suspended in 2016 due to ITTO's financial impairment.

The Committee considered extensions for the following projects and pre-projects:

- forest seed management and conservation, rehabilitation and restoration of degraded forests in Côte d'Ivoire with the involvement of local communities; and
- the regional project on capacity building for sustainable management of tropical rainforests and biodiversity conservation in ITTO Congo Basin countries.

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

- community forestry development in Gabon;
- capacity building for Clean Development Mechanism forestry in the framework of SFM emphasizing community forests and poverty alleviation in Ghana;
- Guatemalan Forest Productivity Information System;
- sustainable indigenous mahogany timber production in Ghana;
- management of forests established through rehabilitation of degraded forests by local communities in Ghana;
- sustainable, mixed and pure forest plantation development in Ghana, employing poverty reduction strategies; and
- integrated management of natural resources and biodiversity in the Tacaná Volcano and its range of influence in Mexico and Guatemala.

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 Committee noted that the Liberian project on development of the

national reforestation policy and afforestation strategy had been extended until December 2017 without additional ITTO funds, and urged Liberia to complete the project during the extension period.

The Committee noted that the following projects await their implementation agreement:

- capacity building for strengthening transboundary biodiversity in Myanmar;
- enabling customary landowners to participate effectively in community forest management schemes in Papua New Guinea;
- development of a forest landscape restoration programme for Guatemala based on ITTO Guidelines; and
- accelerating the restoration of Indonesia's Cibodas Biosphere Reserve.

The Secretariat indicated that four projects await approval, and urged finalization of project agreements so that projects can be operationalized.

The Secretariat indicated that 16 projects await financing, of which six are at risk to be declared "sunset" by the next ITTO session. Chair Mähönen urged donors to consider funding the 16 projects, and urged members to seek extension for those projects marked for "sunset" that still have the potential to be implemented.

The Secretariat indicated that no pre-projects are under implementation or awaiting implementation, but four pre-projects await financing, of which two will be declared "sunset" by ITTC-54.

ELECTIONS OF CHAIR AND VICE-CHAIR FOR 2018:

On Friday, the CRF elected Dambis Kaip (Papua New Guinea) as Chair and Jobst-Michael Schröder (Germany) as Vice-Chair for 2018.

DATES AND VENUES OF THE 52ND AND 53RD

SESSIONS: On Thursday, CRF agreed that the 52nd and 53rd sessions of the Committee will be held in conjunction with ITTC-54 and ITTC-55, respectively.

OTHER BUSINESS: Côte d'Ivoire noted that only a few countries received approval for proposed projects, and urged fair distribution of project funding among producing countries by supporting proposal preparation. Chair Mähönen noted that some projects are transboundary and that the associated countries might appear multiple times.

RECOMMENDATIONS TO THE COUNCIL:

On Thursday, the CRF agreed on its draft recommendations to the Council, including a request to the Council to seek the necessary funds for the four unfunded projects and two unfunded pre-projects approved by the CRF. The Committee also recommended making funding available immediately for the activities listed under the BWP 2018-2019, including: incentives for green-growth value chain investments in tropical forests; building legal and sustainable forest product supply chains; restoration, conservation and sustainable use of mangrove ecosystems; C&I workshops; adapting the 2016 ITTO C&I for SFM to the African context; updating the ITTO Guidelines for Forest Landscape Restoration; prevention and management of fire in tropical timber producing forests; an international conference on halting deforestation and increasing forest area; ongoing collaboration on C&I for SFM; and the status of tropical forest management 2019 report.

REPORT OF THE SESSION: On Friday, the Committee accepted the draft report (CRF(LI)/5), with minor amendments, for submission to the Council.

COMMITTEE ON FINANCE AND ADMINISTRATION

The CFA, with Mad Zaidi Mohamed Karli (Malaysia) as Chair and Luke Thompson (US) as Vice-Chair, met Tuesday through Friday.

APPROVED BIENNIAL ADMINISTRATIVE BUDGET, 2018-2019: On Tuesday, the Secretariat presented the draft administrative budget for 2018-2019 (CFA(XXXII)/2). He noted that the projected budgets for 2018 and 2019 showed lower expenditures but, as in previous years, no contingency is included for unanticipated changes in exchange rates, personnel changes, or inflation. He also noted an increase in auditing costs due to a move to International Public Sector Accounting Standards (IPSAS), which require periodic internal audits, and specific examinations if deemed necessary by the Council.

REVIEW OF CONTRIBUTIONS TO THE ADMINISTRATIVE BUDGETS: On Tuesday, the Secretariat presented the review of members' contributions to the Administrative Budgets (CFA(XXXII)/3 Rev.1). He noted that for 2017, payments received to date were US\$2.3 million from Producer members and US\$3.7 million from Consumer members and the total outstanding amount in members' contributions is US\$7.8 million, of which a significant part was due prior to 2016 (US\$4.6 million from Producers, US\$164,802 from Consumers) and by former members (US\$1.8 million).

CURRENT STATUS OF THE ADMINISTRATIVE ACCOUNT: On Tuesday, the Secretariat reported on the current status of the administrative account (CFA(XXXII)/4) and noted there is a surplus in the 2017 budget due to some senior positions not being filled for most of the year. He highlighted that, in accordance with the new accounting rules, additional disclosures to the Committee have been made showing sole suppliers used by the Secretariat, bad debts to be written off, and payments greater than US\$100,000 subject to bid and tender processes that occurred during the period.

RESOURCES OF THE SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND: On Tuesday, the Secretariat presented this report (CFA(XXXII)/5 Rev.1), announcing a recent contribution from China of US\$100,000 in unallocated funds. He noted that the surplus from completed projects and unallocated funds is US\$1.2 million, of which over US\$1 million belongs to specific donors who can consider their allocation to specific projects and activities.

In response to a query from the US, the Secretariat noted that the figure of over US\$10 million in the line item on "Project/Activity committed/safeguarded funds" reflected application of provisions decided at ITTC-52 for transferring internal reserves in the Special Account to projects.

AUDITOR'S REPORTS FOR THE FINANCIAL YEAR 2016: Presenting the Auditor's Reports for 2016 (CFA(XXXII)/6) on Tuesday, the Secretariat noted that a Council Decision in 2016 enabled ITTO to reorganize its finances to regain sufficient funds to meet its financial obligations and resume regular operations, while taking additional measures to strengthen internal control and accountability. He stated that the ITTO's financial statements were prepared in accordance with IPSAS standards and that no matters affecting completeness or accuracy were flagged. The Committee agreed to recommend the Auditor's Reports to the Council for adoption.

APPOINTMENT OF AUDITOR: Presenting this report (CFA(XXXII)/7) on Tuesday, the Secretariat noted that BDO Toyo's three-year term as auditor had been exceptionally

extended by one year. He explained that ten auditing firms had been invited to submit estimates of fees for the 2017-2019 term under new ITTO rules, but that only two had responded, neither of which had direct IPSAS auditing experience. He asked the CFA to consider appointing one of them as auditor at ITTC-53. After queries from New Zealand, the EU, and the US, Chair Karli proposed, and the Committee agreed to, postpone the decision on this until later in the week to allow time to gather more information on the candidates.

On Wednesday, the Committee deliberated on a summary from the Secretariat on the comparative costs, experience, and number of employees of the two firms that had tendered bids for the ITTO auditing contract, namely Gyosei and Co. and Ernst & Young ShinNihon LLC. The EU queried whether the tender process had achieved the most competitive rates, which was confirmed by the Secretariat. The Committee reached consensus on proposing Ernst & Young Shin Nihon LLC to the Council for approval, based on their higher level of experience.

BWP FOR THE COMMITTEE 2018-2019: On Friday, in response to queries by the EU and US on the input to the BWP required from the CFA, the Secretariat noted that prior to ITTC-53, the Secretariat had ascertained that funds are sufficient for the core operational cost components of the BWP, but that if significant changes were made, cost implications need to be reviewed. The EU noted the expertise of the CFA with regards to budgeting and fund allocations, and proposed that the AHWG on the ITTO's financial infrastructure proposed in the draft BWP makes explicit the role of CFA in reviewing the BWP.

REQUEST BY THE CENTRAL AFRICAN REPUBLIC FOR "RELIEF FROM OBLIGATIONS": On Wednesday, Vice-Chair Thompson explained that the Central African Republic (CAR) had requested relief from its obligations at ITTC-51 for arrears from 2005-2011 and that discussion of this item was deferred to ITTC-53. The EU, supported by Japan and New Zealand, said they could accept the CAR's request, given the difficulties the CAR is experiencing. The EU added that this concession was due to the exceptional circumstances of the CAR, in accordance with ITTA Article 30, and that language to the Council should request that the CAR make payment of its remaining obligations when possible, recognizing ITTO's own financial difficulties.

During Thursday's discussions, the Secretariat cited the similar case of Liberia in 2007, which guided the Secretariat in drafting the current decision on the CAR's request.

The US sought clarification on whether the CAR still has voting rights. The Secretariat clarified that a member loses its voting rights after being in arrears for more than seven months.

The US, with support from the EU, urged that the decision reflect the principle that arrears are to be written off only in extreme circumstances, to ensure that it does not become common practice among members, which would undermine the organization's financial stability.

ELECTIONS OF CHAIR AND VICE-CHAIR FOR 2017: On Friday, the CFA elected Luke Thompson (US) as Chair and Marcel Holland Oseida de Leon (Guatemala) as Vice-Chair.

DATES AND VENUES OF THE 33RD AND 34TH SESSIONS: On Friday, the CFA agreed that the 33rd and 34th sessions of the Committee will be held in conjunction with ITTC-54 and ITTC-55, respectively.

OTHER BUSINESS: On Tuesday, the CFA agreed to consider four items under "Other Business": transparency, increasing the Special Reserve Fund, guidelines for ITTC Committee officers, and the selection of the Investment Oversight Panel (IOP).

Transparency: On Wednesday, the US proposed changes to the distribution of Council and Committee documents in a concept note, including making documents available 30 days prior to Council sessions, and posting previous Councils' un-posted documents to the ITTO website. The Secretariat referred to Rules 11.5 and 34 in ITTC Rules of Procedure (ITTC(XLVIII)/22 Annex 1] relating to distribution of documentation. The Committee discussed reviewing which documents are categorized as restricted.

On Thursday, the Secretariat distributed a list showing which documents from ITTC-53 are considered restricted. Vice-Chair Thompson explained that along with the report of the Credentials Committee, which is only for practical use of the Council, six CFA documents are considered restricted, of which two are made public after Council sessions. The Committee decided that for the purposes of transparency, all CFA documents should be made public once they have been accepted at Council sessions, with the exception of the auditor appointment due to procurement sensitivities. Upon request from US and Togo, it was also agreed, for the purposes of transparency, that restricted documents for upcoming CFA sessions be made available to members prior to the Council via a "members only" web portal. With support from the US it was agreed that the Secretariat should draft a decision for the Council to amend the Rules of Procedure to enable these changes.

On Friday, CFA reviewed the draft amendment for the Organization's Rules of Procedure and Financial Rules, and Rules Relating to ITTO Projects, prepared by the Secretariat. The Secretariat noted the changes requested to the rules, namely: making documents available 30 days before Council meetings, instead of three weeks; making ITTC documents available publicly instead of only to interested parties; and making available on the ITTO website approved restricted documents that have been accepted by the Council. Japan, supported by EU, asked the Committee to confirm that document CFA(XXXII)/3 (Review of Contributions to the Administrative Budgets), which includes members' arrears, will also be publicly available. Vice-Chair Thompson confirmed they would include that in the drafting process.

Special Reserve Fund: On Wednesday, the Secretariat explained that the Fund is to cover costs in the event of ITTO being liquidated, and that the costs were reviewed and amount to US\$2.5 million, but the current fund only has US\$1.85 million. He noted that there are funds in the Working Capital Account available to increase the Reserve Fund. Noting ITTO's current shortage of funds, the EU asked that the US\$2.5 million figure be confirmed by the auditors to make a stronger case for reserving the additional funds for liquidation.

On Thursday, the Secretariat clarified that the amount of US\$2.5 million is in line with ITTO and UN Staff Rules, and that these rules were used to formulate the minimum amount required for liquidation and termination of staff. Responding to a question from the EU on the amount of finance available to implement the BWP, the Secretariat noted that approximately US\$600,000 is required for the Special Reserve Fund, and that the working capital available is approximately US\$4.8 million.

RECOMMENDATIONS TO THE COUNCIL: The CFA made 10 recommendations to the Council, including: approving the Biennial Administrative Budget for 2018-2019 at US\$7,108,547 and US\$7,104,341, respectively; approving the financial reports for FY2016; approving the appointment of Ernst & Young ShinNihon LLC as the auditor for FY2017 and beyond, subject to satisfactory performance; formalizing the paper “Responsibilities of Officers of the International Tropical Timber Council” as an official document entailing the responsibilities of ITTC officers; approving the transfer of US\$650,000 from the Working Capital Account to increase the Special Reserve to US\$2.5 million; approving the CAR request on arrears; and forming the IOP by nominating representatives of Japan and Cameroon as panel members, and commencing IOP work at such time as the Council deems appropriate for ITTO to resume investing the Organization’s funds.

REPORT OF THE SESSION: On Friday, the Committee considered and approved the report of the session (CFA(XXXII)/8).

CLOSING PLENARY

The closing plenary took place on Saturday morning.

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES: CEM Chair Malleux Orjeda and CFI Chair Lokossou presented the report of the CEM-CFI (CEM-CFI(LI)/4), which was adopted. CRF Chair Mähönen presented the CRF report (CRF(LI)/5), which was adopted. CFA Chair Karli presented the report of the CFA (CFA(XXXII)/8), which was adopted.

ELECTION OF CHAIR AND VICE-CHAIR FOR 2018: The Council approved Zhang Zhongtian (China) as Chair and John Leigh (Peru) as Vice-Chair for ITTC-54.

DATES AND VENUES OF ITTC-54 AND ITTC-55: Japan confirmed that ITTC-54 will take place in Yokohama, Japan, in November 2018, with exact dates to be determined at a later stage. Togo, with support from Ghana and Benin, announced Lomé, Togo, as the venue for ITTC-55, to be held from 2-7 December 2019.

OTHER BUSINESS: The Consumers urged moving participation from the CSAG earlier in the programme to allow members greater opportunity to engage with them. The Secretariat took note of this request, and undertook to address this at the next Council session.

DECISIONS AND REPORT OF THE SESSION: The Council adopted 10 decisions without amendment.

Decision 1(LIII) (ITTC(LIII)/14), on projects, pre-projects and activities, states that the Council: endorses the approval of 14 projects, pre-projects, and activities through the time-bound electronic no-objection procedure and makes funding available for implementation. The Council authorizes financing of projects, pre-projects, and activities for:

- development of a full project proposal for tool generation to ensure natural regeneration of timber forest species in the Tahuamanu province of Peru, and increasing acacia plantation and timber processing industry efficiency in Viet Nam, which were approved during the 2017 project cycle;
- establishing a system for the collection, storage, processing and dissemination of forest and wildlife statistics in Cameroon, approved at an earlier session;
- eight activities approved for the BWP 2018-2019; and
- secondment of a programme officer from the Republic of Korea Forest Service.

Decision 2 (LIII) (ITTC(LIII)/15) adopts the BWP for 2018-2019 with 26 activities divided into five groupings: field-oriented activities with engagement of/work in member countries; normative work on policy guidelines or other strategic work; collaborative work/meetings with other organizations/initiatives; communications and outreach related work; and analytical, statistical, and other recurring work. Seventeen are ongoing activities, and three are “re-proposed.” Five new activities are: incentives for green-growth value chain investments in tropical forests; building legal and sustainable forest product supply chains; strengthening participation of the private sector in ITTO work; enhancing teak management; and formulating a new ITTO Strategic Plan. In addition, four new subcomponents are added to existing activity areas on: adapting the 2016 ITTO C&I for SFM to the African context; operationalizing ITTO’s GEEW Policy; an international conference on halting deforestation and increasing forest area; and an ITTO communication strategy.

Decision 3 (LIII) (ITTC(LIII)/16) approves and adopts the Biennial Administrative budget for 2018 and 2019, for US\$7,108,547 and US\$7,104,341, respectively.

Decision 4 (LIII) (ITTC(LIII)/17) extends the implementation period of the ITTO Strategic Action Plan 2013-2018 through 2019 and requests the Executive Director to develop an Action Plan for 2020-2025 for consideration and approval by ITTC-55.

Decision 5 (LIII) (ITTC(LIII)/18) amends the Rules of Procedure to call for distributing documents at least 30 days prior to the Council instead of three weeks and making ITTC documents available publicly on the ITTO website. The decision also amends the financial rules to: publish, on the ITTO website, documents related to financial matters of the ITTO upon approval of the Council; post quarterly a table showing the status of members’ contributions on the ITTO website; and request the Secretariat to make CFA financial documents from 2014-2016 available on ITTO’s public website.

Decision 6 (LIII) (ITTC(LIII)/19), on ITTO Policy Guidelines on GEEW, states that the Council decides to, *inter alia*:

- adopt the ITTO Policy Guidelines on GEEW;
- take immediate steps to implement these, including developing a new appendix to the ITTO Manual for Project Formulation to provide supplementary guidance on gender analysis in project planning and design, training ITTO staff, and providing a study on gender roles in the forest industry; and
- report on progress in implementing the GEEW Policy Guidelines at ITTC-54.

Decision 7 (LIII) (ITTC(LIII)/20), on reconfirmation of further measures regarding the financial impairment, requests the Executive Director, without prejudice to any legal recourse that ITTO may have, to continue efforts in requesting former ITTO employees, without declaration of liability, to contribute to meeting the financial shortfall, including by returning to ITTO its contributions plus interest to their Provident Funds. The decision further requests the Executive Director, if so professionally advised according to developments in the ongoing court case, to maintain ITTO’s ability to pursue further legal action by initiating a third party notice to former ITTO employees as necessary and without delay.

Decision 8 (LIII) (ITTC(LIII)/21) agrees, following an analysis of the situation concerning the obligations of the CAR in the framework of the ITTA 2006, to write off the CAR’s outstanding arrears for 2005-2011, amounting to US\$525,507, but communicates that this relief provided is for extraordinary

circumstances and does not constitute a precedent. The decision urges the CAR to make payment on their remaining outstanding arrears, as per a payment plan to be identified by the Secretariat.

Decision 9 (LIII) (ITTC(LIII)/22), on improving ITTO's financing infrastructure and fundraising strategies, states that the Council, *inter alia*:

- requests the Executive Director to convene an *ad hoc* working group consisting of three Consumer experts, three Producer experts, and one representative apiece from TAG and CSAG, to consider options and make proposals for improving ITTO's financing infrastructure and fundraising strategies; and
- authorizes the Executive Director to transfer to the unearmarked fund of the Special Account the donor funds specified in Table 3.5 of Annex 3 to document ITTC(LIII)/12 left with ITTO without instruction from those donors on how to utilize such funds.

Decision 10 (LIII) (ITTC(LIII)/23), on rotation in the framework of selecting the Executive Director of the ITTO, states that the Council decides to accept the principle of rotation, as set out in the Report of the AHWG on rotation, and to take a decision on an option for this rotation at ITTC-54 on the basis of said AHWG report

CLOSING STATEMENTS: The CSAG expressed interest to continue working with ITTO particularly on, among others: sustainable forestry; legal, transparent, and equitable timber practices; women's empowerment; and indigenous peoples' enterprise development and capacity building. She said the CSAG supports the Executive Director's call to consider new approaches for fundraising and partnerships, and offered assistance through social and gender expertise to ensure that these issues are incorporated into project proposals.

Cameroon, as Producer spokesperson, thanked her caucus for supporting and trusting her, and noted the caucus' achievements in finalizing the Executive Director election at ITTC-52 and confirming the principle of rotation in selection of the Executive Director at ITTC-54. She announced Jorge Malleux Orjeda (Peru) as the next Producer spokesperson.

Executive Director Dieterle praised the constructive atmosphere and trust permeating ITTC-53, which has resulted in "a thick package of solid strategic decisions that will not only guide us over the next year, but toward the start of a new future." He said the decisions would allow ITTO to pursue new initiatives, and increase ITTO's relevance within the international forest regime, to advocate for productive forests and their products as ways to combat climate change and degradation, alleviate poverty, and promote sustainable development. He committed the Secretariat to focusing its efforts in the coming months on ways to bring additional financing to ITTO projects and activities.

Chair Agyarko noted the achievements of ITTC-53, including adoption of a new BWP and agreement to work on greening tropical timber supply chains and to strive for equality in the tropical forest sector. Characterizing the existing funding gap as "an extremely serious matter" that if not addressed urgently might risk some members losing faith in ITTO, he expressed optimism that the creation of the AHWG on financial infrastructure was a step in the right direction. He urged all to do their best to make ITTO as good as it can be, saying ITTO survived its financial crisis "because enough of us believe in the organization and the good it can do, and has done, in the world."

Chair Agyarko gavelled the meeting to a close at 12:17 pm.

A BRIEF ANALYSIS OF ITTC-53

On the first day of ITTC-53, Chair Tabi Agyarko announced that the ITTO ship had "reached the dock after the storm." Now the Council had to prepare the ship for its future journeys.

It often takes a major crisis to spur major change. The recent ITTO financial crisis has spurred efforts toward perhaps the most far-reaching changes in the functioning of the Organization since its establishment in 1987. A key question looming at the beginning of the week was whether those far-reaching visions would gain traction or whether ITTC-53 would only focus on less ambitious goals for the future. Would ITTC-53 prepare the Organization's ship for new and meaningful voyages, or simply plug a few holes?

While it remains to be seen where the steps taken at this Council will take the ITTO in the end, and the extent to which those steps will ensure the ITTO's long-term viability and effectiveness, ITTC-53 provided some clues of where ITTO might venture next and what is needed to make that voyage successful. This brief analysis focuses on the discussions at ITTC-53, with particular emphasis on visions for the future that garnered participants' attention.

IS THERE ENOUGH MONEY TO PAY FOR THE NEXT VOYAGE?

ITTC-53 was the third Council session that had to grapple with ITTO's loss of US\$18 million due to financial mismanagement—a sum which, given the small size of the ITTO budget, represented a serious existential threat. Thanks to skilled piloting by its Officer-in-Charge, Steven Johnson, during that turbulence, ITTC-52 managed to "steady the vessel," reallocating remaining funds and using some emergency funds to carry on and finish projects in progress with as little disruption as possible.

A new Executive Director, Gerhard Dieterle, was also finally elected at ITTC-52, after two failed attempts to do so at ITTC-50 and 51 to replace former Executive Director Emmanuel Ze Meka, who retired suddenly after being implicated in the financial mismanagement. It was thus up to Dieterle to regain the financial stability needed to sail into the future. ITTC-53 represented a test of whether Dieterle would be able to convince all members to return to the ship with confidence in the direction it is heading and with willingness and patience to undertake the necessary measures to ensure a successful voyage.

Worries about funding permeated ITTC-53, with many Producer delegates openly fretting about projects delayed and diminished due to insufficient contributions. Numerous laments were heard about the time and resources needed just for formulating an acceptable project proposal (and sometimes a pre-project proposal), with no guarantee that it would receive funding before "sunsetting."

Added to this uncertainty was persistent disagreement over the process of electing Executive Directors—not just hand-wringing over the two years that it took to reach consensus on leadership to carry the ITTO forward, but the question of whether the Consumers should have a place in the informal rotation of regions that determines the eligibility of candidates for Executive Director for any particular term of office, and how often, a question which remained unresolved despite the fact that Consumers had eventually managed to win agreement on a new Executive Director from the Consumer caucus under exceptional circumstances at ITTC-52.

STAYING IN DRY DOCK OR LAUNCHING THE NEXT VOYAGE? AND WHERE TO?

Even though ITTO had not yet recovered fully from the damage to its financial situation and reputation, the mood at ITTC-53 was noticeably brighter than at ITTC-52. While the immediate question at ITTC-52 in 2016 had been whether the ship would stay afloat at all, the fact that the ITTO has not yet sunk gave ITTC-53 participants hope that, with the proper modifications, it could not only prove seaworthy again but be able to set sail. The question was how ambitious a voyage the ITTO would be able and willing to take.

The mood remained congenial, not only because the Secretariat was prepared to show the Council that all the expectations put into the decisions of ITTC-52 related to the impairment had been met, but also because the Secretariat, under the direction of Executive Director Dieterle, presented to ITTC-53 a sweeping vision for the ITTO's new voyage ahead, including four new activities for the 2018-2019 Biennial Work Programme, that generated some enthusiasm. This new direction was not only accepted by the entire Council with little debate, but the new activities received significant funding at this session, despite the fact that there was limited information about them before ITTC-53 began. These activities will entail incentives for "green-growth value chain" investments in tropical forests, building legal and sustainable forest product supply chains, strengthening participation of the private sector in the ITTO's work, and a pilot "project" activity on enhancing teak management.

While pledges for traditional projects remained disappointingly low, these four activities in the new BWP alone engendered close to US\$1.3 million in funds, including in-kind work. Together they may also allow ITTO to establish a leadership role for itself in combating forest degradation in productive tropical forests and contribute significantly to cutting carbon dioxide emissions from tropical forests, thereby mitigating climate change.

This may also have the potential to unlock other funding in the future. As ITTO shifts to participate and take a leadership role in a proposed consortium of international organizations to advance work on green supply chains, it may enhance its prospects to benefit from GEF or GCF funding as it resumes the process to become qualified to be an implementing or executing agency for projects funded by GEF or GCF. This effort was considerably advanced at ITTC-53 with agreement on, and funding of, operationalization of ITTO Policy Guidelines on gender equality and empowering women in all of its project work and beyond. One other key aspect of financing will be taken up in an agreed *ad hoc* working group on improving ITTO's financial infrastructure and fundraising strategies, which will report back to ITTC-54, but whose impact may extend far beyond 2018 as it holds the potential develop ideas to engender more coherent, efficient, and sustainable finance well into the future.

TACKLING AGAINST THE WIND?

Of course there are risks involved in launching any new voyage. The ITTO's existential crisis is not completely over, as Japan, historically its largest donor, must still be convinced that hosting and funding the ITTO as it has done for almost three decades is worth the investment. Decisions taken at ITTC-53 may help, but the lack of meaningful funding to carry out significant work instead of merely treading water, still poses a threat to ITTO's survival.

One element of Japan's concern was to ensure that future Executive Directors are fully qualified, and appointed using a process to choose an Executive Director based on expertise, experience, and integrity. This threatened an open rift with Producers, because until ITTC-52 the Executive Director has always come from a Producer country. In the end, a final decision on a formal process for selection of the Executive Director was deferred, but a compromise was reached in Lima, with the two caucuses agreeing on a principle of rotation between Producer and Consumer countries, leaving details on the cycles to be worked out at ITTC-54. The ITTO thus managed not to run aground.

What does the future hold? Brazil, home to one-third of the world's remaining rainforest, may offer another challenge to ITTO's continued relevance. Brazil did not engage at ITTC-53, and delegations privately fretted this was a sign that Brazil is considering leaving the Organization. Furthermore, the ITTA, 2006 is also due to expire in 2021. Will there be adequate resolve to renegotiate it in the near future? As was noted by several participants, in order to achieve a new Agreement in a timely way, negotiations will need to start in just two years. While the ITTA, 2006 could be extended, what would this signify for maintaining the new impetus toward rejuvenating the ITTO as a robust international organization?

THE WAY FORWARD

One year ago no one was really sure whether ITTO would still be afloat by the end of 2017. Now there is talk not just of survival and plugging the ship's holes, but rather of charting a new course. Much may ride on the outcomes of ventures and strategies only now being put into place, but we there is a glimpse of a new sunrise appearing over the distant horizon, toward which the ITTO has set sail with the promise of credible stewardship by the Secretariat and the Council to brave any storms in its path.

UPCOMING MEETINGS

FAO Near East Forestry and Range Commission - 23rd Session: Established in 1953, the Near East Forestry and Range Commission is one of the six Regional Forestry Commissions established by FAO to provide a policy and technical forum for countries to discuss and address forest issues on a regional basis. It meets every two years. **dates:** 11-15 December 2017 **location:** Beirut, Lebanon **contact:** Abdel Hamied Hamid, FAO **email:** abdelhamied.hamid@fao.org **www:** <http://www.fao.org/forestry/65542/en/>

Global Landscapes Forum: The Global Landscapes Forum (GLF) is designed to produce and disseminate knowledge and accelerate action to build more resilient, climate-friendly, diverse, equitable and productive landscapes. The GLF uses this approach around five broad themes: restoration, financing, rights, measuring progress, and food and livelihoods. The science-led Forum convenes diverse stakeholders to share knowledge and best practice to produce collaborative contributions for achieving the 2030 Agenda for Sustainable Development. **dates:** 19-20 December 2017 **location:** Bonn, Germany **contact:** Global Landscapes Forum **email:** <http://www.landscapes.org/contact-us/> **www:** <http://www.landscapes.org/glf-bonn/>

International Symposium on the Promotion of Deforestation-Free Global Supply Chain to Contribute to Halting Deforestation: This event, organized by the Forest Agency of Japan, in collaboration with FAO and ITTO, will consider the challenges of the private sector for forest conservation as the key to achieving

the SDGs and the Aichi Biodiversity Targets. **dates:** 23-24 January 2018 **location:** Tokyo, Japan **contact:** Toshimasa Masuyama **email:** toshimasa_masoyam370@maff.go.jp **www:** <http://www.maff.go.jp/e/>

Roundtable Meeting on Legally Binding Agreement on Forests in Europe: In accordance with the FOREST EUROPE Work Programme 2016-2020, a roundtable meeting will be called in early 2018 concerning all options for the procedural follow-up of the Madrid Extraordinary Ministerial Decision. **dates:** early 2018 **location:** Bratislava, Slovakia **contact:** FOREST EUROPE Liaison Unit Bratislava **email:** liaison.unit.bratislava@foresteurope.org **www:** <http://www.foresteurope.org>

International Forestry Conference: Working across Sectors to Halt Deforestation and Increase Forest Area – from Aspiration to Action: This international conference, organized by the Collaborative Partnership on Forests (CPF), will bring together a wide range of stakeholders to discuss the challenges of halting and reversing deforestation and to jointly explore ways to accelerate progress towards achieving in particular SDG Target 15.2 and Target 1.1 of the UN Strategic Plan for Forests. **dates:** 20-22 February 2018 **location:** Rome, Italy **contact:** CPF Secretariat **email:** Halting-Deforestation@fao.org **www:** <http://foris.fao.org/preview/93720/en/>

Regional Forum on Sustainable Development: This Forum serves as a regional mechanism to follow-up and review the implementation of the 2030 Agenda. The 2018 meeting will review the SDGs that are relevant to regional work on forests. **dates:** 1-2 March 2018 **location:** Geneva, Switzerland **contact:** Paola Deda, UNECE/FAO Secretariat **email:** paola.deda@unece.org **www:** <http://www.unece.org/forests>

Asia-Pacific Regional Workshop on Trans-boundary Biodiversity Conservation: Empowering Forestry Communities and Women in Sustainable Livelihood Development: This workshop is being organized by ITTO, CBD, and the governments of Indonesia and Malaysia. Its main objectives are, among others, to share the lessons learned from the implementation of the ITTO projects on transboundary conservation area (TBCA) management in selected ASEAN countries, including impacts and constraints to operational management, to identify feasible measures for enhancing TBCA management and to explore possibility of expanding TBCA to bordering countries in Asia and the Pacific region. **dates:** 6-8 March 2018 **location:** Pontianak, West Kalimantan, Indonesia **contact:** Hiras Sidabutar, Project Coordinator **email:** hirassidabutar@gmail.com **www:** http://www.itto.int/direct/topics/topics_pdf_download/topics_id=5315&no=2

21st Session of the FAO African Forestry and Wildlife Commission: The African Forestry and Wildlife Commission is one of the six Regional Forestry Commissions established by FAO to provide a policy and technical forum for countries to discuss and address forest issues on a regional basis. **dates:** March 2018 (TBC) **location:** (TBC) **contact:** Magnus Grylle, FAO **email:** magnus.grylle@fao.org **www:** <http://www.fao.org/forestry/afwc/31908/en>

UNFF13: The 13th session of the UN Forum on Forests will address implementation of the Strategic Plan and the Quadrennial Programme of Work, and means of implementation for SFM. **dates:** 7-11 May 2018 **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/>

Joint Conference on Forests and Water 2018: IUFRO will hold its Fifth Conference on Forests and Water in a Changing Environment in conjunction with the Second Latin American Congress on Forests and Water. The conference will provide a forum for experts on forest hydrology, watershed ecosystem management, ecohydrology, climate, and environmental change, with the aim of promoting exchange of understanding and experience from the realms of research, policy, and public involvement. **dates:** 5-9 November 2018 **location:** Valdivia, Chile **contact:** Adam Xiaohua Wei **email:** adam.wei@ubc.ca **www:** <http://forestsandwater2018.cl/en/>

ITTC-54: The next session of the ITTC and associated sessions of the four committees will take place in Japan. **dates:** November 2018 (TBC) **location:** Yokohama, Japan **contact:** ITTO Secretariat **phone:** +81-45-223-1110 **fax:** +81-45-223-1111 **email:** itto@itto.int **www:** <http://www.itto.int/>

For additional meetings, see <http://sdg.iisd.org/>

GLOSSARY

AHWG	Ad Hoc Working Group
BWP	Biennial Work Programme
C&I	Criteria and Indicators
CAR	Central African Republic
CBD	Convention on Biological Diversity
CEM	Committee on Economics, Statistics and Markets
CFA	Committee on Finance and Administration
CFI	Committee on Forest Industry
CITES	Convention on International Trade in Endangered Species of Wild Flora and Fauna
CPF	Collaborative Partnership on Forests
CRF	Committee on Reforestation and Forest Management
CSAG	Civil Society Advisory Group
FAO	Food and Agriculture Organization of the UN
FLEGT	Forest law enforcement, governance and trade
GCF	Green Climate Fund
GEF	Global Environment Facility
GEEW	Gender Equality and Empowering Women
IAG	Informal Advisory Group
IMM	Independent market monitoring
IOP	Investment Oversight Panel
IPSAS	International Public Sector Accounting Standards
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
IUFRO	International Union of Forest Research Organizations
REDD+	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
SDGs	Sustainable Development Goals
SFM	Sustainable Forest Management
TAG	Trade Advisory Group
UNFCCC	UN Framework Convention on Climate Change
UNFF	UN Forum on Forests
UNSPF	UN Strategic Plan for Forests for 2017-2030