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FORTY-FOURTH SESSION
3 – 8 November 2008
Yokohama, Japan

**REPORT OF THE
INTERNATIONAL TROPICAL TIMBER COUNCIL
AT ITS FORTY-FOURTH SESSION**

Yokohama, Japan

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REPORT

OPENING OF THE SESSION (Agenda Item 1)

1. The Forty-fourth Session of the International Tropical Timber Council was opened by the Chairperson of the Council, Ms. Katharina Kuehmayer (Austria). Delegates observed a moment of silence in memory of Ms. Patricia Hanashiro, a staff member of ITTO, who passed away in February 2008 after a brief illness. The Chairperson welcomed all delegates to the Session and on behalf of the Council expressed her profound gratitude and appreciation to the Government of Japan, as well as the authorities of the City of Yokohama for the hospitality and continued assistance to the Organization. The Chairperson also extended warm welcome to H.E. Mr. Hiroshi Nakada, Mayor of the City of Yokohama and the Ministers in charge of forests of Cameroon and Gabon.
2. The Chairperson noted that 2008 was the first time in the history of the Organization that the Council did not hold its spring Session and instead convened a meeting pursuant to Decision 6(XLIII) in Accra, Ghana in June to discuss the operational modalities of the future work of the Council. She cautioned that the Forty-fourth Session was, therefore, going to be an extraordinary and challenging experience for the Council. She underlined the fact that there were many challenges facing the Council and urged the Council not to lose the momentum because the key to the survival of any Organization was not to miss any opportunities. She urged Members to be flexible, pragmatic and proactive as the survival of the tropical forests would depend on the actions or inactions of the Council.
3. Ms. Kuehmayer highlighted key issues to be considered by the Council, including: entry into force of the International Tropical Timber Agreement (ITTA), 2006; the recommendations of the Accra meeting on operational modalities; operationalization of the thematic programmes; the adoption of the new ITTO Action Plan; and the timing and frequency of future Council Sessions. She appealed to delegates to avoid entrenched positions that would affect the smooth take off for the ITTA, 2006. She hoped that the decisions adopted at the Session would set the dreams of the Organization for the future.
4. In his address to the Council, H.E. Mr. Hiroshi Nakada, Mayor of the City of Yokohama welcomed all delegates to Yokohama. He recalled the establishment of the ITTO Headquarters in Yokohama twenty-two years ago when the Minato-Mirai area was being developed. The Mayor was very pleased with the level of cooperation between ITTO and the City of Yokohama and cited the tree planting ceremony organized by ITTO and the City of Yokohama during TICAD IV hosted by the City in May 2008. He noted that the cooperation between ITTO and the City had been deepening year by year. The Mayor also recalled that in the early 1980s the destruction of tropical forests had resulted in frequent flooding and increasing desertification in many tropical countries and, therefore, became a global problem triggering off a global debate over the issue of conservation and development of forest resources. He noted that ITTO was established against this historical backdrop with the aim of creating a balance between forest conservation and development. H.E. Mr. Nakada underscored the importance of tropical forests not only to the people living in those areas but also the global community because of issues like global warming mitigation, bio-diversity conservation and water resources management. He emphasized that it was the obligation of the present generation to sustainably manage forests and to pass on these assets to the future generation. He underlined the important role of ITTO in making and implementing policies on tropical forests and stated that ITTO's role would become even more important in the future. H.E. Mr. Nakada informed the Council that the City of Yokohama would collaborate with ITTO in embarking on an environmental education programme for children as a means of contributing to the fight against climate change. He mentioned that in July 2008, the City of Yokohama was chosen as an environmental conservation model city by the Government of Japan.
5. H. E. Mr. Emile Doumba, Minister of Forest Economy, Water Resources, and Fisheries of Gabon expressed his gratitude to the City of Yokohama for hosting TICAD IV and for its efforts towards strengthening the relationship between Africa and Japan. He cited as prime among these efforts the pledge by Japan to promote the protection and conservation of biodiversity in the forests of the Congo Basin. The Honourable Minister stated that the global financial crisis had affected the economy of every country, including African countries and indicated that the FSC certification recently achieved by Rougier Gabon and CEB Precious Wood Corporations for

- a combined total area of 1.3 million hectares was now in jeopardy and might suffer a set back due to the lack of cash flow as a result of the credit crunch. He informed the Council that Gabon had completed all internal processes for the ratification of the ITTA, 2006 and the relevant legal document had been deposited at the UN Headquarters in New York by the Minister for Foreign Affairs. He expressed Gabon's satisfaction with the provisions in the ITTA, 2006 which would enhance the efficiency of ITTO. He requested ITTO to implement a market study to identify market niches and outlets for export of wood and wood products. He noted that the study would help improve the situation of tropical forest economies which had been made fragile by the current global financial crisis.
6. H. E. Dr. Elvis Ngolle Ngolle, Minister of Forests, and Wildlife of the Republic of Cameroon expressed his appreciation to ITTO and noted that the increasingly innovative and diversified approaches by the Organization had reinforced Cameroon's belief that a better future was in store for sustainable forest management and the tropical timber trade. He informed the Council that the legal and institutional frameworks for the forest sector of Cameroon had undergone considerable reform spanning several decades and a novel and strategic framework had been developed with the support of development partners focusing on sustainable forest management, the contribution of the forest and wildlife resources to economic growth and poverty alleviation, participatory management with the involvement of local communities and the improvement of forest governance and the control of illegal logging activities. The Honourable Minister thanked the ITTO Secretariat and all donor countries for the particular attention Cameroon had received since it became a member of the Organization and hoped that ITTO and the international community would continue to assist Cameroon to face new challenges such as implementing large-scale reforestation projects, capturing opportunities on the carbon-emission markets and climate change. He expressed his sincere thanks to the Government of Japan for its warm hospitality.
 7. In his statement to the Council, Mr. Kunio Naitou, Director-General of the Forestry Agency of Japan, representing the Government of Japan stated that it had been proven scientifically that forests, especially tropical forests have a very important influence on climate change. He recalled that forest issues were discussed by the Heads of States who participated in the G8 Summit in Hokkaido in July 2008 and encouraged actions to reduce emissions from forest depletion and degradation. He also stated that the G8 Summit pointed out the necessity to promote sustainable forest management worldwide. He noted the importance of tropical forests in supporting the global environment through bio-diversity conservation, carbon dioxide sequestration and water supply and acknowledged the importance of ITTO's activities in promoting sustainable forest management.
 8. Mr. Naitou urged Member Countries who had not yet ratified the ITTA, 2006 to speed up their domestic procedures.
 9. In his statement to the Council, Prof. Don Koo Lee, President of the International Union of Forest Research Organizations (IUFRO) stated that IUFRO and ITTO, as members of the Collaborative Partnership on Forests, share common principles of promoting international cooperation and scientific excellence in the field of forestry. He referred to the memorandum of understanding between ITTO and IUFRO, which was signed last year, and hoped that the two organizations would continue to share experiences from their programmes to enhance their collaboration and looked forward to continue strengthening the partnership between the two organizations by undertaking research projects through the Global Forest Information Service (GFIS) and promoting south-south and north-south cooperation in addressing forest-related issues. He also cited capacity building, information sharing and dissemination, research networking in developing countries through IUFRO-Special Programme for Developing Countries as possible areas of partnership and cooperation between ITTO and IUFRO. Prof. Lee extended an invitation to delegates to participate in the XXIII IUFRO World Congress to be convened in Seoul, Republic of Korea in 2010.

ASCERTAINMENT OF THE QUORUM (Agenda Item 2)

10. The Executive Director reported that the quorum for the Forty-fourth Session of the Council had been met. The list of participants is contained in Annex 1.

ADOPTION OF AGENDA AND ORGANIZATION OF WORK (Agenda Item 3)

11. The Chairperson referred to document ITTC(XLIV)/1 and invited comments from the Council on the provisional agenda.
12. The representative of Brazil raised some concern on the inclusion of item 18 on the Provisional Agenda - "Developments in the UNFCCC regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy – Decisions 2(XXXIX) and 1(XLI)." He stated that the item was referring to climate change and that ITTO was not the appropriate forum to discuss matters related to climate change and requested that the item be deleted from the Provisional Agenda.
13. In response to the comment by the representative of Brazil, the Chairperson recalled that during the Forty-third Session of the Council, the agenda item in question was extensively discussed as part of the Biennial Work Programme 2008-2009. She also referred to the convening in May 2008 of the International Expert Meeting on addressing climate change through the sustainable management of tropical forests as well as several Council Decisions on the issue of climate change. She indicated that unless the entire Council would want to revisit the subject she saw no reason why the Council could not discuss the issue. In the absence of further comments, the provisional agenda was adopted as contained in Annex II.

REPORT ON MEMBERSHIP OF THE COUNCIL (Agenda Item 4)

14. The Executive Director informed the Council that there had been no change in membership, which currently stood at sixty (60), comprising thirty-three (33) producing and twenty-seven (27) consuming members, including the European Community. The list of members of the Council is attached to the agenda (Annex II).

REPORT OF THE CREDENTIALS COMMITTEE (Agenda Item 5)

15. The report of the Credentials Committee was presented by Ms. Meredith Stokdjik (New Zealand), Chairperson of the Committee. The Committee was composed of representatives from Canada, Finland, Gabon, Ghana, Malaysia, New Zealand, Panama and Republic of Korea. The Committee convened on 8 November 2008 to examine the credentials of delegations attending the Forty-fourth Session of the ITTC. The Committee accepted the credentials of forty-four (44) countries and the European Community which participated in the Forty-fourth Session of the Council and the Sessions of the Committees. The Committee also noted that one Member Country had not presented credentials for the meeting and requested the Secretariat to write to the Member concerned to obtain the necessary documentation. The Chairperson of the Committee reminded all Member countries of the procedure for the submission of credentials and urged Member Countries to adhere to the procedures for the proper functioning of the Council.

DISTRIBUTION OF VOTES FOR 2008 (Agenda Item 6)

16. The Chairperson referred to document ITTC(XLIV)/1 containing the distribution of votes for 2008. She reminded Members that in accordance with Article 19(4) of the ITTA, 1994, the approved distribution of votes would be used for the assessment of the contribution of each Member to the Administrative Budget for 2009.

ADMISSION OF OBSERVERS (Agenda Item 7)

17. The Chairperson drew the Council's attention to document ITTC(XLIV)/Info.3 which lists states, inter-governmental and non-governmental organizations applying for observer status and invited comments from the Council. In the absence of any comments, the Council admitted all the observers.

STATEMENT BY THE EXECUTIVE DIRECTOR (Agenda Item 8)

18. The Executive Director, Mr. Emmanuel Ze Meka welcomed delegates to the Forty-fourth Session of the Council. He acknowledged with gratitude and appreciation the participation of H.E. Mr. Emile Doumba, Minister of Forest Economy, Water, Fisheries and National Parks of Gabon, H.E. Dr. Elvis Ngolle Ngolle, Minister of Forests and Wildlife of Cameroon, H.E. Mr.

Hiroshi Nakada, Mayor of the City of Yokohama, Mr. Kunio Naitou, Director-General of the Forestry Agency of Japan and Prof. Don Koo Lee, President of IUFRO. On behalf of the Council, Mr. Ze Meka expressed his deep appreciation to the Mayor of the City of Yokohama for his personal support to ITTO as well as the general support from the City. He noted that under the able leadership of H.E. Mr. Hiroshi Nakada, the relationship between ITTO and the City of Yokohama had become even stronger. He recalled the invitation by the City Council and his subsequent address to the Special Session of the City Council in December 2007 which provided him an opportunity to explain the work of ITTO thereby opening up new areas of collaboration between ITTO and the City of Yokohama. Mr. Ze Meka mentioned the issue of environmental education for children, the participation of ITTO in TICAD IV, hosted by the City of Yokohama in May 2008 and the participation and invaluable contribution made by the City of Yokohama to the International Expert Meeting on addressing Climate Change through the Sustainable Management of Tropical Forests, which was convened by ITTO, in cooperation with the Governments of Japan, Switzerland and Norway in April 2008, as concrete areas of collaboration between ITTO and the City of Yokohama.

19. Mr. Ze Meka referred to Council Decision 6(XLIII) which authorized the convening of an inter-sessional meeting on "Operational Modalities of Future Work of the International Tropical Timber Council" in Accra, Ghana in June 2008, and also made provisions for the maintenance of the spring project cycle and the approval of projects through a time-bound, electronic no-objection procedure. In his assessment, the experiment was conducted successfully and he called on the Council to learn from the experience in order to improve communication among Members and intensify exchange of views during inter-sessional periods, irrespective of the frequency of the Sessions.
20. The Executive Director highlighted the implementation status of some of the activities under the Biennial Work Programme 2008-2009. He informed the Council that the Secretariat had been vigorously pursuing cooperation with United Nations organizations and other members of the Collaborative Partnership on Forests (CPF). He cited the participation of ITTO in the 13th Conference of Parties of the UN Framework Convention on Climate Change, UNFCCC convened in Bali, Indonesia in December 2007 and the hosting of two side-events by ITTO during that meeting. Other meetings cited by the Executive Director were the 9th Conference of the Parties to the Convention on Biodiversity (CBD), convened in Bonn, Germany in May 2008; the IUCN World Conservation Congress in Barcelona, Spain; the UNFF Advisory Group on Finance and the CPF Strategic Dialogue held on 14-15 February 2008 in Bonn, Germany; two country-led initiatives organized in preparation for the 8th meeting of the UNFF which were convened in Durban, South Africa and Paramaribo, Suriname. Mr. Ze Meka also reported to the Council on ITTO's continued collaboration with CITES, including actively participating in several meetings of CITES and implementing the capacity-building programme introduced under the 2006-2007 Biennial Work Programme funded by the European Union, USA and other donors with the objective of improving the management of CITES listed tropical timber species in all the range states covered by the programme, with activities underway in Cameroon, Congo, Democratic Republic of Congo, Indonesia, Malaysia, Bolivia, Peru, and Brazil.
21. The Executive Director reported to the Council on ITTO's participation and contribution to the Fourth Tokyo International Conference on African Development, (TICAD IV). He stated that the Organization seized the opportunity presented by the Conference to inform participants about the Organization's contribution to sustainable development in Africa through the promotion of sustainable forest management and the international trade in sustainably produced timber and timber products. ITTO in cooperation with the City of Yokohama organized a commemorative tree planting ceremony during TICAD IV.
22. On the issue of climate change, the Executive Director informed the Council that ITTO is taking an active part in the international forestry debate on the issue. He indicated that, in addition to convening the international expert meeting on tropical forests and climate change, ITTO is collaborating with other CPF members in the preparation of a strategic framework for forests and climate change as a coordinated forest-sector response to climate change and also in the thematic discussion on forests and climate change organized by the Forests Dialogue. He also informed the Council of the growing interest of the private sector to cooperate with ITTO to complement their own efforts in reducing carbon dioxide emissions from their operations through forest-related carbon offset activities as part of their corporate social responsibility policies. He cited the cases of 7 & i Holdings, a major retailing company in Japan, which had expressed interest in investing, through ITTO, US\$1 million per year in a pilot 3-year programme

to conserve tropical forests, as a tangible commitment to preventing deforestation in tropical countries. Asahi-Pretech, another private enterprise had also expressed similar interest in cooperating with ITTO in the same field. Mr. Ze Meka stated that the interest by the private sector was a recognition of ITTO's comparative advantages, the quality of its work and its ability to contribute to climate change mitigation. He urged the Council to encourage the interest being expressed by the private sector.

23. Mr. Ze Meka reported to the Council that only sixteen Member countries had, so far, completed their ratification of the ITTA, 2006 and expressed concern about the slow pace at which countries were ratifying the ITTA, 2006, although the new Agreement has an expanded focus on environment, trade and development and also offers hope for additional financial resources, in particular through the Thematic Programmes.
24. In his concluding remarks, the Executive Director expressed confidence that the Forty-fourth Session of the Council would offer Members the opportunity to take landmark decisions that would shape the future of the Organization.
25. Mr. Ze Meka also paid tribute to the late Ms. Patricia Hanashiro, who passed away in February 2008.

REPORT OF THE INFORMAL ADVISORY GROUP (IAG) – DECISION 5(XXVI) (Agenda Item 9)

26. The Chairperson presented the report of the Informal Advisory Group (IAG), as contained in document ITTC(XLIV)/2. The IAG held its twenty-second meeting on 2 November 2008. Present at the meeting were the Chairperson of the Council, the Chairpersons of the Committees, the spokespersons of the Consumer and Producer Groups, a representative of the Government of Japan and the Executive Director.
27. Issues considered by the IAG included:
 - (i) Consideration of draft decisions/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII) – “Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization”;
 - (ii) List of possible decisions for the Forty-fourth Session of the ITTC; and
 - (iii) Election of Vice-Chairperson of the Council for 2008.
28. The IAG considered the following nine draft decisions/elements of decisions submitted and circulated to Members pursuant to ITTC Decision 7(XXXIII):
 - (i) Thematic Programmes on Pilot Basis. Operational Procedures and Guidelines;
 - (ii) Functions of the Committees;
 - (iii) The Role of ITTO in Tropical Forest-related Climate Change Adaptation and Mitigation;
 - (iv) Thematic Programme on Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests;
 - (v) Thematic Programme on Community Forests and Community Forest-based Enterprises;
 - (vi) Venue for the next Session of the Council;
 - (vii) Thematic Programme on Industry Development and Efficiency;
 - (viii) Revision of the Project Cycle Manuals and Guidelines; and
 - (ix) Adoption of the ITTO Yaoundé Action Plan 2008-2013.
29. The IAG also noted that a draft decision on Thematic Programme on Trade and Market Transparency was submitted by the Government of Indonesia after the given deadline. The IAG recommended that this draft decision be added to the list of nine draft decisions/elements of decisions to be considered by the Council.
30. The IAG noted that five of the draft decisions in the list pertained to various aspects of Thematic Programmes and recommended the consolidation of these draft decisions.
31. The IAG considered the possible list of decisions to be reviewed and adopted by the Council at its Forty-fourth Session as follows:
 - (i) Projects, Pre-projects and Activities;

- (ii) Appointment of Auditor;
 - (iii) Adoption of the ITTO Yaoundé Action Plan 2008-2013;
 - (iv) Revision of the Project Cycle Manuals and Guidelines;
 - (v) Amendments to the Staff Regulations and Rules;
 - (vi) Venue of the Forty-fifth Session of the Council;
 - (vii) Functions of the Committees;
 - (viii) The Role of ITTO in Tropical Forest-related Climate Change Adaptation and Mitigation;
 - (ix) Thematic Programmes on Pilot Basis; Operational Procedures and Guidelines (incorporating specific thematic programme profiles submitted);
 - (x) ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests; and
 - (xi) Establishment of the Thematic Programmes Sub-Account.
32. On the election of Vice-Chairperson of the Council for 2008, the IAG noted that this issue was deferred during the Forty-third Session of the Council, and recommended that the matter be taken up by the Producer Group at its first meeting.
33. Other matters discussed by the IAG included the entry into force of the ITTA, 2006, the global financial crisis, the new amendments to the Lacey Act enacted by the Government of U.S.A., and developments surrounding the negotiations on the voluntary partnership agreements (VPAs) between the European Union and a number of ITTO producing Member Countries.
34. The representative of Malaysia, Mr. Ahmad Loman, thanked the Government of Japan and the City of Yokohama for their continued support to ITTO. He expressed concerns about the slow pace of ratification of the ITTA, 2006 and appealed to Members to ratify the new Agreement as soon as possible in order to quickly realize the benefits of the new Agreement, especially in terms of new and additional financial resources.
35. The representative of Japan, Mr. Masayoshi Mizuno, drew the Council's attention to the need for an accelerated effort by Members on the entry into force of the ITTA, 2006 as contained in paragraphs 17 and 18 of the report of the IAG. He noted that the issue was on the agenda of the Council and depending on the developments and progress made during the discussions in the Council Japan would submit a draft decision/elements for the consideration of the Council.
36. The representative of Indonesia, Ms. Sri Murniningtyas, informed the Council that the Governments and people of Japan and Indonesia were celebrating the Golden Anniversary of their diplomatic relationship. She expressed Indonesia's appreciation to ITTO for the continued support towards the promotion of sustainable forest management in Indonesia and was very delighted by the two visits of the Executive Director to Indonesia in the year, the most recent during the Asia-Pacific Regional Workshop on promoting wood-based bioenergy convened in October 2008 in Jakarta. With regard to the IAG report, Ms. Murniningtyas referred to paragraph 19 of the report and acknowledged the challenges facing Member Countries in sustaining tropical forest resources world wide and noted the financial crisis that had hit the world economy. While appreciating the impact of the crisis, Indonesia was not expecting the crisis to weaken Members efforts in sustaining the world's tropical forests and in securing the resources needed for the efforts. Ms. Murniningtyas called on Members to be proud of what ITTO had collectively achieved to date and strive to overcome the challenges for the sake of the tropical forests by working harder and closer with each other. On the ITTA, 2006, Ms. Murniningtyas informed the Council that Indonesia had accelerated the process of ratification and it had been agreed by the Government that the ratification would be by a Presidential Decree and not by an Act of Parliament which would normally take a longer period. The draft Presidential Decree was at the final stage in the Office of the President.
37. On the second day of the Council, the Chairperson re-opened discussions on the report of the Informal Advisory Group.
38. Dr. James Gasana (Switzerland) on behalf of the Consumer Group referred to paragraph 15 of the report and nominated H.E. Ambassador Michael Maue (PNG) as the Vice-Chairperson of the Council for 2008.
39. Prof. Nii-Ashi Kotey (Ghana), on behalf of the Producer Group, seconded the nomination of H.E. Ambassador Michael Maue as Vice-Chairperson of the Council for 2008.

40. The nomination was unanimously approved by the Council.
41. In his acceptance speech, H.E. Ambassador Michael Maue thanked the Asia-Pacific Group for nominating him to serve as Vice-Chairperson of the Council for 2008. He said it was a great honour for him personally and for his country to serve the Council. He stated that although he was not a forester, he had over the years learned a few things about forestry through his participation in the Council Sessions and was determined to do his utmost best to contribute to the Council's work, and to support the Chairperson. He acknowledged the enormous challenges facing the Organization as it moves to implement the ITTA, 2006. He underscored that progress would only be possible with determination and political will and noted the achievements made during the Accra meeting in June 2008 and cited the draft decision on the pilot testing of the Thematic Programmes and the issue of frequency and duration of Sessions of the Council. He hoped that the Council would be able to arrive at concrete decisions during its current Session. He pledged PNG's commitment to the objectives of the ITTA, 2006 and informed the Council that PNG had commenced the process of ratification of the new Agreement and hoped his government would ratify the Agreement in the near future. He sought the support of Members of the Council in his efforts to steer the affairs of the Council.
42. Dr. James Gasana (Switzerland), on behalf of the Consumer Group, referred to the Report of the IAG and stated that there was agreement among both caucuses on the importance of the Thematic Programmes and proposed that a contact group be set up to begin working on the proposed draft decisions. He indicated that the contact group should be small but open-ended.
43. Prof. Nii-Ashi Kotey (Ghana), on behalf of the Producer Group, supported the proposal by the Consumer Spokesperson to set up a contact group and reiterated that in the opinion of Producers the Thematic Programmes should be supplementary to the traditional project work of the Organization. The Spokesperson emphasized that the financing of the Thematic Programmes should not be at the expense of the traditional projects. Regarding the themes to be considered by the Council, the Spokesperson cited emerging areas like climate change but cautioned that ITTO should not depart from its core mandate of sustainable forest management.
44. The representative of the United States of America, Dr. David Brooks, informed the Council that in the opinion of the Consumer Group, the Thematic Programmes offer an opportunity for new and additional financing for ITTO, focusing on issues within the mandate of the Organization. He proposed that the contact group should begin its work focusing initially on the operational modalities of the Thematic Programmes. The second stage of the work of the contact group would then focus on the Thematic Programmes that the Council should adopt. He said that would be an efficient means of organizing the work of the contact group.
45. The Chairperson welcomed the understanding between the two caucuses on the need to move forward on the Thematic Programmes and agreed to set up a small open-ended contact group. She requested all interested members to participate in the contact group and proposed Mr. Jan Abrahamsen (Norway) to chair the contact group. The outcomes of the contact group are contained in Annex III.

CITES LISTING PROPOSALS BY MEMBERS – DECISION 3(XVI) (Agenda Item 10)

46. Dr. Steven Johnson (ITTO Secretariat) recalled Decision 3(XVI) which requested Member Countries to inform ITTO at the earliest opportunity of any proposals by them to include internationally traded tropical timber species in the CITES Appendices. He informed the Council that the Secretariat had not been informed by any Member Country on any such proposal. He, however, informed the Council that work was ongoing on the relevant CITES decisions and resolutions adopted at COP14 of CITES on *Cedrela* and *Dalbergia* species that might allow the issue to be revisited at COP15 in 2010. He also informed the Council that unofficial information on the possibility of listing merbau had been received and also about the recently imposed labeling requirement on merbau in New Zealand, although the species had not been formally listed in the CITES Appendices. Dr. Johnson informed the Council that COP15 of CITES would be convened on 16-28 January 2010 in Doha, Qatar. Other important dates on the CITES calendar were:

20 February 2009 - Deadline for submission of proposals that had not undergone range state consultations.

19 August 2009 - Deadline for listing of proposals that had undergone range states consultations.

Dr. Johnson drew the attention of the Council that these deadlines would occur before the next Session of the Council in November 2009 and, therefore, there would not be the opportunity for the Council to consult as called for in Decision 3(XVI). He raised the issue of whether Decision 3(XVI) should be revisited or whether it was sufficient for the Executive Director to consult with Members should the Secretariat be informed of any listing proposals in the inter-sessional period. Dr. Johnson also informed the Council on two other meetings of CITES in 2009 which were relevant to the Council. These were:

- Plants Committee Meeting in March 2009 in Argentina; and
- Standing Committee Meeting in July 2009 in Geneva

47. Dr. Johnson also gave a brief update to the Council on the implementation of the strategic policy activity on “Enhancing cooperation between ITTO and CITES”. He indicated that the major part of this activity involved assisting Member Countries to implement CITES listings of timber species which was on-going through a large capacity building programme with a budget of USD 3.75 million with contributions from mainly the European Community and other donors like U.S.A, Japan, Norway and New Zealand. He reminded the Council that USD 150,000 of the total budget was pending finance and hoped that that would be pledged at the current Session. Dr. Johnson reported that three regional coordinators had been recruited for the three tropical regions of Africa, Asia-Pacific and Latin America. There were also plans to recruit a Programme Assistant in the Secretariat to assist in the management of the CITES programme. He also reported that all relevant activities were on-going in all the Range States and an Advisory Committee had been established and convened its first meeting on 31 October 2008 at the ITTO Secretariat. The next meeting of the Advisory Committee would be convened in mid 2009, and progress in the implementation of this Activity would be reported to the next Session of the Council.
48. The representative of the CITES Secretariat, Mr. Neil Ellis, noted that the ITTO-CITES capacity building programme had been a key mechanism for the Secretariats of both Organizations to develop a closer working relationship on the sustainable management of timber species, and hoped that ITTO and CITES would continue to build on this cooperation work. He indicated that as a key partner in the programme, the CITES Secretariat was looking forward to contributing to the successful outcome of this significant capacity building activity and expressed appreciation to the donors who had made the programme possible.
49. The representative of Malaysia, Ms. Norazeyan Dzul Kornain, applauded the efforts of ITTO and CITES in the implementation of the activity on “Ensuring that international trade in CITES listed timber species is consistent with their sustainable management and conservation” under the 2006-2007 Biennial Work Programme and expressed thanks and appreciation to donor countries for their support. She informed the Council that ITTO had approved five (5) Malaysian projects related to the conservation and management of *Gonystylus* species and noted that with the approval of these projects, Malaysia could foresee greater understanding on the conservation and management of *Gonystylus* species thereby enhancing and providing guidance to better manage the species and meeting the full requirements of the CITES Convention, particularly the Non-Detriment Findings of *Gonystylus* species. She urged the Council to take note of Malaysia’s efforts to ensure the sustainability of *Gonystylus* species through the implementation of these five projects and other forthcoming projects. Malaysia hoped that the outcomes of the projects would help to put to rest all doubts about the species, and the sustainability of *Gonystylus* species in Malaysia. She reaffirmed Malaysia’s commitment to sustainable forest management and stated that Malaysia strongly believes that ITTO is capable of providing an effective forum for consultation among parties and provide scientific information in order to facilitate the implementation of the CITES Convention related to timber species.
50. The representative of New Zealand, Ms. Allanah Irvine, reaffirmed New Zealand’s support for ITTO-CITES cooperation. She stated that the relationship between the two Organizations was crucial in supporting sustainable and legal trade in tropical timber. New Zealand was, therefore, very pleased to contribute to the ITTO programme on CITES and expressed appreciation for the

update provided by the Secretariat on the ITTO-CITES collaboration programme. Ms. Irvine informed the Council that in May 2008, the New Zealand Government agreed to a number of international and domestic actions aimed at reducing illegal logging. She noted that *kwila merbau* had been identified as the main species of potentially illegally sourced timber and wood products into New Zealand and therefore, the Government had instituted policies aimed at supporting efforts to have *kwila merbau* listed under CITES. New Zealand was consulting with Range States and was carrying out a study to substantiate the proposal for CITES listing for *Kwila merbau*. Ms. Irvine stated that New Zealand was looking forward to working with ITTO and CITES to support the trade in tropical timber.

ANNUAL REVIEW AND ASSESSMENT OF THE INTERNATIONAL TIMBER SITUATION (Agenda Item 11)

51. Elements for the 2008 Annual Review and Assessment of the International Timber Situation were presented by Ms. Frances Maplesden (ITTO Secretariat) as contained in document ITTC(XLIV)/5. She informed the Council that the base data for the annual review was derived from the ITTO Joint Questionnaire. For 2008 only 30 out of 60 ITTO Member Countries returned the questionnaire, either fully or partially completed. Out of the 30 Member countries that returned the Joint Questionnaire, some provided data that was incomplete – either it was missing or unusable for reasons such as negative consumption (where exports were more than production) or because of other inconsistencies. Ms. Maplesden stated that there were a number of Producer Member Countries for which no data was available at all for 2006 and 2007. She cited PNG and Myanmar in particular as important tropical log exporters and expressed concern that no information was available for these countries. She also reported that China and a large number of EU countries did not return the JQ. She stressed the importance of Member countries providing the Secretariat with completed JQs because the quality of the annual review and the ability to monitor the transparency of the trade were dependent on Member Countries providing timely and quality information.
52. The Annual Review provided data and information on tropical timber production, trade and practices for both primary and secondary products. Malaysia's tropical log exports dropped in 2006 and 2007 due to a new conservation policy restricting supply and a greater emphasis on value-adding. Exports of logs were expected to decrease further in 2008 as supplies tightened, more logs were being processed domestically and as the global economic slowdown was taking effect in the major export markets. PNG had become a more significant exporter although export volumes had not yet reached the pre-Asian crisis levels. China remained the dominant importer of tropical logs although there was a slight dip in 2004 and 2005. Ms. Maplesden stated that unofficial information available indicated that China's imports in 2008 were already down and had been affected by both the downturn in China's real estate industry and the weakening demand in China's secondary products export markets.
53. China remained the major importer of tropical sawnwood and the trend over the past 5 years showed a dip in Malaysia's exports in the last 2 years because of strong domestic consumption and more secondary processing and more recently, declining demand in traditional markets. EU imports of sawnwood rose in 2007, with increases in Spain, Portugal, France and the U.K. mainly attributed to the growth in the wooden flooring and interior finishing markets in 2007. However, there had been evidence that the EU market was contracting in 2008, particularly, in the U.K. and Spain as their economies and housing markets slowed which might spread to other markets. The furniture and joinery industries in the EU had also been affected by the rising imports of finished products from China and Vietnam. Tropical sawnwood prices had shown volatility in 2008 for some species possibly reflecting the uncertain market conditions.
54. Malaysia and Indonesia remained the major suppliers of tropical plywood. There had been some quite significant changes in the tropical plywood trade over the last few years with Indonesia's exports declining due to the loss of competitiveness of the industry and a restricted log supply arising from a reduction in the logging quotas until 2006 and crackdowns in illegal logging. In 2007 there was a dramatic decline in China's plywood exports after a period of phenomenal growth in its own plywood processing industry. This was principally the result of market uncertainty caused by investigations into the legality of Chinese plywood products exported to the U.S.A. and the EU. Brazil's tropical plywood exports had been declining since 2004. Japan remained the major ITTO tropical plywood importer, followed by the U.S.A., although the Japanese market had been contracting in recent years with declining population and demand. U.S. imports of tropical plywood declined in 2005 because of reduced imports

from Brazil and Malaysia and again in 2007 when imports from China were subjected to a formal investigation by U.S. International Trade Commission. Although there were some significant price gains in 2006 and 2007 for Southeast Asian and Brazilian plywood mainly caused by limited supply, prices flattened in 2008 as consumption in the EU and Japan started to become subdued.

55. In 2008 and going into 2009 we could expect to see some major impacts on tropical timber demand caused by the global repercussions of the U.S. subprime mortgage crisis. However, the full extent of these impacts were not yet evident in the annual trade statistics. The slowing U.S. economy had already affected U.S demand significantly by decreasing consumer wealth and spending and negatively impacting on the housing market and housing starts, with a rather grim estimate of seasonally adjusted housing starts provided by the U.S. Census Bureau for 2008. The situation was expected to worsen because of a record inventory of unsold existing homes and declining housing values, so that housing starts were expected to weaken until the end of 2009.
56. There had been a continuation of the same regional trends in secondary processed wood products (SPWP) exports, with Asia-Pacific and Latin America accounting for the bulk of tropical exports from ITTO producer countries and Africa being insignificant – with relatively low levels of value-added processing and technical capability in the region. Of the ITTO Producers, Indonesia and Malaysia were the top SPWP exporters closely followed by Brazil, Thailand and Mexico.
57. Ms. Maplesden stated that for the latter part of 2008 and going into 2009, the global financial crisis would be the most significant issue for tropical wood product markets and would prolong the adverse market conditions for the housing and construction industries in key markets, therefore, worsening the weak demand conditions for tropical wood products in 2009.

REPORT OF THE MEETING ON OPERATIONAL MODALITIES OF FUTURE WORK OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL – DECISION 6(XLIII) (Agenda Item 12)

58. The Chairperson presented the report on the Meeting on Operational Modalities of Future Work of the Council which was convened in Accra, Ghana on 9-12 June 2008.
59. The first day of the meeting was dubbed “Africa Day” with the theme “Contribution of Forestry to Sustainable Development and Poverty Alleviation in Africa and Development Assistance Needs”. Ministers in charge of forests from Cameroon, Congo and Ghana participated in a High-Level Ministerial Panel to discuss regional challenges and identified specific regional issues and development assistance in the context of ITTO. There were presentations by the World Bank, the World Conservation Union (IUCN) and the Inter-African Forest Industries Association (IFIA). The High-Level Ministerial Panel highlighted the following issues:
 - The need to improve forest governance in Africa and address the issue of deforestation;
 - Involvement of local communities in forest management and equitable distribution of benefits; and
 - Broadening the scope and expanding financing of sustainable forest management and the need for improved value addition in tertiary processing.
60. The Chairperson thanked Ms. Stephanie Caswell (U.S.A.) and Mr. Alhassan Attah (Ghana) who prepared the background document on the operational modalities of future work of the Council. Two Working Groups were formed: Working Group 1: ITTO Thematic Programmes, was chaired by Mr. Jan Abrahamsen (Norway). Working Group 2: Functions of the Committees, was chaired by Dr. Boen Purnama (Indonesia).
61. The Chairperson reported that the Thematic Programmes as a concept were generally supported and most delegations accepted the initiative as one of the most important for ITTO in the years to come and noted its potential to increase the funding base for the Organization, and they expressed the need to operationalize the Thematic Programmes as soon as possible, including adopting a decision at the Forty-fourth Session of the ITTC. The meeting also endorsed the idea of a Thematic Programme pilot phase to gain experience during the transitional period to the entry into force of the ITTA, 2006 and recommended simple operational modalities to be adopted to guarantee the successful implementation of Thematic Programmes.

62. On the functions of the Committees, the meeting was generally in agreement with the proposed common functions of the Committees as contained in the background document. However, it noted some issues including:
- The proposal that the Committees should not review and approve all project proposals and that the Committees need to work more efficiently under the ITTA, 2006, and less time should be spent on reviewing projects;
 - The proposed Appeals Panel was accepted in principle. However, it should report to the relevant Committee(s).
 - The procedure for addressing “new and emerging issues”, should be carefully considered by the Council within the framework of the ITTA, 2006; and
 - The importance of taking account of inputs from the private sector in the policy work of the Committees.
63. A number of additional common functions were proposed, including:
- Sharing information on lessons learned from implementing projects;
 - Ensuring effective monitoring and evaluation of projects; and
 - Reviewing projects with implementation problems, in particular, those requiring additional funding.
64. The Chairperson reported on a number of other issues considered by the meeting, including:
- Financing ITTO activities;
 - Frequency and duration of Sessions of the Council and Committees and the project cycle; and
 - Consideration of ITTO's next Action Plan.
65. The Chairperson indicated that the general reaction from most delegations was that the Council should adopt the new ITTO Action Plan during its Forty-fourth Session.
66. Two separate side-events were organized during the meeting. The first was organized by the CSAG and the Ghana Civil Society, at which presentations were made on civil society experiences from Ghana and the Central and West African region with respect to community-based forest management and enterprises. The second was a book launch of two publications on subjects related to tropical wood and timbers and funded by ITTO.
67. On behalf of the Council, the Chairperson expressed her gratitude to the Government and People of Ghana for the warm hospitality and excellent arrangements for the meeting.
68. On behalf of the Government of Ghana, Mr. Alhassan Attah extended thanks to all Members who attended the Accra meeting and hoped that the discussions in Accra and the report of the Chairperson would be considered favourably by the Council. He noted that a number of issues had been highlighted in the report and hoped that the Council would engage in more substantive discussions. The representative highlighted some areas that the Council should immediately engage in order to reach compromises, citing the issue of frequency and duration of Sessions of the Council and in particular cautioned the Council not to lose sight of the fact that the issue of the project cycle was very crucial to Producer Members. He also mentioned the Thematic Programmes and stressed the need to operationalize these on a pilot basis for gaining experience during the transitional period prior to the entry into force of the ITTA, 2006 and an opportunity to fine tune the various procedures.
69. The representative of Norway, Mr. Jon Heikki Aas, welcomed the draft decisions on the Thematic Programmes on pilot basis which were drafted in Accra in June. He noted that there was strong support during the Accra meeting for the implementation of the Thematic Programmes on a pilot basis, including Norway. He reiterated Norway's strong support for the draft decision. He noted that the main points of contention had been the administrative procedures for the Thematic Programmes. He recalled the previous interventions by Norway on the subject and indicated that the Thematic Programmes represented a new approach for ITTO to address its goals through a programmatic approach as opposed to the traditional project approach, thereby making ITTO strategically directed, flexible and more attractive to many donors who were also favour of this type of programmatic approach. Mr. Heikki Aas underlined

the fact that in order for the Thematic Programmes to contribute to this, it would be necessary to follow a more flexible approach with regard to the administrative arrangements. He reiterated the support of Norway for the original proposal by Working Group 1 to have the Thematic Programme Advisory Committee playing a central role in the administration of Thematic Programmes. He reminded the Council that the proposed decision was to implement the Thematic Programmes on a pilot basis and that such a pilot phase would be well suited to test the administrative procedures for the Thematic Programmes proposed by the Working Group.

70. The representative of Malaysia, Dr. Norini Haron, commended the consultants, Ms. Stephanie Caswell (U.S.A.) and Mr. Alhassan Attah (Ghana) for the comprehensive background document on the "Operational Modalities of Future Work of the ITTC". She noted that the background document enabled the Working Groups and the Accra meeting to move forward on the various issues. She urged the Council to take up all the recommendations and comments from the Accra meeting. Dr. Haron stated that while supporting the operational modalities set forth for ITTO, Malaysia would like to emphasize the following two issues:

- (i) With regard to the Thematic Programmes, Malaysia pledged its general support as a new initiative for ITTO to move forward. However, while supporting the Thematic Programmes, Dr. Haron said that the bottom line issues facing the Organization, notably the lack of funding, should be viewed seriously. She underlined that funding would dictate not only ITTO's priorities but also the pace of movement and, therefore, to ensure success of planned activities more sources of funding should be duly identified;
- (ii) With regard to the procedure for submission, assessment, appraisal and approval of project proposals, Malaysia shared the same view as Japan that the modalities under ITTA, 1994 on project cycle should be applied also to the Thematic Programmes. She reminded Members that the Council had made concerted efforts to come out with new edition of project cycle manuals, guidelines and software tools and therefore it would be appropriate if the Thematic Programmes were also subjected to these new manuals, guidelines and software tools. She noted that coming out with new procedures for submission, assessment, appraisal and approval of project proposals under Thematic Programmes might not be a wise approach since it would mean more funds would be needed to hire consultants. Dr. Norini stated that there were a number of approved projects pending financing and, therefore, any available funds should be directed to support those projects. She supported the implementation of a pilot phase of Thematic Programmes as a means of gaining experience during the transitional period to the entry into force of the ITTA, 2006, taking into account issues raised during the Accra meeting.

71. The representative of the Philippines, Mr. Ricardo Umali, supported the efforts that had been conducted so far on the issue of Thematic Programmes. He noted that the issue of Thematic Programmes was related to other agenda items, and cited the new Action Plan and the new Project Formulation Manual. He urged the Council to adopt a cautious approach towards piloting some of the Thematic Programmes and called for discussions on how to set up the Thematic Programme Sub-Account. He also called for more clarity on the Thematic Programmes and which programmes should be piloted and whether such programmes were priority programmes for most Members.

72. The representative of Switzerland, Ms. Chantal Oltramare, stated that the Accra meeting had demonstrated how much could be achieved in an intersessional work mode when there was a clear purpose for an issue of great importance and urgency such as the modalities of work under the new Agreement. She indicated that Switzerland was satisfied with the outcome of the Accra meeting and noted that the report of the meeting contained valuable inputs to the debate on some of the decisions to be adopted by the Council, namely the Thematic Programmes. She reiterated Switzerland's support for the initiation of the Thematic Programmes pilot phase prior to the entry into force of the ITTA, 2006. She looked forward for a decision to be taken by the Council during its current Session. With regard to the functions of Committees, Switzerland was open to discuss the issue within the framework of one Council Session per year.

73. The representative of Cameroon, Mr. Themotio Batoum, supported the Thematic Programmes and pledged to continue consultations and discussions with other Members of the Council on all other related issues, including the Advisory Committee. He supported the adoption of a decision on the Thematic Programmes by the Council during its current Session.

74. The representative of the Republic of Korea, Ms. Lee Mira, welcomed the report on the Accra meeting and the discussions and the development of operational modalities of future work of the Council. She noted that the Thematic Programmes were a new challenge for ITTO. She acknowledged that there were good proposals on the operational modalities of the future work of the Council, including the mechanism on the operationalization of the Thematic Programmes and urged the Council to adopt a decision at its current Session. Ms. Mira, however, indicated that there was the need for further clarification on some issues regarding the Thematic Programmes before their final adoption. In citing funding mechanism, she proposed that a new Sub-Account on the Thematic Programmes should be differentiated from the existing Sub-Account of projects and pre-projects to make it more attractive to donors. She stated that the new Sub-Account should be designed to attract more funds from a broader base of donors. She underlined that although the Thematic Programmes had not been concluded yet, the CITES cooperation and the TFLET programmes had already received funding. She urged the Council to be proactive and prepared in a rapidly changing world to tackle urgent issues confronting the Organization. She emphasized that there was no need for the Council to spend more time discussing operational modalities and mechanism without any step forward to specific conclusions on the implementation of pilot projects of the Thematic Programmes. She reiterated and urged the Council to consider adopting a decision at its current Session.
75. The representative of the United States of America, Dr. David Brooks, welcomed the report and the outcome of the Accra meeting. He noted that the content of the report and the discussions in Accra were important for the Council to move forward on a number of elements that were essential for the future of the Organization. He supported earlier statements that the Council should take action on the implementation of the Thematic Programmes on a pilot basis. He stressed that the concept of the implementation should be on a pilot basis and should not be misconstrued with the implementation of the Thematic Programmes as called for under the ITTA, 2006 because the ITTA, 2006 had not yet entered into force. He stated that the Council at its current Session should take the opportunity to experiment on the implementation of the Thematic Programmes. He also stressed the importance of the implementation of the Thematic Programmes approach adding value and demonstrating the importance of flexibility and responsiveness, elements and characteristics that would make this new feature of ITTO attractive to donors. He supported the proposal for the Council to adopt a decision for the pilot testing of the Thematic Programmes at its current Session. He, however, cautioned that during the pilot testing phase those key features of flexibility and responsiveness should not be lost.
76. The representative of Indonesia, Dr. Teguh Rahardja, supported the views expressed by other delegations on the merit of the Thematic Programmes. He referred to the intervention by the representative of Malaysia that there was currently a lack of funding for some activities of the Organization and, therefore, the Thematic Programmes would be a new window in addressing the funding issue of the Organization. He stated that the Thematic Programmes should be supplementary to the existing mode of funding of activities of the Organization and not a substitute. He stated that in the review of the pilot implementation of the Thematic Programmes, after a period of about 3 years, as currently being proposed, the Council would have the opportunity to assess whether the Thematic Programmes actually represented a new and additional source of funding. He reiterated that the Thematic Programmes should follow the current practice of channeling all projects through the ITTO official contact points of Member Countries.
77. The representative of Guatemala, Mr. Luis Ernesto Barrera Garavito, welcomed the report of the Accra meeting and indicated his support for the Thematic Programmes. He noted that the Thematic Programmes would be an instrument through which more countries would be able to collaborate in activities and hoped that the contributions from donors would be fully transparent. He stated that the Thematic Programmes were a novel approach that would ensure equitable participation by both Producer and Consumer countries.
78. In her concluding remarks, the Chairperson stated that there was a general agreement among Members and, therefore, the Council should take the opportunity to move forward and show flexibility in adopting the decisions on the Thematic Programmes. She acknowledged, however, that there were still some unresolved issues and urged Members to work together to resolve all these issues. She was confident that the Forty-fourth Session would be able to achieve concrete results that Members would be proud of.

ENTRY INTO FORCE OF THE ITTA, 2006 – DECISION 3(XLI) (Agenda Item 13)

79. The Executive Director, Mr. Emmanuel Ze Meka presented a report on the status of deposit of instruments of ratification, approval, or accession to the ITTA, 2006 pursuant to Council Decision 3(XLI). He recalled that the Agreement was adopted in January 2006 and in accordance with Article 36, the Agreement was opened for signature on 3 February 2006. He informed the Council that so far signatories to the Agreement stood at 37 Member Countries, including the European Community, of which 17 had completed their process of ratification, acceptance, approval, or definitive signature and were, therefore, considered as Parties to the Agreement. The seventeen Members comprised ten (10) Consumer Members and seven (7) Producer Members.
80. The Executive Director referred to Article 39 of the ITTA, 2006 on the requirements for the entry into force and noted that the first deadline of 1 February 2008 had passed without the requirements being met. He further noted that the second deadline which was six months after 1 February 2008 had also passed without the reduced requirements being met. He emphasized that the entry into force of the ITTA, 2006 was a matter of great concern and urged the Council to discuss the issue and to find a solution at the current Session.
81. The representative of Ecuador, H.E. Dr. Federico Meneses, informed the Council that the President of Ecuador had signed Decree 1318 on 22 October 2008 ratifying the ITTA, 2006, and had requested the Permanent Representative of Ecuador to the United Nations in New York to deposit the ratification document. He underscored that the action of the Government of Ecuador was a reflection of the high interest of the country on issues linked to the forestry policies at the international level and the promotion of sustainable forest management and the conservation of forests, including reforestation, rehabilitation of degraded forests, forest management and technology transfer.
82. Dr. James Gasana (Switzerland), on behalf of the Consumer Group, noted that there was deep concern among Consumer Members regarding the delay in the entry into force of the ITTA, 2006. The Group recognized the crucial importance of a wider participation of members in the ITTA, 2006 in order for ITTO to be able to effectively respond to the concerns on the tropical forests. The Consumer Group proposed that the Council at its current Session should take a decision to enhance efforts towards the entry into force of the ITTA, 2006. Dr. Gasana informed the Council that a draft decision was being prepared and would be placed before the Council.
83. The representative of the Republic of Korea, Ms. Lee Mira, congratulated Members who had already ratified the new Agreement. On behalf of the Government of Korea she informed the Council that the Korean Ministry of Foreign Affairs and Trade was taking the necessary steps to ratify the ITTA, 2006, and the instrument would be deposited at the United Nations Headquarters very soon.
84. The representative of Cameroon, Mr. Adrian Ngo'o Bitomo, informed the Council that the National Assembly of Cameroon had already deliberated on the ITTA, 2006 and the President had signed the instrument of ratification and it would soon be deposited at the United Nations Headquarters in New York.
85. The representative of Japan, Mr. Masayoshi Mizuno, called for accelerated efforts for the entry into force of the new Agreement. He mentioned that Japan was one of the Members who supported the initiative for the draft decision on the entry into force of the ITTA, 2006. He acknowledged that the ratification was a domestic matter and that Member Countries were making their individual efforts but the intention of the decision would be to provide Members with information to assist them in their internal procedures, if necessary. He noted that two important deadlines for the entry into force had already passed and underscored the importance of having the correct information on the status of Member Countries with regard to the ratification process. He called on the Secretariat to collect the information on the various stages of Members in terms of their ratification process and provide the information to Members.
86. The representative of Gabon, Mr. Bilé Allogho Joachim, confirmed the statement made by the Minister of Forest Economy of Gabon during the opening of the Forty-fourth Session that Gabon had deposited the instrument of ratification of the ITTA, 2006 at United Nations Headquarters in New York. He underlined that as a founding Member of ITTO, Gabon would continue to be a Member of the Organization.

87. The representative of the Philippines, Mr. Ricardo Umali, supported the common effort being proposed to speed up the process of entry into force of the new Agreement. He, however, called on Members to appreciate the various ways by which countries could become parties to the Agreement. He noted that in some cases the instrument of ratification had to be approved by Parliament/Congress and signed by the President whilst the situation might be much simpler in other countries. He reiterated his support for the intervention by Japan requesting the Secretariat to collect information on the status of member countries' internal processes regarding the ratification/acceptance/approval of the ITTA, 2006. Mr. Umali also stated that it was pertinent to gather data relating to the provision of Article 36 in terms of provisional entry into force of the new Agreement since two deadlines had already passed. He indicated that most countries, upon signature, had already agreed to the provisional application and cited the case of the Philippines that signed the Agreement on 29 September 2008 while waiting for its instrument of ratification, acceptance or approval which had to be signed by the President.
88. The Executive Director informed the Council that the seven (7) Producer Members who had completed their ratification processes accounted for 18.6% of the total votes of Producers while the ten (10) Consumer Members accounted for 28.48% of the total votes. The requirements under Article 39 of the ITTA, 2006 had, therefore, not been met.
89. The representative of the Philippines, Mr. Ricardo Umali, said that he agreed with the statistics provided by the Executive Director but indicated that the statistics was applicable to the accession but there were many countries who were not being counted although they had signed the Agreement and was wondering whether such countries could be counted under the provisional application. He indicated that countries which had signed the Agreement could inform the Secretariat whether they agree to the provisional application of the Agreement. He suggested that if such an exercise was carried out, many countries would fall under the provisional application thereby meeting the threshold for the entry into force of the Agreement on a provisional basis.
90. The Executive Director provided further clarification on the matter. He informed the Council that his presentation included those countries which had indicated to the United Nations that they would apply the Agreement on provisional basis. He mentioned that the only countries which had made such an indication were Belgium, European Community and the United Kingdom. He underlined that if the Philippines would want to pursue provisional application it would have to be submitted to the United Nations and not the Secretariat in order for it to be taken into consideration.
91. The representative of South Africa expressed gratitude for the invitation to participate in the Forty-fourth Session of the Council. He also thanked the Executive Director, Mr. Ze Meka for his persistent encouragement to South Africa to join ITTO, including during his recent visit to South Africa in conjunction with the Forest Governance Workshop in Africa. He noted that the Executive Director's visit made a huge impact as the Government had finally agreed that South Africa should become a Member of ITTO. He announced that South Africa had started the process of becoming a member of ITTO and would work with the Executive Director in this regard. He was certain that before the next Session of the Council, South Africa would have become a full fledged Member of ITTO. He indicated that South Africa remained committed to the principles of multi-lateral and bilateral cooperation in the quest for sustainable forest development globally and based on this commitment South Africa was convinced that it could play a role in ITTO and would do everything within its power to contribute positively. He mentioned on-going programmes in South Africa, including the growth and transformation of the forest sector, a new afforestation programme aimed at encouraging the participation of the poor rural communities in the forests as growers, the control and management of cross border fires, the implementation of the SADC protocol on forestry, and the million trees greening programme as the country's response to the global call to plant trees to mitigate the effects of global climate change. The representative of South Africa recalled that South Africa's first contact with ITTO was when the country received support from ITTO to co-host the first meeting of the Congo Basin Forest Partnership in Brazzaville in June 2006 and the second was when South Africa recently hosted the Workshop on Forest Governance in Africa. He mentioned a number of instances ITTO had supported South Africa and expressed gratitude to the Council. The representative thanked the Government and people of Japan for the warm welcome. In concluding his remarks, the representative pledged South Africa's commitment to ensuring the

- completion of their accession process as soon as possible, to become a Consumer Member of ITTO.
92. The Chairperson, on behalf of the Council, thanked the representative for the good news and looked forward to welcoming South Africa to the ITTO family.
 93. The representative of Congo, Mr. Adolph Ngassebo, informed the Council that since June 2008 in Accra, Ghana, the Republic of Congo had been among those Member Countries wishing for the new Agreement to come into force as soon as possible. He informed the Council that Congo signed the new ITTA, 2006 on 31 July 2008 and the ratification process was underway.
 94. The representative of Cambodia, Mr. Eang Savet, informed the Council that the Government of Colombia had agreed in principle to ratify the ITTA, 2006 and the Ministry of Forestry was in consultation with the Ministry of Foreign Affairs and International Cooperation to provide full authority to the Cambodian Permanent Representative at the United Nations in New York to ratify the ITTA, 2006. The representative of Cambodia also sought clarification on the increase in the contribution of Cambodia to the Administrative Budget for 2009 compared to its contribution in 2008. In response, the Chairperson proposed that the issue of increase in Cambodia's contribution to the Administrative Budget for 2009 should be raised in the Committee on Finance and Administration for more in-depth clarification.
 95. The representative of India, Mr. M.D. Sinha, stated that based on its commitment to the goals of sustainable forest management, India ratified the ITTA, 2006 on 25 July 2008. He expressed concern that even at the level of signatories only thirty-seven countries had so far signed the ITTA, 2006 in spite of the fact that the Agreement had been discussed thoroughly and agreed upon as far back as January 2006. He requested that the Government of Japan should take up the matter with the individual countries. He urged delegations to take the matter up with their governments. He noted that with the passing of two deadlines the position was still not very clear and reiterated his proposal for the Government of Japan to take it up with respective governments. He pledged that the Government of India would also follow up the matter.
 96. The representative of the European Community, Mr. Enzo Barattini, stated that the European Community had already deposited its provisional application instrument with the United Nations in New York. He noted that some of the twenty-seven Member States of the Community had also accelerated their process of depositing their instruments of ratification although all these documents would have to be deposited at the same time as soon as all the twenty-seven Members completed their internal procedures. He indicated that some countries were very advanced in their procedures whilst others were ready to deposit their instruments very soon. Mr. Barattini mentioned that the processes were being monitored in Brussels and hoped that the instruments would be deposited as soon as possible, most probably in the beginning of 2009 by all the Member States of European Community.
 97. The representative of Canada, Mr. Nicolas Duval-Mace, informed the Council that there had been some delays in Canada's internal procedures, but the procedures were fairly advanced and he, therefore, was confident that a decision on the ratification would soon be announced.
 98. The representative of China, Mr. Sun Yaohua, informed the Council that China signed the ITTA, 2006 on 28 May 2008 and had started its ratification procedures and was waiting for feedback from Hong Kong and Macau which normally would take about 4-6 months. He hoped that this feedback would be received by the end of the year 2008 and therefore their ratification process should be completed by early 2009.
 99. In her concluding remarks, the Chairperson congratulated all the Member Countries who had already completed their ratification processes and encouraged those Members who had started their processes to complete them as early as possible and urged those who had not started their procedures to speed up so that the new Agreement could enter into force as soon as possible.

PROGRESS REPORT IN THE IMPLEMENTATION OF THE BIENNIAL WORK PROGRAMME 2008-2009 – DECISION 2(XLIII) (Agenda Item 14)

100. The Executive Director presented the progress report on the implementation of the Biennial Work Programme 2008-2009 as contained in document ITTC(XLIV)/8. He noted that the Biennial Work Programme 2008-2009 comprised twelve (12) administrative activities, ten (10) project activities, and forty-one (41) strategic policy activities. The total funding required for the implementation of the BWP 2008-2009 was USD 9,525,000 out of which USD 7,354,000 had been pledged and USD 2,171,000 was outstanding.
101. The Executive Director highlighted progress in the implementation of a number of activities including:
- Assisting Members to implement CITES listings of tropical timber species;
 - Enhanced cooperation on CITES matters related to tropical timber among governments, private sector, and civil society;
 - Civil Society/Private Sector partnerships for sustainable forest management and certification;
 - Promoting trade in tropical timber from sustainably managed and legally harvested sources;
 - Promoting improvement in forest law enforcement;
 - Encouraging and increasing involvement of non-governmental stakeholders in the activities of the Organization;
 - Enhancing the technical capacity of Member Countries, particularly developing Member Countries to meet their statistics and reporting requirements;
 - Promoting regional trade in tropical timber and timber products in Africa;
 - Strengthening policies and opportunities for forest investment;
 - Carrying out an assessment and evaluation of technical diagnostic and planning missions;
 - Undertaking studies in collaboration with relevant partner organizations to review the achievement of sustainable management of tropical timber producing forests;
 - In cooperation with relevant organizations, continuing to study the implications of climate change for tropical forests and the contribution of tropical forests to the mitigation of the effects of climate change;
 - Continuing to provide for ITTO's cooperation and consultation with the CPF and support for UNFF and other relevant international and regional organizations, institutions and initiatives;
 - Enhancing public relations, education and outreach activities to best convey the purposes and activities of the Organization;
 - Reviewing the work of TAG and CSAG and considering ways to strengthen their contributions; and
 - Providing guidance to Member Countries in the formulation of relevant project proposals which meet the priorities set in the ITTO Yokohama Action Plan.
102. The Executive Director also underlined the following activities approved in the BWP 2008-2009 which were still pending finance:
- Encouraging the participation of LDC members in Council Sessions;
 - Reviewing of international traded tropical timber species included in the IUCN Red list of Threatened species;
 - Conducting analysis of community forest enterprises in each region and sharing learning experiences among entrepreneurs;
 - In cooperation with relevant partners, making provision for a global assessment of the status of tropical forest tenure and business models;
 - Seconding a senior official to the UNFF Secretariat; and
 - Encouraging the participation of TAG and CSAG members in Council Sessions.
103. The representative of the Philippines, Mr. Ricardo Umali, referred to page 11 of document ITTC(XLIV)/8, and Activity No.22 on "Conducting an assessment and evaluation of technical diagnostic and planning missions authorized under Decision 2(XXIX)" and further noted that the budget for this activity was quite limited. He sought clarification on the communication by the

Executive Director to the Philippines to nominate national consultants to support the work of the two international consultants who had been engaged to carry out this activity. He indicated that from the presentation, only six countries had been listed where case studies would be conducted i.e. Congo, Central African Republic, Indonesia, Cambodia, Brazil and Panama. He, therefore, sought clarification as to whether the national consultants were needed for countries where no case studies would be conducted. Mr. Umali also referred to Activity No.30 regarding the work of TAG and CSAG and ways to strengthen their contribution and advice to the Council. He recalled that during the Annual Market Discussion, the representative of the Philippines had proposed that an in-depth study be conducted by TAG to specifically identify the key problems pertaining to the enhancement of trade since some remedial measures were needed during this period of global economic crisis. He, therefore, proposed that some funding be allocated for this activity which was not originally envisaged in BWP 2008-2009.

104. The representative of Liberia, Mr. Bledde Dagbe, expressed thanks to the Council and the Secretariat for providing technical assistance to Liberia in formulating two project proposals.
105. In response to the clarification sought by the representative of the Philippines, the Executive Director informed the Council that ITTO had so far carried out over twenty (20) technical diagnostic missions. However, an in-depth review of the technical missions in all these Member Countries would not be possible. The Secretariat had, therefore, identified six Member Countries where the consultants would conduct in-depth review with the assistance of local consultants. He indicated that for the other Member Countries where technical missions had been conducted, information on their own assessments of the missions and how far the recommendations of the missions had been implemented would be vital. He noted that in order to carry out the assessments the Member Countries would need to assign a local consultant/staff for this assignment, and a provision of USD500 per country had been made in the budget for this assignment. The Executive Director stated that all the mission leaders had also been contacted to provide their feedback to the two international consultants. Regarding the new activity proposed by the representative of the Philippines, the Executive Director stated that the Secretariat would implement any new activity approved and funded by the Council.

CONSERVATION AND SUSTAINABLE USE OF BIODIVERSITY IN TROPICAL TIMBER PRODUCING FORESTS – DECISIONS 4(XLIII) AND 2(XLIII) (Agenda Item 15)

106. The draft ITTO/IUCN Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests were presented to the Council by Prof. Jeffrey Sayer (IUCN).
107. Prof. Sayer mentioned that the final draft guidelines had incorporated all the comments received from Member Countries on the initial draft which was presented to the Forty-third Session of the Council. He indicated that the number of guidelines had been reduced from 52 to 46 and the readability of the document had improved. The case studies had been reduced and incorporated into the Annexes.
108. Prof. Sayer stated that the draft guidelines were promoted at the side-event organized by ITTO, IUCN and FAO in conjunction with the meeting of the Conference of Parties of CBD held in Bonn, Germany in June 2008. The guidelines were also promoted at another side-event during the World Conservation Congress in Barcelona, Spain in October 2008. He noted that the guidelines had already been widely applied in WWF and IUCN field projects and had been posted on the ITTO and IUCN websites.
109. Prof. Sayer acknowledged the contributions by many CPF members. He cited the involvement of FAO, CIFOR, CBD, UNESCO and a number of forest companies as well as ITTO Member Countries. He stressed that there remained some significant constraints to the implementation of the guidelines and cited the following:
 - capacity to do the biodiversity surveys and monitoring was scarce and expensive;
 - costs for specialized staff could be exorbitant;
 - some companies feel nervous and might see the guidelines as a new layer of regulation; and
 - danger of early adopters getting criticized by environmental groups.
110. Prof. Sayer, however, stated that there were some encouraging opportunities and noted that many big companies were doing excellent work in conserving biodiversity in their concessions.

He also mentioned that there were several international and national NGOs which were supporting the process with good expertise in the area of biodiversity conservation. He noted that the guidelines were consistent with policies in many ITTO Member Countries, however, there was the need for more field programmes, lesson sharing and dissemination of results to conservation lobbies.

111. In conclusion, Prof. Sayer noted that a lot of progress had been made since 1993 when the guidelines were first published. He, however, acknowledged that the progress had not been uniform and that there were still some big areas where not much was being done. Prof. Sayer said that ITTO's leadership in biodiversity conservation had been recognized, especially by international conservation organizations and several organizations were incorporating ITTO's guidelines into their work programmes. He also indicated that the idea behind the guidelines had been adopted by the CBD and GEF in their programmes of work on forests.
112. Prof. Sayer called on the Council to approve and publish the guidelines and encourage interested private sector operators and conservation organizations to implement the guidelines. He hoped that ITTO/IUCN and other partners could provide technical support, training and sharing of experience to those who would be interested in implementing the guidelines.
113. The representative of the Netherlands, Mr. Marcel Vernooij, stated that the Netherlands was one of the Member Countries that facilitated the development of the guidelines. He underlined biodiversity as a key component of sustainable forest management receiving very high profile in both public and political debate on forests and tropical timber. He commended the cooperation between ITTO, IUCN, CBD, WWF and many others in the development of the guidelines. He noted that the importance of this work would go beyond the guidelines and that the process of developing the guidelines had become an important vehicle to profile ITTO to a wider audience including colleagues working in different departments within governments, NGOs and the private sector. He hoped the implementation of the guidelines would make full use of the cooperation with CBD which would open the window to the Global Environmental Facility (GEF) for funding. He sought clarification on the proposed budget in the draft decision and the opportunities for co-financing from WWF or IUCN in the follow-up process.
114. The Executive Director informed the Council that details of the proposed budget would be provided by the Secretariat. On the possibilities of co-financing, he indicated that this would have to be discussed with the potential partners and he would consult with them.
115. The representative of United Kingdom, Mr. Patrick Hardcastle, stated that the guidelines on biodiversity are of a very high scientific content which ITTO could be proud of. He recalled the discussions and the decision of the Council at its Forty-third Session and expressed satisfaction with the revised draft guidelines and the considerable publicity and promotion of the guidelines. He underlined the need to adopt a holistic approach to forestry and stressed the importance of biodiversity and other services and expressed concern that there were pressures in the international system for some of these services to move away from the holistic approach into specializations. He agreed to the proposal to support concession holders in the implementation of the guidelines in the field instead of just holding workshops and meetings.
116. The representative of Guatemala, Mr. Luis Ernesto Garrera Garavito, hoped that the guidelines would open a window for ITTO to get closer to the private sector and communities. He noted that in Central America over 500,000 ha of forests had been dedicated for commercial use and, therefore, the human element was very important for the conservation of biodiversity and sustainable management of the forests.
117. The representative of the European Community, Mr. Enzo Barattini, endorsed the earlier interventions made by some delegations of the European Community. He underlined the importance and the need to disseminate and promote the guidelines widely. He also supported the proposal by the IAG to adopt a decision of the Council on the guidelines at the current Session. Mr. Barattini underlined that although ITTO must operate within the framework of its mandate, without overlapping into the jurisdiction of other organizations working in the field, he recognized that it was the duty of ITTO to do whatever was within its powers and duties in the field of tropical forests in order to secure biodiversity. He expressed his support for the guidelines and hoped these would be promoted and disseminated on a large scale.

118. The representative of Malaysia, Mr. Koh Hock Lye, congratulated ITTO and IUCN for their joint efforts and contributions in the preparation of the guidelines. He expressed satisfaction with the revised guidelines which had incorporated all the comments provided by Malaysia. He indicated that the production and adoption of the guidelines were timely in view of the significant developments in international initiatives related to biodiversity conservation. He noted that the guidelines would create awareness for policy makers, forest managers and other stakeholders in taking appropriate actions to ensure and enhance biodiversity conservation in tropical production forests. He expressed confidence that the guidelines would assist all tropical countries, including Malaysia, in implementing their obligations under the Convention on Biological Diversity and also strengthen the implementation of sustainable forest management and certification. He supported the adoption of the draft decision on the guidelines.
119. The representative of Indonesia, Ms. Sri Murniningtyas, stated that Indonesia had followed closely the process of development of the guidelines and had found that the guidelines were in line with the national policy of Indonesia. She informed the Council that Indonesia had already published an action plan for the conservation of the flagship species such as *Pantera tigris*, orangutans, rhinos and elephants living in production forests. She supported the adoption of the guidelines by the Council.
120. The representative of the Philippines, Mr. Ricardo Umali, supported the adoption and application of the guidelines. He supported the proposed budget for publication and dissemination and suggested that the budget should be expanded to include education of all stakeholders on the importance of conservation of biodiversity. He also proposed that the application and implementation of the guidelines by the private sector, including concessionaires and forest managers should be continued. Mr. Umali further proposed that governments should also be given some assistance since governments would be providing the enabling environment for the implementation of the guidelines.
121. The representative of Brazil, Ms. Carolina Costellini, stated that all projects in Brazil involving sustainable forest management have to take into account the conservation of biodiversity. She wanted to know if the guidelines document was still open to comments. In response, the Chairperson stated that the representative of Brazil should contact the consultants and provide the comments.
122. The representative of Cameroon, Mr. Adrian Ngo'o Bitomo, commended the quality of work done and noted that Cameroon had had the opportunity to make its contributions in the development of the guidelines. He, however, stated that there were still minor concerns and indicated that production forests were not the only areas under concession. He also expressed concern about riverine populations and what support should be provided to them.
123. In his response, Prof. Sayer stated that it was definitely the expectation of many people that there would be co-funding from conservation organizations for the implementation of the guidelines. He noted, however, that this would vary from country to country and indicated that it would be fairly easy for the Congo Basin countries and more difficult in other countries where there were no major programmes. Prof. Sayer stated that WWF was expecting to be part of any follow-up actions. On the issue of involvement of local people, Prof. Sayer stated that the guidelines had gone a long way in making sure that the interests, values and rights of local people with respect to biodiversity had been sufficiently addressed. He underlined that compared to earlier guidelines the current guidelines were very favourable towards the recognition of community use for biodiversity.
124. The representative of Switzerland, Ms. Chantal Oltramare, expressed appreciation for the work that had been done in revising the biodiversity guidelines and welcomed the holistic approach of sustainable forest management, combining the production and conservation aspects of forests, and supported the adoption of the guidelines by the Council. She noted that one of the key issues would be the implementation of the guidelines and how to cooperate with all the different stakeholders be they private, or large scale companies or local communities.
125. The representative of Japan, Mr. Masayoshi Mizuno, agreed with the interventions by other delegations that biodiversity is an important component in ITTO's effort to promote the sustainable management of tropical forests. He stated that Japan would support the proposed draft decision on the biodiversity guidelines with some modifications. He stressed the importance of publishing and disseminating the guidelines as soon as possible. He reiterated

that it would be important for ITTO to demonstrate the effectiveness and usefulness of the biodiversity guidelines during COP10 of the Convention on Biological Diversity which would be convened in Nagoya City, Japan in 2010. He indicated that as the host country of the COP10 of CBD, Japan is prepared to assist the ITTO Secretariat in exploring the best possible ways of making a good presentation of the biodiversity guidelines during that meeting.

126. The representative of the United States of America, Ms. Alicia Grimes, stated that it was time for the Council to adopt the biodiversity guidelines document in order to promote the application of the guidelines in advancing sustainable forest management. With regard to the proposed draft decision, the U.S.A. did not believe that item (4) was necessary, but most importantly agreed with the representative of the Netherlands that the budget was high and co-financing, including by IUCN and other partners must be explored. She questioned whether all the actions in the draft decision were necessary. She stated that the production and dissemination should be given priority. She also indicated that the national level workshops were not critical at the moment. Ms. Grimes emphasized that the application of the guidelines was very important. However, the application should come through the project proposals in which they would be applied. She underlined that the guidelines had been tested and it was time to incorporate them in the development of all forest management proposals and ex-post evaluations should be looking at how these guidelines had been incorporated, as a matter of extending lessons learned.
127. The representative of Ecuador, H.E. Dr. Federico Meneses, stated that as soon as funding was available, the biodiversity guidelines had to be disseminated very widely, especially to local communities of Producer Countries. He noted that the guidelines were a starting point for ITTO to maintain adequate coordination with the Government of Japan which would be hosting the COP10 of CBD in 2010. He informed the Council that Ecuador is one of the seventeen Megadiversity countries in the world and therefore, Ecuador gives high priority to the subject of biodiversity and has offered to host COP 11 of the CBD in 2012. He reaffirmed Ecuador's commitment to work with ITTO in the development and implementation of the biodiversity guidelines with the view to hosting the Conference of Parties to the CBD in 2012.
128. The representative of Papua New Guinea, Mr. Dambis Kaip, stated that the conservation of genetic resources of available timber species was very critical and hoped that it had been addressed in the revised guidelines.
129. The representative of IUFRO, Prof. Don Kon Lee, noted that the biodiversity guidelines could be useful in providing background information on important biodiversity related concepts that could be collaborated by IUFRO Task Forces, especially on endangered species and nature conservation. He further noted that the guidelines contain priority actions in conserving biodiversity in tropical forests and that the lessons learnt during the field testing could also be very helpful. The President of IUFRO also proposed that the guidelines should be disseminated during the IUFRO World Congress in 2010.
130. The representative of the Tropical Forest Foundation, Mr. Keister Evans, commended ITTO and IUCN for the production of the biodiversity guidelines. He encouraged the adoption of the guidelines by the Council. He informed the Council that TFF had trained thousands of practitioners in reduced impact logging and was planning to integrate the biodiversity guidelines into TFF training programme as soon as possible. TFF was also interested in exploring the idea of providing ITTO an opportunity to pilot the biodiversity guidelines on forest concessions that TFF was working in around the world.

ITTO OBJECTIVE 2000 – DECISION 2(XXIX) (Agenda Item 16)

(a) *Achieving the ITTO Objective 2000 and Sustainable Forest Management in Côte d'Ivoire – Report of the Diagnostic Mission*

131. The report was presented by Mr. Paul Vantomme, leader of the mission. Other members of mission were: Ms. Angelique Loukondo, Mr. Jean-Marie Samyn and Mr. N'dri Kouakai. The Mission was supported by five national counterparts from MINEFF and SODEFOR. The objective of the mission was to identify factors which most severely constrained the progress towards the ITTO Objective 2000 and sustainable forest management in Côte d'Ivoire and was conducted from 25 August to 5 September 2008.

132. The mission met and interviewed several representatives of the Government, the private sector and non-governmental organizations and reviewed several relevant studies and reports on the forest sector of Côte d'Ivoire. The mission conducted a field visit and a preliminary validation and reporting workshop.
133. The report indicated that the rapid reduction of the forest cover was a major environmental problem for Côte d'Ivoire. The natural forest covered barely 10% of the national territory and the annual rate of deforestation had been estimated at 300,000 ha per annum during the last decade.
134. The mission identified the following constraints to sustainable forest management:
- Impact of the national crisis on the political and social context;
 - The lack of political commitment;
 - A complex and hardly efficient policy, legal and institutional framework;
 - Lack of capacity to protect and implement sustainable forest management in gazetted forests;
 - Training and research sector in disarray;
 - Alarming rate of natural forest degradation in areas outside the permanent forest estate;
 - Control over logging activities made ineffective through lack of key data and inadequate capacities;
 - Failing reforestation efforts in areas outside the permanent forest estate;
 - Difficulties for economic operators to engage in sustainable management;
 - Fiscal policies and indirect taxation systems targeting forestry operators;
 - Problems associated with the timber trade and the value chain; and
 - The inadequate involvement of the civil society, NGOs and development partners.
135. The mission made a number of recommendations to the Government of Côte d'Ivoire and MINEEF including:
- Updating the national forest policy;
 - Giving priority to the protection and rehabilitation of gazetted forest;
 - Providing a secure land tenure framework for areas outside the permanent forest estate with forest development;
 - Enhancing training and research;
 - Improving information and mutual consultation;
 - Closely involving local communities in sustainable forest resources management and conservation;
 - Supporting economic operators in their progress towards sustainable forest management and successful reforestation projects; and
 - Adding value to and diversifying forest production.
136. The technical mission also made the following recommendations to ITTO:
- Support the Government in its effort to upgrade the forest policy and to provide support for the sound operation of the national consultation process between all stakeholders in order to develop the National Forestry master Plan;
 - Support the Government and SODEFOR through a forest resource assessment project to produce a post-crisis baseline study on the status of Côte d'Ivoire's forest, and to seek partners to provide technical and financial support;
 - Support the Government in its effort to manage the forest estate and the rural estate and to enforce legislations on rural land tenure;
 - Fund a pilot project aimed at refining methodologies and approaches to improve food security for local communities established around gazetted forests;
 - Assist the Government in conducting a national survey of markets for forest products and to propose measures to promote their development on the domestic market;
 - Support the Government to organize a national workshop to validate sustainable forest management criteria and indicators in Côte d'Ivoire and to implement certification and chain-of-custody;
 - Finance a pilot project to support the creation of SME cooperation within the timber trade and provide technical guidance and logistical support;

- Finance a training project on the various aspects of sustainable forest management for all stakeholders in the timber industry; and
 - Assist the Government in establishing a permanent platform for consultation on forestry issues to involve all stakeholders, including government bodies, civil society groups, NGOs, and local community representatives.
137. The representative of Guatemala, Mr. Luis Ernesto Barrera Garavito, sought clarification as to whether fuel wood was included in the national statistics.
138. The representative of Congo, Mr. Adolph Ngassemba, sought clarification on how forest management was being organized in Côte d'Ivoire. He also wanted to know how local communities in Côte d'Ivoire had been involved or brought into the process of forest management. He noted that in Central Africa efforts had been made to establish certain rights in the rural estate or village forests. He underlined that efforts to combat poverty among rural populations normally involved community forestry activities and sought more information on the situation in Côte d'Ivoire. Mr. Ngassemba also wanted to know whether local communities benefited from forest revenues from production forests.
139. The representative of Cameroon, Mr. Ondoua Ekotto Shadrack, sought further clarification on the constraints to sustainable forest management in Côte d'Ivoire as contained in the report. He wanted to know whether these were really true constraints.
140. The representative of Liberia, Mr. Bledée Dagbe, stated that Liberia and Côte d'Ivoire were sharing common borders and Liberia had been experiencing encroachment on its forest estate from Côte d'Ivoire for fuel wood and local building materials which was posing a threat to Liberia's forest resources. He, therefore, took the opportunity to appeal to the delegation of Côte d'Ivoire to address the situation and prevent future encroachments.
141. The representative of Côte d'Ivoire, Dr. Kouadio Kouassi N'guettia Venance, on behalf of the Government expressed gratitude to ITTO for sending the technical mission which had assisted the country in identifying the potential problems to sustainable forest management. He welcomed the report and pledged Côte d'Ivoire's commitment to sustainable forest management. He informed the Council that the Government of Côte d'Ivoire had carried out awareness raising campaigns and tried to build capacity among all stakeholders. The Government had also tried to create traceability and certification systems and was concerned about the diminishing forest cover and had, therefore, given much thought to land use and land use plans, in order to bring the rural estate outside the permanent forest estate under sustainable use. He pledged his Government preparedness to cooperate with international organizations, especially ITTO and thanked members of the technical mission for their assistance.
142. In response to the clarifications sought by the representative of Congo, and in the absence sufficient time Mr. Paul Vantomme indicated that most of the issues raised had been clearly addressed in the full report of the mission.

(b) *Achieving the ITTO Objective 2000 and Sustainable Forest Management in Togo – Report of the ITTO Diagnostic Mission*

143. The report was presented by Messrs Clarkson Oben Tanyi-Mbianyor, leader of the Mission and Olav Bakken Jensen, international consultant. Other members of the Mission were Mr. Martial Me Kouame, SODEFOR, and Mr. Brice Assi Hemou, national consultant. The technical mission was supported by two national counterparts, Messrs Richard Gbadoe Edjimodele and Samah Komlan and the ITTO Regional Officer for Africa, Ms. Celestine Ntsame Okwo. The mission was conducted from 21 January to 2 February 2008.
144. The objectives of the mission were to:
- Identify the most limiting factors/constraints preventing the implementation of sustainable forest management in the country; and
 - Recommend measures to address these constraints.
145. The mission met with the officials of the Forest Department and other government departments and institutions involved in the forest sector. It also undertook field trips to all five economic regions of Togo and met with representatives of local government authorities, NGOs, private

sector organizations and local communities. The mission also convened a validation workshop and reported results to the various stakeholders.

146. The technical mission identified the following constraints to sustainable forest management in Togo:

- Inappropriate, obsolete or non-existent legal framework to support sustainable forest management;
- Lack of coordination among the various government departments and structures responsible for the forestry sector and lack of qualified personnel;
- Inappropriate agrarian and forestry practices;
- Difficulties to access the resource and serious irregularities in the timber processing and marketing chain; and
- Inadequate involvement of private operators, civil society and local communities in sustainable forest management initiatives.

147. The mission made a number of recommendations to the Government of Togo including the following:

- Establish an enabling legal environment and framework for strengthening the contribution of individuals, communities and development institutions to forest resources management and conservation;
- Undertake an integrated planning of development actions and to implement a rational land-use plan;
- Develop and implement a rolling programme to promote wood-based sources of energy and the use of alternate sources of energy;
- Develop platforms for synergies and mutual consultation and coordinated actions for the various structures involved in the forest sector;
- Improve the collaboration of forest institutions with other development structures;
- Promote the development of a communication system between the various stakeholders of the forest sector;
- Organize forestry research and programme monitoring;
- Control inappropriate farming and forestry practices;
- Manage ecosystems and increase fuel wood production outputs from natural forests through participatory management and to create new fuel wood resources (reforestation);
- Develop small and medium-sized forest industries and to create conditions to establish timber processing industries at national level by placing emphasis on the promotion of national and local entrepreneurship;
- Develop private and industrial plantations for timber production;
- Clarify the roles and responsibilities of stakeholders in the timber marketing chain and to organize industries and value-chain of woody forest products, especially timber;
- Foster the collaboration with NGOs and other partners involved in the sector; and
- Formalize and revive outreach, information, awareness-raising, training and education campaigns toward the communities regarding forestry and environment protection.

148. The mission also made the following recommendations to ITTO:

- Enhance its cooperation with Togo by organizing information and experience-sharing meetings for all stakeholders to raise their awareness and lead them to act in the same direction;
- Support Togo in its efforts to attract international funding and induce other partners to involve themselves more deeply in the management of the forest resources of the country; and
- Contribute to capacity building efforts to help ensure the formulation of relevant projects and secure the sustainability of funded projects.

149. The representative of Togo, Mr. Komongou Badekene Kampobiti, on behalf of the Government of Togo, thanked ITTO for undertaking the diagnostic mission. He also expressed gratitude to members of the team for a comprehensive assessment of the forestry situation in Togo. He noted that the key factors for the sustainable management of the forests as identified by the diagnostic mission would contribute to the realization of ITTO Objective 2000 and sustainable

forest management in Togo. He pledged that the Government would implement the recommendations contained in the report and requested ITTO's support in this regard.

ITTO ACTION PLAN 2008-2013 (Agenda Item 17)

150. Mr. Alhassan Attah (Ghana) and Dr. Jürgen Blaser (Switzerland) presented the revised draft ITTO Action Plan 2009-2014 as contained in document ITTC(XLIV)/13. Mr. Attah recalled that it was the third time that the draft Action Plan was being presented and therefore the presentation would highlight on key issues and changes that had been made since the Accra meeting in June 2008. He mentioned that written comments were received from 14 Member Countries and the Secretariat. Additional comments recorded during the Accra meeting had also been incorporated into the revised document.
151. Mr. Attah's presentation covered the following:
- Reviewing the Action Plan preparation process;
 - The key challenges for the development and implementation of the Action Plan;
 - Highlight of changes in the revised Plan;
 - Implementation and general strategies including thematic priorities and cross-cutting actions and the priority actions under the substantive areas;
 - Proposals for monitoring and evaluation of the Plan; and
 - Way forward.
152. The Chairperson thanked Mr. Attah and Dr. Blaser for the presentation and proposed the setting up of an Ad-Hoc Working Group to finalize work on the draft Action Plan.
153. The representative of the European Community, Mr. Enzo Barattini, expressed the Community's support for the draft Action Plan. He indicated that there should be coherence between the Action Plan and the decisions to be adopted by the Council on the Thematic Programmes. He noted that there were still some minor concerns and he would take the opportunity to raise them in the Ad-hoc Working Group. He supported the adoption of the document by the Council at its current Session.
154. The representative of Australia, Ms. Sally Standen, commended the Working Group on the efforts taken to incorporate the various country comments into the draft Action Plan. She supported the inclusion of illegal logging in the draft Action Plan and emphasized the importance of promoting the revised biodiversity guidelines to Member Countries in order to prevent illegal logging and increase the identification and demonstration of legal timber sources. She also supported the inclusion of Thematic Programmes particularly the thematic areas associated with forest law enforcement and governance, sustainable forest management and environmental services and climate change.
155. The representative of the United States, Dr. David Brooks, stated that in general the United States was very supportive of the Action Plan as a mechanism for the Organization to communicate its views and intentions in the areas of work. In that spirit, the United States was committed to moving forward with other Members in adopting a decision by the Council at the current Session on the new Action Plan. He, however, indicated that there were still a number of elements in the draft Action Plan which were still not clear. He noted that the presentation by Mr. Attah had indicated that the Action Plan would seek to play the role of a public document and a guide for operational activities. He underlined that the current draft was heavily on the latter role and not as an effective communication tool to the public. With regard to operational guidelines, Dr. Brooks stated that the Action Plan appeared to provide management or to some extent micro-management of the Organization. He, however, stated that the United States was prepared to work with other delegations to address some of those specific issues. Dr. Brooks pointed out that there were certain aspects of the guidelines which had not yet been completed and cited the monitoring and evaluation aspects. In his view, that would involve a considerable amount of work for the Council to try and accomplish during the Session. He, therefore, raised the question as to whether there was the need to incorporate the monitoring and evaluation aspect at this time or should it be taken up outside the Action Plan. Dr. Brooks stated that the United States would participate in the Ad-hoc Working Group.

156. The representative of Switzerland, Ms. Chantal Oltramare, stated that the Action Plan was an important document to guide the work of the Organization and, therefore, it was important for the Council to consider and adopt the revised draft Action Plan. She supported the proposal to set up an Ad-hoc Working Group to discuss the various issues that had been raised by Member Countries in order to ensure coherence between the Action Plan and the Thematic Programmes. Ms. Oltramare supported the inclusion of the operational guidance in the Action Plan to guide the work of Member Countries and hoped that the Council would find common grounds on the level of guidance. She stated that Switzerland would participate in the Ad-hoc Working Group and hoped that the Council would be able to adopt a decision on the Action Plan at its current Session.
157. The representative of Brazil, Ms. Carolina Costellini, stated that during the Accra meeting, Brazil made some comments on the draft Action Plan. However, some of the comments made had not been reflected in the final draft that had been presented to the Council. She expressed concern about some of the issues in the Action Plan and indicated that these concerns would be presented during the meeting of the Ad-hoc Working Group.
158. The representative of Japan, Mr. Masayoshi Mizuno, commended the various efforts that had been made in producing the draft Action Plan. He noted that the document was very comprehensive covering the various aspects of the activities of the Organization. He agreed with an earlier intervention on the need for coherence in the various parts of the Action Plan in relation to the Thematic Programmes as well as the aspect of monitoring and evaluation as contained in the Plan and its implications on the work of the Secretariat. He stated that Japan would participate in the Ad-hoc Working Group.
159. The representative of Cameroon, Mr. Themotio Batoum, stated that the Action Plan should inspire the Thematic Programmes in the future and, therefore there should be complete consistency between the draft Action Plan and the Thematic Programmes. He supported the adoption of the draft new Action Plan by the Council during its current Session.
160. The representative of the Republic of Korea, Ms. Lee Mira, welcomed the new Action Plan to succeed the Yokohama Action Plan. She noted that the new Action Plan had been prepared to meet the requirements of the ITTA, 2006. She underlined that the Action Plan is essential for ITTO to implement its mandates and called on the Council to adopt the new Action Plan and not to lose the momentum. Ms. Mira stated that the new Action Plan includes many important mandates of ITTO by reflecting the significant changes in the global forestry agenda, including the thematic programmes, climate change, forest law enforcement, etc. She agreed with the intervention made by the delegation of the U.S.A. and other delegations to ensure coherence between the Thematic Programmes and the Action Plan.
161. An Ad-hoc Working Group was set up to examine all the issues raised by Members. The outcome of the Ad-Hoc Working Group is contained in Annex III.

DEVELOPMENTS IN THE UNFCCC REGARDING FORESTS AND THEIR POTENTIAL IMPLICATIONS FOR TROPICAL FORESTS AND THE WORLD TROPICAL TIMBER ECONOMY – DECISIONS 2(XXXIX) AND 1(XLI) (Agenda Item 18)

(a) Developments in the UNFCCC Regarding Forests

162. Dr. Jürgen Blaser (Switzerland) presented the report as contained in document ITTC(XLIV)/CRP1. The report covered the following areas:
 - ITTO's mandate and its relation to the climate change agenda;
 - General overview of tropical forests and climate change;
 - General overview of the international institutional setting;
 - Carbon markets; and
 - The role of ITTO in the evolving forest and climate change agenda.
163. The report noted the vulnerability of forests to climate change and the direct and indirect impacts of climate change on forest-dependent people, forestry production chain and the general forest landscape. It equally noted that a forest management agenda including climate change adaptation analysis and measures could increase the value of forests. The report highlighted

the climate change mitigation options in forestry, including reduction of greenhouse gas emissions, carbon sequestration and carbon substitution.

164. Dr. Blaser mentioned the contribution of forests to climate change through deforestation and forest degradation. He noted that forests and agriculture contribute about one-third of the total GHG emissions (18% from forests and 15% from agriculture). Forests have, therefore, been recognized as part of the problem and at the same time part of the solution to the climate change agenda. He noted that forests have become an important part of the post-2012 negotiations of the climate change agenda.

165. In summary, the report highlighted the following issues:

- Forests can address mitigation of and adaptation to climate change simultaneously;
- Meaningful opportunities exist in the forest sector to simultaneously mitigate and adapt to climate change;
- Market development demonstrates that final buyers have an interest in forest “credits” but over-regulation of the system could undermine this potential; and
- To raise the potential for mitigation using the forest sector would require improved governance issues and the provision of adequate approaches, methods and tools.

166. The report made the following recommendations to ITTO:

- Address the evolving agenda of sustainable forest management of tropical forests in the wider context of global climate change;
- Promote three (3) field actions in the areas of development studies, capacity building and knowledge management and information sharing; and
- Develop a thematic programme on REDD, forest restoration and enhancement of ecosystem services.

(b) Role of ITTO in Climate Change Adaptation and Mitigation

(i) *Report of the International Expert Meeting on Addressing Climate Change through the Sustainable Management of Tropical Forests*

167. Dr. Jürgen Blaser (Switzerland) presented the report as contained in document ITTC(XLIV)/14. More than 100 participants from 25 countries attended the Expert Meeting. There were also representatives from five international organizations. Representatives from sixteen (16) ITTO Producer Member Countries reported on their activities and plans at the level of climate change and forestry. The objectives of workshop included:

- Developing common understanding of the role of sustainable management of tropical forests in addressing climate change;
- Identifying actions that ITTO, its members and other stakeholders could take to address climate change through sustainable forest management; and
- Identifying forest-related issues relevant to key forthcoming policy events at the UNFCCC.

168. The report highlighted that ITTO’s role would only be complementary to that of the UNFCCC at the level of climate change. The Expert Meeting came up with the following five key messages:

- Forest restoration and sustainable forest management are important measures for mitigating climate change. There are also many additional benefits, including biodiversity conservation, the provision of other ecosystem services, and the alleviation of poverty;
- Tropical forests and forest-dependent people are highly vulnerable to climate change. Measures to help the forests sector adapt to climate change are urgently required;
- Sustainable forest management can help increase the resilience of tropical forest ecosystems and forest-dependent people in the face of climate change;
- Bio-energy production from forestry and the substitution of fossil-fuel intensive products by wood products could be important strategies for mitigating climate change; and
- ITTO can play an important role in encouraging and assisting Member Countries to develop and implement forest-based climate change mitigation and adaptation initiatives.

169. The Expert Meeting made a number of recommendations for ITTO, national governments, CPF members and other international organizations, including:
- ITTO should study the implications of climate change for sustainable forest management in the tropics;
 - ITTO should develop guidelines for climate change mitigation and adaptation options in tropical forests and for accounting carbon in forest management plans and ITTO projects, and update the ITTO criteria and indicators for sustainable forest management in tropical forests to reflect the current state of knowledge on climate change;
 - ITTO should assist Member Countries to build forest-sector capacity to mitigate and adapt to climate change;
 - ITTO should support Member Countries in the assessment and monitoring of forest carbon stocks and forest-based carbon emissions within their national forest inventory systems and facilitate the exchange of good practices and test-results of new methodologies and technologies;
 - ITTO to encourage and assist Member Countries to develop proposals for pilot projects on REDD and other forest mitigation options and for increasing the resilience of tropical forests to climate change, and consider providing finance for such projects;
 - National governments should increase the capacity of personnel working on forest-based climate change at the national and sub-national levels;
 - National governments should increase awareness among all stakeholders, including policy-makers of the importance of forest-based mitigation and adaptation options in national responses to climate change; and
 - CPF members should generate information on the relationship between forests and climate change and support national forest inventories and design monitoring methods to assist in generating such information.
170. The representative of Japan, Mr. Hideaki Takai, stated that the on-going debate on climate change, particularly on REDD was focusing on how the global community would provide funds in the context of carbon sequestration to support sustainable forest management and other conservation measures. He sought clarification on how such a fund should be allocated in view of the fact that the price of carbon would not be sufficient to cover the cost of SFM and other conservation measures.
171. The representative of Malaysia, Dr. B.C.Y. Freezailah, noted that the issue of climate change opened up exciting possibilities for ITTO. Dr. Freezailah stated that as a forester, the message that he got from the presentation was that we should plant more trees and produce wood sustainably while at the same time using more timber from sustainably managed sources because that would have implications and benefits in combating climate change. He recalled that ITTO had in the past developed all the guidelines and procedures for sustainable forest management. He questioned that if a credible system was established to verify that a particular timber was coming from sustainably managed source would there be any possibility for such timber to attract premium value from the carbon partnership facility since such a timber would have an added advantage in combating climate change.
172. The representative of Brazil, Ms. Carolina Costellini, supported the intervention made by the representative of Malaysia. She stated that the Brazilian delegation was not prepared to discuss issues that were not explicitly under the mandate of ITTO, in accordance with the ITTA, 2006. Climate change mitigation, in the manner presented in the Council, showed that the issue was completely outside ITTO's mandate. Ms. Costellini pointed out that current debate on role of forests in climate change seemed to be based on controversial premises. She cited as an example certain Council documents which stated that climate change was a threat to tropical forests and indicated that even the IPCC report published in 2007 did not have a final conclusion on the effect of climate change on tropical forests. She referred to the IPCC report which stated that climate change could increase the production of timber in the world and therefore to state that climate change was a threat to tropical timber was a bit controversial. She noted that the same Council document stated that deforestation and forest degradation accounted for about 20% of GHG emissions and therefore wanted to know the contribution of GHG emissions from agriculture and livestock. She stated that emissions of GHG from deforestation and forest degradation was only part of the 20% GHG emissions. On the report of the Expert Meeting, Ms. Costellini expressed concern that the report included a series of conclusions and recommendations which were not negotiated by experts on climate change of

each member country. She underlined that the document contained a series of conclusions and arguments which were not in accordance with the Brazilian foreign policy on climate change. In conclusion, Ms. Costellini reiterated that climate change was not within the mandate of ITTO, especially with regard to the use of carbon market mechanisms such as CDM in the Kyoto Protocol. She proposed that the issue should rather be discussed at the UNFCCC.

173. The representative of the Philippines, Mr. Romeo Acosta, stated that the discussion in the Council on forests and climate change were highly relevant and timely in view of the fast developments in the negotiations on climate change under the UNFCCC. He stated that ITTO should play a major role in the on-going work relating to forests and climate change and endorsed the recommendations in the report. He underlined the need for ITTO to assist Member Countries to develop technical capacities under REDD. Mr. Acosta emphasized that the determination of baselines was one of the major technical difficulties confronting Member Countries for which assistance was needed from ITTO. He said that the capacity to monitor changes in carbon stocks within forests in relation to land use and land use change within countries was a very tough technical area that many countries would require technical capacity building. He called on ITTO to play a big role by informing national policy makers and lay men that there was a significant role regarding sustainable forest management within the climate change issues, particularly with regard to REDD. He referred to the Bali Declaration during COP13 of UNFCCC which stated that good forest management might contribute although there was no definition of "good forest management" and how the conservation of forest carbon stocks would contribute to climate change mitigation and adaptation.
174. The representative of Switzerland, Ms. Chantal Oltramare, commended ITTO for its work on forests and climate change. She cited ITTO's participation in COP13 of UNFCCC in Bali in December 2007 and the Expert Meeting on Climate Change and Sustainable Forest Management convened in Yokohama from 30 April to 2 May 2008 as well as the development of the strategic framework of the CPF. She indicated that in addition to the core mandate of ITTO with regard to tropical timber trade from sustainable forest management sources, there was also the role for ITTO to be involved in the discussions relating to forests and climate change. She noted, however, that this should be an associated role with other partners. She underlined that many Member Countries shared the view that deliberations at the UNFCCC would have an effect and impact on tropical forest situation, the management of production forests and timber trade and therefore ITTO should have a clear role on those issues. She also referred to the ITTA, 2006 and stated that there were already some objectives in the Agreement relating to mitigation and adaptation of tropical forests to climate change. Ms. Oltramare emphasized that there was the opportunity to further define the niche of ITTO with respect to climate change and therefore the reports provided some guidance. She pledged Switzerland's continued support of the Biennial Work Programme with regard to ITTO's involvement in the development of the climate change agenda. Ms. Oltramare also indicated that Switzerland would support a decision by the Council to define further ITTO's role on the issue of climate change until COP 14 of the UNFCCC in Copenhagen in 2009. She also supported the creation of a thematic programme that emphasized the development work in REDD and forest restoration in ITTO Producing Member Countries.
175. The representative of Liberia, Mr. Bledde Dagbe, presented a statement from the Government of Liberia on its position regarding forests and climate change in relation to ITTO's work programme. The statement reaffirmed Liberia's position on climate change and supported the draft decision recommended by the IAG as contained in document ITTC(XLIV)/2. The statement recalled the Accra meeting in June 2008 during which Liberia recommended a memorandum of understanding between ITTO and UNFCCC and believed that the draft decision which detailed the role and functions of ITTO in relation to climate change was a positive way forward for ITTO. The statement noted that Liberia had recently been considered as participants of the Forest Carbon Partnership Facility among twenty countries, each receiving USD3.6 million to implement its readiness plan. The statement further noted that Liberia is a signatory to the Kyoto Protocol and actively participated in the Bali Conference in December 2007 and hosted a side-event. The statement underlined that ITTO should proactively integrate climate change into its overall work programme to provide a forum to adequately address unforeseeable circumstances that might affect tropical environment such as the floods in Vietnam and identify mitigating measures for Member Countries, including capacity building.
176. The representative of the European Community, Mr. Flip Van-Helden, noted that the presentation had taken the Council through most of the salient issues on the role of tropical

forests in the climate change agenda. He informed the Council that the European Commission had adopted a communication on “Addressing the Challenge of Deforestation and Forest Degradation to Tackle Climate Change and Biodiversity Loss”. The communication was being discussed in the Council of Member States and the European Parliament and would hopefully contribute to the European Union’s position in the negotiations on a new climate agreement due to be concluded at the end of 2009 in Copenhagen, Denmark. In the communication the European Commission had proposed the objective of halting global forest loss by 2030 at the latest and reducing gross tropical deforestation by at least 50 per cent by 2020. This would be pursued in the context of the international negotiations in the post 2012 climate change agreement and would enable the European Union to contribute to efforts to reduce GHG emissions and to the achievement of other global policy goals such as the alleviation of poverty and the conservation of biodiversity. The Communication further proposed that the existing EU policies aimed at reducing tropical deforestation be reinforced and in addition acknowledged that international incentives would be needed to guarantee the conservation of tropical forests. The Communication, therefore, proposed that a portion of the revenues from the auctioning of emissions trading allowances be used as part of a new global forest carbon mechanism and also suggested that in the longer term, and under certain circumstances, resources to address deforestation could be made available through the carbon market. In that respect, the European Community and its Member States had taken good note of the discussions in ITTO on the relations between climate change and sustainable forest management.

177. The representative of Colombia, Mr. Oscar Antonio Alvarez Gomez, stated that ITTO should be in touch with the realities of climate change and indicated that there might be good opportunities for ITTO to examine the whole issue of payment for environmental services including carbon markets. He noted that environmental services had become a growing business, giving additional value to forests and, therefore there was the need to identify environmental services and put value on them. The representative of Colombia acknowledged that work was being carried out on new methodologies to identify and quantify such environmental services. He reiterated that it was an opportunity for ITTO, not only for reforestation, but also the entire environmental services.
178. The representative of Cameroon, Mr. Themotio Batoum, stated that the issue of climate change was a new development and it would be wise for the ITTO to move together in that direction. He called on the Council to assist Member Countries to work together on the issue of climate change in order to minimize any sufferings that Member Countries might encounter due to the state of development of Member Countries and the issue of poverty.
179. The representative of Papua New Guinea, Mr. Dambis Kaip, stated that the ongoing work of ITTO in the area of climate change was relevant to the objectives of ITTO. He noted that the recognition of indigenous communities in the management of forests was a way forward in addressing climate change issues as well as sustainable forest management. He also supported the concept paper submitted by the Executive Director on “Capturing Funds from Carbon Markets to Promote Sustainable Management of Tropical Forests” as contained in document ITTC(XLIV)/16. He underlined that the whole world was willing to support and contribute towards addressing the effects of climate change. He informed the Council that Australia and Norway had established dialogue with the Government of PNG to assist the latter in addressing the effects of climate change and that PNG had already established a climate change office to administer climate change and carbon credit matters. He noted that forest loss and other land use changes was contributing approximately 20-25% of GHG emissions and, therefore, it was appropriate for ITTO to seek funds from carbon markets for Member Countries to establish forestry projects particularly for community-based projects. He supported the intervention made by the representative of the Philippines, that knowledge and understanding about the carbon markets and technicalities were important and, therefore, the need to build capacity in Member Countries in these areas.
180. The representative of Indonesia, Dr. Hadi Pasaribu, supported the recommendation on the role of ITTO in improving modalities and procedures in the area of CDM and CDM institutions. He also stated that Indonesia would support ITTO’s initiative in developing the scheme on REDD and would approve a pilot project in its territory. He requested for more in-depth information in conducting the global review of best practice in REDD-based approach and forest-based carbon enhancement. Dr. Pasaribu indicated that Indonesia was ready to work with other members of the CPF and other relevant parties on the modalities for REDD and the enhancement of carbon sinks.

181. The representative of Panama, Mr. Felix Magallón, noted that ITTO as its name implies works with tropical forests and tropical wood and the tropical forests represent a great carbon sink. He underlined that tropical forests, therefore, represent one of the solutions to the issue of climate change. He underlined that tropical forest countries had a duty to mitigate any problems arising out of changes in global climate and, therefore, ITTO should take advantage of the opportunity. He noted that any funds received for such a programme would support sustainable forest management, which is the goal of ITTO.

(ii) ITTO Children's Environmental Education Programme

182. The proposal by the Executive Director on the establishment of ITTO Children's Environmental Education Programme as contained in document ITTC(XLIV)/15 was presented by Mr. E. Collins Ahadome (ITTO Secretariat). The paper indicated that a comprehensive assessment by the IPCC of the scientific evidence of climate change had established that there had been a discernible human influence on global climate, and that 18-25% of global GHG emissions was from deforestation. The paper cited a report by the Global Canopy Programme in 2007 which stated that forests should come first in efforts to mitigate global carbon emissions because carbon capture and nuclear technology would take decades to have any significant impact on climate change. The concept paper described the Children's Environmental Education Programme as ITTO's contribution to a global "Back-to-Nature" movement to reconnect children with nature.

183. The objective of the programme is to contribute to the emergence of new generation of world citizens who understand the role of forests in climate change mitigation and adaptation and the importance of sustainable forest management. The paper underlined that since the youth tended to be more open to new ideas, and since the resolution of environmental issues would require changes to attitude, behaviour and values, the programme was targeting primary and secondary school students. The scope of the programme was:

- Forests and water;
- Forests and climate change;
- Addressing harmful environmental behaviour and forest degradation;
- Biodiversity;
- World's forests and sustainable timber trade; and
- Environmental ethics.

184. The concept paper outlined that the following activities would be carried out under the Children's Environmental Education Programme;

- Convening of environmental education conference;
- Creating research-led supplementary teaching materials;
- Establishing "school forests";
- Leading a forest-friendship experience;
- Setting up a learning network;
- Convening a forest education camp; and
- Dispatching of lecturers to participating schools.

185. The paper stated that the private sector in Japan and the City of Yokohama had shown a great deal of enthusiasm in the programme.

186. The representative of the Republic of Korea, Mr. Kim Soon-dong, welcomed the proposal on the children's environmental education programme. He indicated that the Republic of Korea shared the same views on increasing the awareness on the role of forests while at the same time improving the outlook on nature and life for the next generation. He informed Members on Korea's experiences with the school forest programme and indicated that the programme was introduced in Korea in 1999 to assist students to understand the correct value of forests and to develop attitude and actions based on analysis of their own experiences from the forests. He underlined that the basic idea was to establish forests near to schools so that students would have easy access to enjoy nature. Under the Korea programme, teachers, students and community people had been invited to plant trees and participate in the programme during its implementation. Mr. Kim underlined that another role of the school forests was the provision of

green space in the middle of urban areas so that not only the students but the entire community would be able to enjoy the greenery of the forests. The programme was first initiated by NGOs but later, with the full recognition of the potential implications of the programme for the next generation, the central and local governments had been supporting it. He mentioned that with the financial support from the government a total of seven hundred school forests had been established in Korea by the end of 2007. He stated that research was on-going to analyze the impact of school forests on the improvement in the emotional and mental health of children, including increased awareness of the role of forests. Mr. Kim emphasized the importance and significance of environmental education for children to increase awareness of the role of forests, including climate change and other relevant activities for the next generations. He urged the Council to consider positively the proposal for the establishment of ITTO children's environmental education programme.

187. The representative of Indonesia, Dr. Hadi Pasaribu, fully supported the initiative for ITTO to promote environmental education for children. He informed the Council that Indonesia had established a programme called "Youth Planting for Future Harvesting". He said that the First Lady of Indonesia and the Minister of Forestry had received certificate from UNEP for the mass planting of almost 80 million trees in a single period of time. He stated that many ITTO Member Countries were undertaking this programme to a certain degree, and called on ITTO to take a significant role in boosting such an important endeavour.
188. The representative of Malaysia, Dr. Norini Haron, recalled the presentations on the role of ITTO in climate change in 2006 and 2007 and several efforts by ITTO to step up its commitments, directly contributing to climate change issues in connection with sustainable forest management, by first introducing the subject as one of the key priority thematic areas contained in the new Action Plan 2008-2013. Dr. Norini also recalled the report of the ITTO Expert Meeting on Climate Change through Sustainable Forest Management convened in Yokohama in April/May 2008 as well as two proposals on "capturing funds from carbon markets to promote sustainable management of tropical forests" and the establishment of ITTO children's environmental education programme and noted that all the above efforts had demonstrated the commitment of ITTO to playing its role on an issue of great concern to every human being. Dr. Norini, however, stated that climate change should not be the central issue of ITTO in view of the funding problems facing the Organization. Dr. Norini noted that although Malaysia was experiencing a rapid rate of development, she had managed to retain approximately 60 per cent of her land area under forest. And that if other types of tree crops such as oil palm, cocoa, coconut and rubber wood were taken into account, the total land area under tree cover would be more than 70 per cent, an extremely high percentage for a developing nation. Dr. Norini stated that maintaining tropical forests as carbon sinks or reservoirs and reducing GHG emissions from deforestation and forest degradation, were key elements to be discussed in the post 2012 negotiations on climate change. She noted that most developing countries were not able to participate fully in afforestation and reforestation (AR-CDM) introduced under the Kyoto Protocol and to date out of more than one thousand projects registered with the Executive Board only one pertained to forestry. She noted that the rules and modalities were too complicated and expensive to implement, not to mention other key issues such as rules governing deadlines, definition of forests, eligibility of land and other related matters. She acknowledged that REDD was a major topic discussed at COP13 of UNFCCC in Bali in December 2007. Nevertheless, no decision had been made so far. She stressed that while promoting the idea of REDD, viewed as a golden opportunity for countries with large tracts of forest areas, countries should not forget to renegotiate the AR-CDM at COP14 in Poznan, Poland which must be viewed as another opportunity to combat climate change. Dr. Norini noted that at the regional level, Malaysia hosted the Eleventh Asian Senior Officials Meeting on Forestry (ASOF) convened from 31 July to 1 August 2008 and organized a seminar on current international issues affecting forestry and forest products. She recalled that one of the eight recommendations of immense importance was to include AR-CDM and REDD as an agenda item in ASOF, which demonstrated the seriousness of ASEAN Nations in coping with an issue of direct relevance to them. Dr. Norini noted that on the international front, Malaysia had on two occasions submitted views to UNFCCC on REDD and had also under the invitation of UNFCCC made a presentation on sustainable forest management in relation to REDD in Rome in 2007, and Malaysia's involvement in discussions with the Coalition of Rainforest Nations. Dr. Norini emphasized Malaysia's support for a global effort to curb deforestation and to provide incentives for reducing deforestation and forest degradation. Nevertheless, she noted, that in its noble struggle against deforestation and forest degradation, Malaysia believes that a conservative and cautious approach would be the best way to address such issues as leakage, permanence and

additionality and such an approach acknowledges the socio-economic impact of those countries in which forestry is still a significant economic sector. Dr. Norini re-affirmed that the primary priority in fighting against climate change should be the reduction of emissions at source and that carbon sinks should only play a transitional role and thus be included as an activity just for the short term. The representative of Malaysia stated that the proposals to establish "ITTO Children's Environmental Education Programme" and "Capturing Funds from Carbon Markets to Promote Sustainable Management of Tropical Forests" were another step forward for ITTO. She noted that the Forestry Research Institute of Malaysia together with relevant industries and Ministries in Malaysia had continuously organized environmental programmes for school children, including tree planting. Besides inculcating early appreciation on the importance of conserving the environment such a programme would also help to promote corporate social responsibilities. She supported the proposal to capture funds from carbon markets and believed that developing countries that were able to retain large areas of natural forests should be given maximum incentive to do so. From an economic point of view, retaining large areas of natural forests intact involves a high opportunity cost which must be compensated by providing incentives to such countries. The representative of Malaysia also proposed that supplementary funding for capacity building was necessary for developing countries to implement measures to reduce deforestation.

189. The representative of Colombia, Mr. Oscar Antonio Gomez, congratulated the Secretariat for the initiative on establishing ITTO children's environmental education programme. He stressed the importance of the programme and the need to work with children in order to develop an environmental culture. He reiterated Colombia's support for the initiative.
190. The representative of Côte d'Ivoire, Dr. Kouadio N'guettia, supported the proposal for the development of ITTO children's environmental education programme. He welcomed the initiative and noted that the current generation was not made aware of the serious consequences that mismanagement of forests could have on the environment. He informed the Council that in Côte d'Ivoire school programmes were being reviewed in order to integrate into them environmental education for children. He noted that the initiative would make it possible for future generations to have better training in the environment and be more effective because of the awareness that the programme would create.
191. The representative of Cameroon, Mr. Adrian Ngo'o Bitomo, concurred with previous interventions and commended the Secretariat for the initiative to establish, on a pilot basis, an environmental education programme for school children. He informed the Council that Cameroon was already involved in such an initiative. He underlined that Cameroon believes that such a programme would make it possible to raise awareness among young people, both in schools and universities. He indicated that there had been a great deal of enthusiasm for such a programme. The Government was, therefore, overwhelmed by the enthusiasm and the level of demand. He reiterated Cameroon's support of the ITTO children's environmental education programme. He hoped that Cameroon would be able to take advantage and participate in the programme.
192. The representative of Panama, Mr. Felix Magallón, commended the Secretariat for the initiative. He mentioned that Panama was working on the area of children's education and had developed environmental educational material for different levels of education. He stated that the website of the National Environmental Authority had a specific page for children which could be accessed by children for any information on the environment. He reiterated Panama's support for this positive initiative.
193. The representative of Brazil, Ms. Claudia Tavares, agreed with the objective of creating a new generation of world citizens who would be aware of the importance of the environment. However, she indicated that the programme could be revised to involve more issues other than climate change mitigation and should focus more on sustainable forest management which would be more useful in terms of raising awareness among children.
194. The representative of Ecuador, H.E. Dr. Federico Meneses, commended the Secretariat for the initiative. He stated that it was extremely important to educate the new generation of children on the environment in order to achieve sustainable development and environmental preservation. He supported the proposed programme and requested the Secretariat to include Ecuador in the proposed programme.

195. The representative of Japan, Mr. Masayoshi Mizuno, supported the Secretariat's initiative to establish an ITTO children's environmental education programme. He stated that Japan's support is based on the UN effort for education and sustainable development which was announced by Prime Minister Koizumi and adopted by the UN General Assembly. He also noted that the host City of Yokohama had expressed its interest and enthusiasm for such a programme. He recalled that at the Opening of the Session, the Mayor of the City of Yokohama, H.E. Mr. Hiroshi Nakada informed the Council that the City was very much interested in collaborating with ITTO in this activity. He announced that Japan would continue to support further promotion of ITTO's initiative on environmental education.
196. Mr. Luiz Ernesto Barrera, Garavito, the representative of Guatemala, expressed support for the programme and proposed that alliances be developed with regional authorities. For the Central American Region, he proposed that it would be convenient to consider the Central American Regional Commission for Environment and Development and the Regional FAO Commission in order to bring into play all the regional protagonists into the programme. The representative of Guatemala stated that the programme should emphasize the importance of sustainable forest management.

(c) *Capturing Funds from Carbon Markets to Promote Sustainable Management of Tropical Forests*

197. Dr. Steven Johnson, ITTO Secretariat, presented the concept paper on "Capturing Funds from Carbon Markets to Promote Sustainable Management of Tropical Forests" as contained in document ITTC(XLIV)/16. The purpose of the concept paper was to:
- Inform ITTO Members of the current and prospective carbon market-based opportunities to attract additional funding for supporting Member Countries' activities in the sustainable management and conservation of tropical forests; and
 - Seek the Council's agreement for ITTO to commence work on investigating the feasibility of establishing a mechanism that would enable ITTO to develop partnerships with interested parties/governments, philanthropic organizations and the private sector in order to attract additional funding in support of forest management activities in Member Countries.
198. The paper stated that the ITTO carbon mechanism would aim at achieving the following objectives:
- Contribute substantially to ITTO's efforts to support the sustainable management of tropical forests in Producer Member Countries, including the production of timber for the international tropical timber trade, and the other environmental services provided by tropical forests such as soil conservation, water production, biodiversity conservation and the production of non-timber forests products;
 - Provide additional financial resources to ITTO Member Countries to support their efforts in managing their forest resources sustainably to generate continuing income for socio-economic development, including reducing poverty;
 - Assist in building, sustaining and expanding the international market for carbon emission reductions related to tropical forestry, to provide market-based incentives to secure the future of tropical forests and thereby reduce the incentive to convert them to other land uses such as clearing for agriculture; and
 - Further strengthening the capacity of ITTO's Producer Member Countries to benefit from the emerging market for emission reduction credits.
199. The concept paper noted that based on these objectives, an ITTO carbon mechanism could closely align with the organization's core objectives, encompassing the following:
- Projects that aim to continuously improve the sustainable management of tropical forests dedicated to multiple forest use, including commercial harvesting, so as to enhance their carbon sinks and sequestration capacity. Better forest management practices could substantially reduce carbon emissions through enhancing the sink and sequestration capacities of forests;
 - Projects involving the establishment of commercial tree plantations either on cleared agricultural lands or degraded forest lands;

- Projects aimed at protecting forest areas set aside for conservation purposes;
- Projects to increase the economic and financial value of existing tropical forests to avoid deforestation;
- Projects that promote the generation of renewable energy through burning wood waste to replace fossil fuels;
- Projects that aim to produce bio-fuels sustainably to replace fossil fuels;
- Projects that promote the substitution of energy-intensive building and construction materials such as concrete, aluminum and plastic with tropical wood products; and
- Projects focusing on the rehabilitation of degraded tropical forests.

200. The paper concluded that carbon markets as market-like mechanisms could substantially raise the financial value of forests, and tropical forests projects that could demonstrate their capacity to guarantee permanence and additionality of carbon stocks and avoid leakages, were very likely to be compensated especially by the private sector and that such compensation could produce significant and positive impact on the livelihood of forest dependent communities, promote conservation and avoid deforestation. In this regard, ITTO would explore alternative mechanisms to increase Member Countries' benefits from this new and growing financial opportunity to enhance sustainable forest management in the tropics. ITTO would, therefore, identify and study the feasibility of developing a carbon related mechanism that could attract additional investment in tropical forests and promote the connection between potential sources of fund and forest owners potentially capable of maintaining and increasing stocks.

201. The Council took note of the report.

**MEASURES TO IMPROVE AND STRENGTHEN THE ITTO PROJECT CYCLE –
DECISION 3(XXXVII) (Agenda Item 19)**

202. The Executive Director provided a brief background on the draft new edition of the Project Cycle Manuals, related Guidelines and Software Tool pursuant to Council Decision 3(XXXVII). He recalled that these manuals were presented at the Forty-third Session of the ITTC in November 2007. He recalled that the Council made a number of comments, particularly with regard to the new Project Formulation Manual, and also requested that the Project Formulation Manual be tested through the development of pilot projects. He informed the Council that based on the pilot testing of the Manual on Project Formulation as well as comments received from Member Countries the Project Cycle Manuals, Guidelines and Software Tool had been revised. He invited Dr. James Gasana, the lead consultant, to present the amended documents to the Council.

203. Dr. James Gasana referred to document ITTC(XLIV)/17. The set of Manuals and Guidelines comprised:

- Revised Manual for Project Formulation;
- Software Tools to Support Project Formulation;
- Revised Manual for Project Monitoring, Review, Reporting and Evaluation;
- Manual on Standard Operating Procedures for Project Cycle;
- Revised Guidelines for the Selection and Employment of Consultants; and
- Revised Guidelines for the Procurement and Payment of Goods and Services.

204. The process of the revision of the Manual on Project Formulation involved lessons learnt from pilot use of the Manual in Togo, Côte d'Ivoire, Thailand, Guatemala and Mexico; and incorporation of Members observations and comments. Comments were submitted by Côte d'Ivoire, Guatemala, India, Thailand and the U.S.A.

205. The representative of Guatemala, Mr. Luis Ernesto Barrera Garavito, noted that the Manuals would provide good guidance and tools with which to inject new life into the project cycle. He indicated that the Manuals and Guidelines were very clear instruments and easy to use and proposed to the Council to approve them for immediate use.

206. The representative of Indonesia, Dr. Teguh Rahardja, expressed appreciation for the work undertaken by the Secretariat and the consultants in revising the draft Manuals. He noted that there had been some improvement in the revision of the Manuals and Guidelines for project formulation, implementation, monitoring and evaluation and that the new Manuals were more

user-friendly and equipped with software tools and more impact oriented. He acknowledged that there was still lack of capacity on the part of proponents in project formulation and hoped that the Manuals would increase the capacity of proponents in preparing better quality project proposals. He proposed that ITTO should continue the dissemination of the Manuals and Guidelines, especially through training on project formulation for Member Countries. The representative sought clarification on the appraisal system to be used by the Expert Panel for Technical Appraisal of Project Proposals with regard to the formulation of project proposals based on the new Manual for Project Formulation. He indicated that there might be the need to synchronize the appraisal system with the new Manual.

207. The representative of Japan, Mr. Hideaki Takai, endorsed the revised new Manuals and Guidelines. He noted that the revised new version of the Manuals were a significant improvement over the previous version. He called on the Council to adopt the new Manuals and apply them to the next project cycle. He pointed out that the revised new Project Formulation Manual should be made consistent with the other Manuals such as the Standard Operating Procedures (SOP). He also concurred with the intervention by the delegation of Indonesia that the Manual on Project Formulation should be made consistent with the scoring system in the appraisal of project proposals by the Expert Panel for Technical Appraisal of Project Proposals.
208. The representative of Côte d'Ivoire, Mr. Kouame Martial, commended the new Manuals and stated that they would assist in improving the project cycle. He recalled that Côte d'Ivoire was one of the countries selected for the pilot testing of the Project Formulation Manual. He noted that the Manuals constituted clear tools to be used by Member Countries to ensure that projects were formulated more clearly and objectively. He stated that the transition from the old to the new Manuals must be done with clarity and rigor to avoid any possible confusion.
209. The representative of United States of America, Ms. Jennifer Conje, stated that the current version of the Manuals was much more streamlined and user-friendly compared to the previous version. She indicated that it was the understanding of the United States delegation that the revision of the manuals, particularly the Manual on Project Formulation was aimed at not only providing project designers with the basic format for ITTO projects but also a tool to build project developers' capacity and understanding of the project formulation process. She noted that, as pointed out by many ex-post evaluations, the success of a project was directly related to the original problem identification, analysis and design and hoped that Member Countries would utilize the breadth of expertise and recommended tools that had been put into the revised Manuals, and that ultimately would lead to the implementation of more successful ITTO projects. The representative of the United States made two recommendations on the revised Manuals and underlined that the recommendations could be done with minimum effort and therefore, should not prohibit the Council from adopting a decision on the Manuals at its current Session. She noted that since the inception of the revision process there had been an uneasy balance between providing a tool of substantive guidance and at the same time ensuring that the Manual was use-friendly, straightforward and clear. She acknowledged that the current version of the Project Formulation Manual had done a great job with regard to the former requirement but sometimes at the expense to the latter and proposed that one way to strengthen this weakness would be ensure that the user would immediately be able to identify the main outline of an ITTO project, without having to read the whole manual from front to back. She proposed that that could be achieved with a few editorials and communication strategies. For example, by highlighting the table of contents using different paper types during printing and making it to stand out from the rest of the document. She indicated that the consultant and the ITTO communication strategist should devise means of strengthening the document in this regard. Ms. Jennifer Conje also recalled the concern highlighted by the Chairperson of the Expert Panel for Technical Appraisal of Project Proposals that the scoring system for project appraisal and the Project Formulation Manual be harmonized and noted that some work had already been done by the 36th Meeting of the Expert Panel for Technical Appraisal of Project Proposals and should be continued and finalized by the 37th Expert Panel at its next meeting in February 2009. Ms. Conje also took the opportunity to recognize the extra work, flexibility and patience of the past few Expert Panels which had had a difficult task of working with different systems and manuals during this transition period. The United States delegation looked forward to working with other Members of the Council to adopt a decision on the Manuals at the current Session of the Council.
210. The representative of Cameroon, Mr. Thémotio Batoum, underscored the importance of the Manuals and need for capacity building in Member Countries in the use of the Manuals in order

to make good use and exploit all the benefits of these new tools. He supported the approval of the Manuals by the Council.

211. The representative of the Philippines, Mr. Romeo Acosta, supported the approval of the Manuals by the Council. He also called on the Council to adopt a decision at its current Session on the Manuals and Guidelines, to allow Member Countries the opportunity of realizing the full advantages of the new Manuals.
212. The representative of Panama, Mr. Felix Magallón, stated that the new Manuals would make it easier for countries to submit project proposals and improve the Project Cycle.

PROMOTION OF TRADE IN SUSTAINABLY PRODUCED TIMBER – DECISION 2(XXXIX) (Agenda Item 20)

213. The report on a pilot programme to implement a nationwide monitoring system for logs and processed forest products in Côte d'Ivoire was presented by Mr. Me Kouame Martial. The main objective of the programme was to demonstrate the feasibility of a tracking system managed by MINEEF for three logging companies, and to replicate and scale up the programme nationwide. The stakeholders in the programme were MINEEF, SGS, Helveta, partner companies and a national expert in forest product monitoring to critically assess project progress.

214. The expected outputs of the project were:

- Efficient data collection, management and analysis, with an internet accessible data base and a software with 8 checkpoints and providing the capacity to generate 12 reports;
- A better knowledge and understanding of the timber resource potentials using new tools and agents trained in the use of such tools;
- An effective and efficient forest product monitoring system established;
- An illustrated log tracking manual developed; and
- Trained Officers in the use of state-of-the art technology, including the use of bar code system from logging site to port facilities.

215. The report identified some constraints including the following:

- Difficulties in providing efficient training to some officers in the use of the new system;
- Failure of the Field-level Portable Computers (PDA)
- High cost of PDAs; and
- Software limitations. Information data on log transportation was not incorporated into the software; and therefore, material from one log could not be tracked down when entering several finished products and several commercial contracts.

216. The report noted that the new system would help to secure all information and data on each log entering the system in a credible and readily accessible form. However, the high cost of the system had dampened any commitment to the process by operators and the Forest Administration. Furthermore, the workers had not fully grasped the new software and had made them technologically dependent on services provided by the software developers. The report stated that the continuation of activities after the completion of the pilot phase would depend on which system would be selected for national level implementation and the issue should be discussed by the various industry stakeholders for the process to become sustainable.

217. The lessons to be drawn from the pilot project were:

- Costs of equipment (PDA) had to be reduced;
- Features and functions of the software should be improved;
- Training should be for a longer period; and
- Duration of the pilot project should be longer than six months.

218. The report made the following recommendations;

- (i) SGS/HELVETA
- Make the digital forest product monitoring system more user friendly;
 - Revise the costs of the system downwards.

- (ii) Economic Operators of the Timber Industry
 - Be responsive to new international market requirements and to anticipate in the establishment of a tracking system for processed products.
 - (iii) ITTO
 - Undertake the second phase involving pre-extension work for 1 or 2 years with volunteer operators, including training, bar code development and the development of localized software.
 - (iv) Government of Côte d'Ivoire
 - Take tax incentive measures to encourage operators to initiate the implementation of the system.
219. The representative of Congo, Mr. Adolphe Ngassembo, stated that traceability had always been a problem at the entry and exit points of products and sought clarification on how traceability was managed at the exit points of products during the pilot project in Côte d'Ivoire. In response, Mr. Me Martial stated that the whole traceability system which had been set up was based on bar codes and at the time of inventory the bar codes were imprinted on the tree and during logging the bar codes were attached to the stumps and the logs which were then transported to the sawmills. Using the bar codes, a product could be traced from the forest to the processing mill and through to export, although there were weaknesses in the system which had to be improved upon. He noted that SGS/HELVETA were ready to improve the system for the next phase of the project.
220. The representative of Papua New Guinea, Mr. Kaip Dambis, informed the Council that PNG was in the initial stages of undertaking two similar projects, and Côte d'Ivoire's experience was, therefore, very informative. He sought clarification on the cost of the project and also whether the Government of Côte d'Ivoire would make the implementation of the system mandatory. In response, the representative of Côte d'Ivoire reiterated the high cost of the PDAs estimated at USD 3,800 per unit. He indicated that each company would require about 100 units of the PDAs. He mentioned that for future operations, this high cost of the PDAs must be reduced in order to encourage companies to use the system. He noted that markets were becoming more demanding and therefore to be able to participate in the international market Côte d'Ivoire would eventually have to ensure that the origin of the timber could be traced. He reiterated the recommendation to the Government of Côte d'Ivoire to look at tax incentive measures to encourage operators to have the means to acquire the system.
221. The representative of China, Mr. Li Qiang, informed the Council that in September 2007 APEC leaders called for the establishment of the Asia-Pacific Network on Sustainable Forest Management and Forest Rehabilitation to enhance capacity building and strengthen information sharing in the region. He recalled that the action was proposed by China and co-sponsored by Australia and U.S.A. He informed the Council that the network was officially launched in Beijing, China, during the international symposium on sustainable forest management convened on 25 - 27 September 2008 and co-organized by the Governments of Australia, China and U.S.A. and the Nature Conservancy. The symposium brought together some 120 participants from APEC and Non-APEC economies, regional and international organizations, scientific institutions, the private sector and NGOs.
222. The representative of U.S.A., Mr. Mark Johnsen, provided further information on the network. He stated that the mission of the network was to promote and improve sustainable forest management and rehabilitation of forests in the Asia-Pacific region through capacity building, information sharing, regional policy dialogues and pilot projects. Specific objectives of the network include the following:
- Promoting rehabilitation, afforestation and reforestation;
 - Improving forest quality, including climate change mitigation and adaptation response; and
 - Improving the productive capacity of forest ecosystem and enhancing biodiversity conservation in the Asia-Pacific region.

He noted that these objectives are consistent with and complementary to ITTO objectives and in addition nearly all the APEC countries are also Members of ITTO. He extended an open invitation to the Secretariat to participate in future APF-net events and also hoped to explore opportunities for ITTO and the network to cooperate on issues of mutual interest.

223. The representative of the Philippines, Mr. Ricardo Umali, agreed with the conclusions of the report regarding the costs of the PDAs. He stated that there was already available software on the market. However, trying to develop country specific software would escalate the cost. He cited a similar ITTO project being implemented by the Government of the Philippines and hoped that it might yield the same result. He called for more pre-analytical studies by ITTO, prior to the pilot phase in order to reduce the cost.

ITTO FELLOWSHIP PROGRAMME (Agenda Item 21)

(a) Progress Report on the ITTO Fellowship Programme (Freezailah Fellowship Fund)

224. The report, as contained in document ITTC(XLIV)/18 was presented by Mr. E. Collins Ahadome (ITTO Secretariat). Four hundred and thirty-nine (439) fellowships amounting to US\$2,541,401 had so far been awarded under the Freezailah Fellowship Fund. Seventy-eight percent of these awards were in the field of Reforestation and Forest Management, 15% in Forest Industry and 7% in Economic Information and Market Intelligence. In terms of geographical distribution of the awards, 32% were awarded to applicants from Africa, 28% from Asia-Pacific, 27% from Latin America, 11% from developing consumer countries and 2% from consumer countries. Females had accounted for 35% of the total awards. Short training courses, participation in conferences, study tours and technical document preparation accounted for 54% of the fellowships, while post graduate programmes accounted for 46%.

(b) Report of Fellowship Selection Panel

225. The report of the Fellowship Selection Panel was presented by Mr. E. Collins Ahadome (ITTO Secretariat) [as contained in document ITTC(XLIV)/19]. The Selection Panel was composed of representatives of Gabon, Brazil, Papua New Guinea, Australia, Norway and U.S.A. and chaired by the Vice-Chairperson of the Council. The Panel met twice during the Forty-fourth Session of the ITTC and evaluated a total of ninety-nine (99) applications. In reviewing these applications, the Panel took into account the balance among the regions, and the three subject areas of Reforestation and Forest Management, Forest Industry and Economic Information and Market Intelligence as well as the opportunity to promote the participation of women. The Panel recommended to the Council the approval and award of twenty-three (23) applications at a total cost of US\$149,750.00.

226. The Council approved the report of the Fellowship Selection Panel.

DRAFT ANNUAL REPORT FOR 2007 (Agenda Item 22)

227. The draft Annual Report for 2007 was presented by Mr. E. Collins Ahadome (ITTO Secretariat) as contained in document ITTC(XLIV)/4. The report highlighted the work of the Organization in 2007, including key Decisions of the Council, policy work, a summary of projects, pre-projects and activities funded by the Organization and voluntary contributions received by the Organization in 2007.

228. Mr. Ahadome mentioned that some of the highlights of the work of the Organization in 2007 were:

- The appointment of Mr. Emmanuel Ze Meka as the third Executive Director, with effect from 6 November 2007;
- Convening and reporting on a multi-stakeholder workshop on forest law enforcement and governance in Port Moresby, Papua New Guinea;
- Workshop on the implementation of forestry legislation in the Amazonian region convened in Belem, Brazil
- Implementation of four (4) Civil Society and Private Sector Partnerships for sustainable forest management in Indonesia, Papua New Guinea, Cameroon and Brazil;

- Reporting on developments in the UNFCCC regarding forests and their potential implications for tropical forests and the world timber economy;
- FAO/ITTO workshop on collaboration on trade in sustainably managed tropical timber species in San Pedro Sula, Honduras;
- Workshop on community forest management and enterprises in Acre, Brazil;
- Convening of tropical forest investment fora in Bangkok, Thailand and Accra, Ghana;
- DENR/FAO/ITTO regional workshop on improving forest law compliance in Southeast Asia in Manila, Philippines;
- International conference to promote the development of tropical non-timber forest products and services in Beijing, China; and
- Regional workshop on processing and marketing of teak wood products from planted forests in Peechi-Kerala, India.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (Agenda Item 23)

(a) Pledges to the Special Account and the Bali Partnership Fund

229. There were no pledges made to the Special Account and the Bali Partnership Fund.

b) Report of the Panel on Sub-Account B of the Bali Partnership Fund

230. The report was presented by Mr. Marcel Vernooij (Netherlands), Chairperson of the Committee on Finance and Administration. The Panel was composed of representatives of Japan, Switzerland, U.S.A., Mexico, Togo and Thailand and the Executive Director. Also invited to the meeting were representatives from Cambodia, Ghana, the Netherlands and New Zealand. The Panel noted that at the end of the Forty-third Session of the Council, forty-five activities, five pre-projects and five projects had been approved and funded through the resources of the Sub-Account B of the Bali Partnership Fund. It further noted that as of 31 October 2008, total funds received in the Sub-Account B of the Bali Partnership Fund since its establishment amount to USD 18.58 million while the total net allocations/commitments, including for the Biennial Work Programme for 2008-2009 amount to USD 19.52 million leaving a negative balance of USD 932,713.52. However, adequate resources were expected to be available within the year 2009 for all the allocations/commitments made.
231. The Secretariat further informed the Panel that the current funds available in the "Unearmarked Funds" as of 31 October 2008, amount to USD 78,614.29 after taking into account the total allocations of USD 11.96 million made at the previous Sessions held from November 2003 to November 2008.
232. The Panel took note of ongoing work on various projects, pre-projects and activities and identified additional projects and activities eligible for financing from the resources of the Sub-Account B of the BPF and/or Unearmarked Funds and decided that these new additional projects and activities would be considered for prioritization and financing at a future meeting of the panel, taking into account the available resources at that time.
233. The Panel also reviewed the Multi-donor ITTO Programme Support on Tropical Forest Law Enforcement and Trade (TFLET) and noted that Members' responses to the programme had been slow. The Panel was, however, pleased to note that additional allocation for financing of project, pre-project and activities under the TFLET Programme amounted to USD 379,844.00 of which US\$ 100,000.00 was a new pledge. In view of the recently approved work on the ITTO Thematic Programme on TFLET, the Panel decided to recommend to the Council to include two additional producer members (Cambodia and Ghana) and two additional Consumer members (The Netherlands and New Zealand).
234. The report of the Panel on Sub-Account B of the Bali Partnership Fund was approved by the Council.

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 24)

Committee on Economic Information and Market Intelligence

235. Ms. Michele Mire (U.S.A.), Chairperson of the Committee on Economic Information and Market Intelligence presented the report of the Committee as contained in document CEM-CFI(XLII)/8. The Committee met in Joint Session with the Committee on Forest Industry.
236. The Committee noted the summary report on the ITTO Annual Market Discussion – 2008, held in the Joint Session of the Technical Committees on 5 November 2008. The theme of the Market Discussion was “Intra-Regional Trade in Challenging Times”. Ms. Michele Mire (U.S.A.), Chairperson of CEM chaired the meeting and Mr. Barney Chan (Malaysia), Coordinator of the Trade Advisory Group, moderated the market discussion.
237. The Committee considered the completion reports of one project and two pre-projects and duly declared them complete. To facilitate the sharing of experiences and lessons learned among Members, the consideration of ex-post evaluation reports were undertaken in the Joint Session of the Technical Committees. An oral report was made by the Secretariat on the progress in the implementation of the ex-post evaluation of two projects, PD41/99 Rev.4 (M) “Development and Implementation of the Pilot Project of the Forestry Statistics Information System (FSIS)” (Philippines) and PD194/03 Rev.2 (M) “Expanding and Improving Global Mangrove Database and Information System (GLOMIS) and its Networking” (Japan/Global). The Committee selected one completed project for ex-post evaluation – PD133/02 Rev.2 (M) “Timber and Timber Products Trade Flow Study in the Philippines”. The Committee on Economic Information and Market Intelligence also reviewed the implementation status of seventeen (17) projects and five (5) pre-projects.
238. On policy work, the Committee on Economic Information and Market Intelligence held discussions on the following issues: (i) market access; (ii) forest and timber certification; (iii) selected data and analysis from ITTO Annual Review and Assessment of the World Timber Situation – China; (iv) review of the timber market in two significant tropical timber importing countries [PP-A/36-149]; (v) studies on subsidies affecting tropical timber products [PP-A/39-172]; (vi) enhancement of statistical work and training workshops on statistics [PP-A/39-174]; (vii) consider further work on forest law enforcement and illegal trade in timber and timber products; (viii) economic valuation of the forest sector with particular reference to the Amazon Basin [PP-A/39-176]; (ix) collaborate with the Trade Advisory Group (TAG) in organizing and holding the ITTO Annual Market Discussions on the world tropical timber trade during Sessions of the ITTC in 2008 and 2009; (x) monitor developments and progress in timber procurement policies; (xi) monitor the competitiveness of tropical wood products compared with other materials; and (xiii) assist market remuneration for environmental services provided by tropical forests in three producing regions.
239. The Committee recommended to the Council for approval and funding of two (2) new projects and one new pre-project and additional funding for one project. The Committee recommended to the Council that funding be made immediately available for two (2) projects and one pre-project approved at earlier Sessions.
240. The Committee elected Ms. Siti Syaliza Mustapha (Malaysia) and Ms. Carla Boonstra (The Netherlands) as Chairperson and Vice-Chairperson respectively for 2009.
241. The report of the Committee was approved by the Council. The full report is contained in Annex IV.

Committee on Reforestation and Forest Management

242. Mr. Carlos Enrique Gonzales Vicente (Mexico), Chairperson of the Committee on Reforestation and Forest Management presented the report of the Committee as contained in document CRF(XLII)/7.
243. The Committee considered the reports of two categories of completed projects: Group (A) – those projects and pre-projects where the field activities had been completed and the final report and other technical documentation had been submitted to the Secretariat together with the audited financial reports. There were ten (10) completed projects and two (2) pre-projects in this category and were duly declared complete. Group (B) – those projects and pre-projects

where the field activities had been completed and the final report and other technical documentation submitted to the Secretariat but where the audited financial report was still pending. There were two (2) projects and two (2) pre-projects in this category and the Committee urged the Executing Agencies of these projects to submit their final financial audit reports to the Secretariat. To facilitate the sharing of experiences and lessons learned from ex-post evaluation of projects among Members, the consideration of ex-post evaluation reports was undertaken at the Joint Session of the Technical Committees. The Joint Session considered the ex-post evaluation report of five projects grouped under the theme of forest rehabilitation. The Committee requested the Secretariat to ensure that the ex-post evaluation findings be taken into account in the formulation and implementation of new projects in the area of forest rehabilitation. The Committee further noted that the ex-post evaluation of a second batch of seven projects grouped under the theme of Forest Management/Inventory was underway. The Committee requested the Secretariat to finalize the necessary arrangements for the conduct of the aforementioned ex-post evaluations before its next Session in November 2009. The Committee on Reforestation and Forest Management took note of the status report on ninety-two (92) projects that were either:

- A) Under implementation (69)
- B) awaiting the signing of an agreement (6);
- C) awaiting financing (18); and
- D) falling under the sunset provision since the last Session of the Committee (9).

The Committee then proceeded to discuss issues related to thirty (30) projects and pre-projects under implementation; two (2) projects and one pre-project awaiting implementation of agreement; seventeen (17) projects awaiting financing; and six (6) projects and one pre-project coming under the sunset provisions since the last Session of the Committee.

244. On policy work, the Committee on Reforestation and Forest Management considered the following policy-related matters:

- (i) Review and promote the use of the revised ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests (1993);
- (ii) Contribute appropriately to national and international efforts in the area of prevention and management of fire in relation to tropical timber-producing forests;
- (iii) Promote the implementation of guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land;
- (iv) Monitoring the progress in the application of criteria and indicators for sustainable forest management; and
- (v) Multipurpose forest inventory as a tool for sustainable forest management.

245. The Committee recommended to the Council the approval and funding of nine (9) new projects and one new pre-project and also funding be made immediately available for one project which was approved at the previous Session but revised during the current Session of the Committee.

246. The Committee elected Mr. Hideaki Takai (Japan) and Mr. John Woods (Liberia) as Chairperson and Vice-Chairperson respectively for 2009.

247. The report of the Committee was approved by the Council. The full report is contained in Annex IV.

Committee on Forest Industry

248. Dr. Jürgen Blaser (Switzerland), Chairperson of the Committee on Forest Industry presented the report of the Committee as contained in document CEM-CFI(XLII)/8.

249. The Committee considered the completion reports on six (6) projects and one pre-project and duly declared them complete. Ex-post evaluation of reports were undertaken at the Joint Session of the Technical Committees in order to facilitate the sharing of experiences and lessons learned. Under the Committee on Forest Industry, the Joint Session considered the ex-post evaluation reports on three (3) projects:

PD69/01 Rev.2 (I) "Improved and Diversified Use of Tropical Plantation Timbers in China to Supplement Diminishing Supplies from Natural Forests";

PD10/00 Rev.2 (I,F) "Sustainable Management and Utilization of Sympodial Bamboos in South-China"; and
PD51/00 Rev.2 (I,M) "Improvement of Rubberwood Utilization and Marketing in Thailand"

Oral reports were also made by the Secretariat on the progress in the implementation of the ex-post evaluation of five projects in the area of Forest Industry. The Committee on Forest Industry did not select any projects for ex-post evaluation, considering that the ex-post evaluations of three (3) projects selected previously were still pending. The Committee considered the progress in implementation of thirty (30) projects and six (6) pre-projects as well as the status of six (6) projects pending finance.

250. On policy work, the Committee considered the following issues:

- (i) Promote Wood-based Bioenergy using Wood Residues and Wastes in Tropical Countries;
- (ii) Strengthen Policies and Opportunities for Forest Investment;
- (iii) Promote Further Processing of Tropical Timber;
- (iv) Study the Technical and Environmental Standards of Tropical Timber Products in International Markets; and
- (v) Study on the International Transportation of Timber Products.

251. The Committee on Forest Industry recommended to the Council that funding be made immediately available for four (4) new projects approved at its current Session and six (6) projects approved at earlier Sessions of the Committee.

252. The Committee elected Mr. James Nirmal Singh (Guyana) and Dr. Im Eun Ho (Republic of Korea) as Chairperson and Vice-Chairperson respectively for 2009.

253. The report of the Committee was approved by the Council. The full report is contained in Annex IV.

Committee on Finance and Administration

254. Mr. Marcel Vernooij (Netherlands), Chairperson of the Committee on Finance and Administration presented the report of the Committee as contained in document CFA(XXIII)/9 Rev.1. The CFA reviewed the draft Biennial Administrative Budget for 2009 and recommended to the Council to approve the expenditures in the Administrative Budget for the Financial Year 2009 in the amount of USD 5,878,078.00 and to authorize the use of an amount of USD 300,000.00 from the Working Capital Account, as an exceptional case, to finance part of the expenditures in 2009. The CFA also reviewed Members' contributions to the Administrative Budget and noted that in 2008, an amount of USD 2,118,022.92 had been received from Producing Members out of the total net assessment of USD 2,694,754.00 while USD 2,631,204.00 had been received from Consuming Members out of the net assessed amount of USD 2,658,784.00. The Committee urged all Members in arrears to settle these arrears promptly. The Committee also received the status report on the Administrative Account and noted that the resources of the Working Capital Account had slightly increased from USD 3,723,189 at the end of 2007 to USD 3,796,606.28 as at 31 October 2008. The CFA also reviewed the resources of the Special Account and the Bali Partnership Fund and noted that as of 31 October 2008, the total funds received in the Sub-Account B of the BPF amount to USD 18.58 million and the total allocations/commitments, including for the Biennial Work Programme for 2008-2009, amount to USD 19.52 million leaving a negative balance of USD 932,713.52. However, adequate resources were expected to be available within the year for all the allocations/commitments made.

255. The Committee on Finance and Administration reviewed the Auditor's report for the Financial Year 2007 and recommended it to the Council for approval. The Committee further recommended to the Council to appoint the firm "Arota Kansa Houjin (PWC Arata), Tokyo" to audit the accounts of the Organization for the Financial Years 2008 and 2009 and the re-engagement of the same Auditor, on annual basis, subject to satisfactory performance.

256. The Committee reviewed the Staff Regulations and Rules of the Organization and recommended to the Council to approve the proposed amendments as contained in document CFA(XXIII)/8 with effect from 1 November 2008.

257. The Committee elected Mr. Schadrack Ondoua Ekotto (Cameroon) and Dr. David Brooks (U.S.A.) as the Chairperson and Vice-Chairperson respectively for 2009.
258. The representative of Japan, Ms. Tokuko Nabeshima, regretted that due to time constraints, Members could not have more in-depth discussions on the Administrative Budget and hoped that the next Session of the CFA would be better managed. She indicated that the Committee was given one hour to examine the proposed alternatives thereby making it difficult to grasp the new figures and to give careful thought and provide an official response. She indicated that that was the reason behind Japan's reservation on the budget during the CFA meeting. Fortunately, the delegation received the official approval from the Government on time and, therefore, Japan was in the position to approve the Administrative Budget for 2009. She apologized to Members for keeping them waiting for Japan's response and confirmation of the budget. She, nevertheless, indicated that the problem was due to the lack of satisfactory explanation by the Secretariat and the limited allocated time for discussing the budget. She noted that the budget was closely related to the prioritization of resource allocation and, therefore, the Executive Director's intentions should be well explained during the CFA Session. Ms. Nabeshima stated that in the spirit of learning from experiences and moving forward, she requested that the Secretariat should allocate sufficient time for the next CFA Session in order to allow every Member the opportunity to examine and deliberate on the budget. She further requested that the Executive Director be present during the CFA Session in order to provide sufficient information in response to Members' questions and comments.
259. The report of the Committee was approved by the Council. The full report is contained in Annex IV.

ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON OF THE COUNCIL FOR 2009 (Agenda Item 25)

260. Dr. James Gasana (Switzerland), on behalf of the Consumer Group nominated H.E. Ambassador Michael Maue (Papua New Guinea) as the Chairperson of the Council for 2009.
261. Prof. Nii Ashe Kotey (Ghana), on behalf of the Producer Group nominated Mr. Daniel Birchmeier (Switzerland) as the Vice-Chairperson of the Council for 2009.
262. The Council unanimously approved both nominations.
263. The representative of Switzerland, Ms. Chantal Oltramare thanked all delegates for their support in the election of Mr. Daniel Birchmeier as the Vice-Chairperson of the Council for 2009.

Statement by the Chairperson-Elect

264. In his acceptance statement to the Council, the Chairperson-Elect warmly congratulated the leadership and vision of the Chairperson which had guided the Forty-fourth Session to its successful conclusion. He noted that the Forty-fourth Session posed some challenges. However, with understanding and above all, the spirit of partnership these challenges were overcome. He hoped this true spirit of partnership would live on for years to come. Ambassador Maue stated that among the notable achievements of the Session were the adoption of the Thematic Programmes on Forest Law Enforcement and Trade and Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests, including pledges by donors to fund these programmes. He also mentioned the other three Thematic Programmes which were approved but pending finance as part of the notable achievements of the Session, and indicated that those programmes represented Producers' interest which if implemented properly could provide the catalyst to contribute towards alleviating poverty.
265. Ambassador Maue noted that the challenges ahead were enormous and stated that the entry into force of the ITTA, 2006 would trigger off implementation towards achieving its objectives, the adoption of the New Action Plan 2008-2013 as well as a wide range of emerging issues. He indicated that for the Secretariat to be able to implement these activities, the Executive Director and staff must be provided with adequate resources. H.E. Amb. Maue stated that the objectives of ITTO had been clearly spelt out in the Agreement and the core functions continued to remain sustainable forest management and the trade in tropical timber and timber products. He also noted that climate change was of global concern and ITTO should take appropriate action to

mitigate the effect of climate change for the greater benefit of humankind today and for generations to come. The Chairperson-Elect also urged Member Countries who had not yet ratified the ITTA, 2006 to take the necessary measures. He was nevertheless encouraged by the news that several Members had taken positive steps which should provide the incentives for other Members to speed up the process.

266. The Chairperson-Elect highlighted the following issues for the Council consideration:

- Annual Market Discussion – he noted that many delegations had expressed concern that sufficient time had not been allocated to allow thorough discussions during the Annual Market Discussion. He underscored the importance of the Annual Market Discussion in providing market trends, movement of prices and demand trends;
- Definition of illegal practices – Ambassador Maue indicated that there seemed to be concerns on a commonly accepted definition of illegal practices in the timber industry and urged the Council to adopt an acceptable definition on illegal practices;
- Civil Society Groups – H.E. Amb. Maue stated that the work of civil society groups must continue to be encouraged and funded because their activities were beneficial to small forest communities and noted that there might be increasing trends for indigenous communities to administer forest lands.

267. H.E. Ambassador Maue appealed to Members of the Council for their support and understanding in executing his responsibilities. He assured the Council that he would endeavour to execute his duties as Chairperson of the Council to the best of his abilities.

DATES AND VENUES OF THE FORTY-FIFTH AND FORTY-SIXTH SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 26)

268. Prof. Nii Ashe Kotey (Ghana), on behalf of the Producer Group, reaffirmed the faith of the Producer Group on the partnership between Producers and Consumers which had sustained the Organization since its inception. He stated that it was the position of the Producer Group that as a matter of principle, the holding of Council Sessions should rotate between Producer Countries and Consumer Countries. He underlined that in the opinion of the Producer Group that was the best arrangement for the Organization, and underscored its importance and urged the Council to adopt and implement the proposed arrangement to allow for the alternating of hosting of Sessions between Producer Countries and Consumer Countries. He also craved the understanding of Consumer Members on the position of the Producer Group in the spirit of cooperation. Prof. Kotey also stated that consistent with the position of the Producer Group, the Forty-fifth Session of the Council should be convened in Guatemala City, Guatemala and should be funded through the Administrative Account of the Organization.

269. Dr. James Gasana (Switzerland), on behalf of the Consumer Group, expressed gratitude to the Vice-Chairperson of the Council for convening the Contact Group on the draft decision submitted by the Government of Guatemala. He stated the position of the Consumer Group following the discussions in the Contact Group. Firstly, in 2009 the Council Session should be convened in November in Yokohama, Japan. He also emphasized that the framework on how to improve the work of the Council should be thoroughly discussed during the November Session in 2009. He underlined that this would give Members sufficient time to analyze the different positions. Secondly, to avoid impeding the work of the project cycle he proposed that the project cycle calendar and procedures adopted for the spring 2008 cycle be applied to the spring 2009 project cycle. Thirdly, on the issue of financing of the Council Session, the Consumer Spokesperson objected to the use of the Administrative Account and underlined the need for further work to prepare the outcome of the November Session which would provide a good long-term framework solution, considering the fact that the Council was in a transition period and there was the need for new and innovative ways of conducting in an efficient manner the Council Sessions. He emphasized that in 2009 there should be no spring Session not only on the principle of looking for a good framework, but also for reflecting a long term solution of financing the Council Sessions.

270. The representative of Guatemala, Mr. Luis Ernesto Barera Garavito, supported the proposal made by the Producer Spokesperson. He underscored that sessions held in Producer Countries would achieve the same results as those convened in Consumer Countries. He referred to two documents which concluded that the best way to strengthen forest governance in Producer Countries would be to decentralize activities and therefore the need to empower local

organizations. He stressed that convening ITTO Sessions in Producer Countries had allowed support to be provided to the forestry sector at the highest level of government. He urged the Council to understand the position of Producer Members and to support the hosting of Sessions in Producer Countries.

271. The representative of Gabon, Mr. Bilé Allogho Joachim, stated that ITTO had acquired the reputation of adopting decisions by consensus. He recalled his previous participation in Sessions of the Council and regretted that the Organization appeared to be losing the spirit of consensus which had governed it in the past. He underlined the importance of convening Sessions of the Council in Producer Countries which had made ITTO to be known in tropical regions of the world, which was the beginning of the process of sustainable forest management in the African region despite the existence of the African Timber Organization (ATO). He reiterated the fact that Sessions held in Producer Countries had promoted ITTO and urged the Council to consider the issue of funding sessions in Producer Countries. He supported the position of the Producer Spokesperson that the spring 2009 Session should be held in Guatemala, and called on Consumer Members to review their position. He urged the Council not to procrastinate on the issue any longer and should take a decision at its current Session.
272. The representative of Liberia, Mr. John Woods, supported the position expressed by the Producer Spokesperson and the invitation by the Government of Guatemala to host the Forty-fifth Session of the Council in Guatemala City. He stated that the hosting of Sessions of the Council in Producer Countries was a form of capacity building. He reiterated that hosting of Sessions in Producer Countries had not only promoted the objectives of ITTO but also governments of Producer Countries had also realized the importance of ITTO.
273. The representative of Japan, Mr. Masayoshi Mizuno, acknowledged the importance of resolving the issue of frequency and venue of Sessions of the Council at the current Session. He supported the position expressed by the Consumer Spokesperson and reiterated that Consumer Members were fully aware of the importance of partnership between Producers and Consumers and called on the Council to discuss fully how that partnership could be realized. He indicated that Japan was ready to discuss the issue in a more concrete manner with a constructive spirit. He reminded the Council that rotating the Sessions of the Council between Producer and Consumer Countries would involve having to find solutions to many problems, including financing. Mr. Mizuno reiterated the position of Japan that holding Council Sessions outside the City of Yokohama would imply finding financial resources to meet the cost of holding such Sessions. He referred to the intervention by the Producer Spokesperson that the cost of hosting Sessions should be borne through the Administrative Account which would imply increased assessed contributions of Member Countries and called for thorough discussions on the proposal. He also stated that the Council was benefiting from the good will of the City of Yokohama which had made Sessions held in Yokohama to be very convenient and efficient. He noted that the City of Yokohama had borne all the costs of the Sessions, together with the provision of in-kind contributions. He also referred to the Mayor's statement at the Opening of the Session that the City of Yokohama was having very good relationship with ITTO. Mr. Mizuno also stated that another advantage of holding Sessions in Yokohama was the proximity to the ITTO Headquarters which enabled Council Members to be able to hold frequent consultations with officials of the Secretariat and indicated that Annual Council Sessions held outside Yokohama would lead to loss of many of these advantages he had enumerated. He indicated that these were important factors to be considered and called on the Council to continue with discussions in order to find the best solutions. He reiterated that Japan was willing to be involved in more in-depth discussions on the issue during the current Session.
274. The representative of the Philippines, Mr. Ricardo Umali, supported the position elaborated by the Producer Spokesperson. He regretted that there were opposing proposals from Consumer Members. He stated that as far as he could recall there had never been any problems with Council sessions held outside of Yokohama. He reiterated that if there would be only one Council session per year then the venue should rotate between Producer Countries and Consumer Countries and noted that the hosting of Sessions in Producer Countries was a matter of national pride and recalled the hosting of the Council session in Manila, Philippines in 1995. He emphasized that Producers meant to share the burden of hosting the sessions with the Consumers and also demonstrate to Consumers that Producer Countries were also capable of hosting the session properly and provide other opportunities which might not be in Yokohama. He stressed that Members would only be able to experience and enjoy tropical forest atmosphere in Producer Countries and not in Yokohama. Also, Members would be able to

- appreciate, on the ground, the projects that ITTO had been funding in Producer Countries. He indicated that hosting sessions in Producer Countries meant a change in environment. He pointed out that Producers loved to come to Yokohama for the Sessions of the Council and stated that Producers would want Consumers to love going to Producing Countries as well, and wondered why Consumers would want to stop the practice of hosting Sessions in Producer Countries. He called on Consumers to give Producers the opportunity to show their hospitality by holding Sessions of the Council in Producer Countries. He called for a compromise solution to the problem.
275. The representative of Malaysia, Mr. Ahmad Loman, fully supported the position and sentiments expressed by the Producer Spokesperson and other Producer Members on the principle of rotation in convening Council Sessions. He noted that the alternating of Council Sessions between Headquarters and Producer Countries had enhanced the spirit of Member Countries. He appealed to the Council not to lose this important dimension of the Organization and hoped the Session in 2009 would be held in Guatemala.
276. The representative of Indonesia, Mr. Yuyu Rahayu, supported the position expressed by the Producer Spokesperson and other Producer Members who had spoken earlier. He stated that the principle of rotation of Sessions between the Headquarters and Producer Member Countries would demonstrate the true partnership between Consumers and Producers.
277. The representative of Cameroon, Mr. Ondoua Ekotto Shadrack, fully agreed with the position expressed by the Spokesperson of the Producer Caucus. He noted that it had been about four years since the controversy had been coming up and, therefore, urged the Council to finally take a decision on the issue of frequency and venue of sessions of the Council. He called upon the Consumer Group not to delay any longer and to join the Producer Members in taking the appropriate decision so that ITTO would be able to work to reach its goals.
278. The representative of Congo, Mr. Adolphe Ngassembo, stated that there appeared to be some kind of uneasy silence within the Council which was a sign that something was not working properly among Council Members. He said the Council had to ask itself what would happen to ITTO if the Council had to constantly discuss the issue of frequency and venue of sessions of the Council. He noted that ITTO had financed many projects in Producer Member Countries and Producer Country governments had recognized the support that they had received from ITTO in the areas of sustainable forest management, forest governance and good practice of sustainable forest management. He indicated that the discussions on the issue of frequency and venue of sessions was taking the Council a step backwards although Members recognized that ITTO had made a lot of progress in the past and called on the Council to find solution to the current problem. Mr. Ngassembo underlined that if the Consumers stuck to their positions, Member Countries in the Congo Basin would suffer and appealed to Consumers Members to understand the position of the Producer Group that the best practices of sustainable forest management had been implemented in large areas and therefore a reversal of the current practice of holding Council session would lead to a situation whereby all the current gains might be lost. He noted that Producer Countries had followed international regulations, although the countries could have decided to use their forests in any way desired and, therefore, such harmonization of good practices should continue, with the assistance of ITTO. He cautioned that adopting entrenched positions would be difficult for ITTO to continue to work as it had done in the past.
279. The representative of Côte d'Ivoire, Mr. Me Kouame Martial, supported the proposal put forward by the Producer Spokesperson. He also stated that the arguments advanced by the representative of the Philippines were convincing and hoped the Consumer Members were also convinced. He noted that Producers and Consumers had worked as partners in ITTO and hoped the Council would after more than 3 years of deliberation on the issue of frequency and venue of sessions of the Council would finally be able to adopt a decision at its current Session. He urged the Council to find a compromise solution for the survival of ITTO.
280. The representative of Colombia, Mr. Oscar Antonio Alvarez Gomez, echoed the position expressed by the Producer Spokesperson and agreed with the arguments advanced by the representative of the Philippines. He underlined the importance of the issue and agreed with the representative of Guatemala that it was a matter of national pride for Producer Countries to host Sessions of the Council besides having positive impact on the forests of Producer Countries.

281. Dr. James Gasana (Switzerland), on behalf of the Consumer Group, stated the compromised position of Consumer Members. He indicated that Consumers fully understood the arguments that had been advanced by the Producer Countries and shared the values of partnership between Producers and Consumers. He reiterated that Consumers were trying to find a compromise solution, by having in-depth discussions on the issue during the next Council Session in November 2009 in Yokohama, Japan. He said that would be a way of finding a framework in which to approach the issue of future sessions. Dr. Gasana stated that the Council would also be able to discuss the issue of financing of the sessions of the Council. He believed that holding such discussions would allow the Council to find a harmonious way of working.
282. The representative of Gabon, Mr. Bilé Allogho Joachim, stated that the Organization was governed by an Agreement and therefore, if it was the feeling of the Council that the issue at stake was very important then the Council should resort to other means in order to conclude the matter. He proposed that the Council could resort to voting to conclude the matter.
283. The representative of Malaysia, Dr. B.C.Y. Freezailah, stated that ITTO had been built on the foundation of cooperation, mutual respect and understanding among the entire membership of the Organization, both Producers and Consumers. He noted that the Organization had faced many difficulties and challenges in the past but at the end of it all consensus and understanding had emerged. He was confident that the Council would be able to come to an amicable resolution of the current impasse. He acknowledged that Producers and Consumers were having differences of opinion on the matter and urged the Council to continue the discussions in order to resolve the differences between the two Groups. Dr. Freezailah noted that the issue had been unresolved for a very long time and urged the Council to resolve the issue amicably otherwise it would affect the integrity of the Organization, including the ratification of the ITTA, 2006.
284. The Chairperson proposed that the issue should be put on the agenda of the next Session of the Council.
285. The representative of the Philippines, Mr. Ricardo Umali noted the complexity of the situation and indicated that the Council definitely had to take a decision on the date and venue of its next Session. He also stated that not all delegations were in favour of the proposal to hold an in-depth discussion in November 2009 in Yokohama because there was a proposal from the Government of Guatemala to hold the next session of the Council in Guatemala City. He regretted that after all the deliberations no progress had been made on the issue. Mr. Umali stated that not many Consumer Members had spoken on the issue apart from the Consumer Spokesperson. He indicated that in order not to prolong the discussions any longer, the delegation of the Philippines would support the motion by the representative of Gabon calling on the Council to vote on the issue. He also indicated that it should be by consensus voting and not by special vote which would require lots of preparations. Failure to resolve the issue by the show of hands, the Council should then resort to special vote.
286. The representative of Brazil, Ms. Claudia Tavares, stated that the continuous postponement of definitive decision on the matter would inevitably affect the way the Council had been working and the cooperation among Member Countries. She called upon the good will and understanding of Consumer Members to agree to have a definitive decision during the next Session of the Council in Guatemala.
287. The representative of Ghana, Mr. Alhassan Attah, recalled that the Council had been holding biannual Sessions. However, in 2008 there was an agreement to hold only one Session. He also recalled that in spring 2004 when the Session was to be held in a Producer Country, there was a request by a Consuming Country to host the Session and the Producers agreed to the request in the spirit of true partnership. The session was consequently held in Interlaken, Switzerland and many delegates learnt the cultures and hospitality of the Swiss people. He indicated that it was in the same spirit that Guatemala was proposing to host the next Session in Guatemala and, therefore, in trying to move the Organization forward, the spirit of compromise and togetherness must be shown towards the Guatemala offer. He reiterated that Sessions held in Producer Countries usually received the highest level of political representation, thereby creating high political goodwill for the Organization. He encouraged the Council to consider favourably the request by Guatemala. He also pointed out that during the Accra meeting, China

had also expressed the interest to host a future session of the Council and, therefore, it was not only Producers who want to host but some Consumer Countries as well. He underlined the fact that Producers had in principle agreed to one session of the Council per year and were only requesting for rotation of the venue.

288. The representative of Côte d'Ivoire, Mr. Kahiba Lambert, noted that the issue was fundamentally how the Council would be able to raise funds to host two sessions of the Council per year. He acknowledged with gratitude the contributions by Japan towards the hosting of Sessions in Yokohama. On the other hand, sessions organized in Producer Countries had been attended by Ministers and sometimes Presidents and the meetings had been televised allowing the whole country to learn about ITTO and forest management. He called on the Council to maintain the biannual Council sessions. He, however, indicated that if the burden was too heavy for Japan then other countries might show generosity and kindness to cover the costs of another Session in order to maintain the principle of rotation and hold the spring 2009 session in Guatemala.
289. Prof. Nii-Ashe Kotey (Ghana), on behalf of the Producer Group, reiterated the position of the Producer Group. He stated that Producers acknowledged that there was the need for a period of preparations and, therefore, the Council could adopt a decision during its next session in November 2009 in Guatemala.
290. The representative of Guatemala, Mr. Luis Ernesto Barera Garavito, supported the intervention made by the representative of the Philippines and indicated that among the Consumer Members, only Japan had expressed its opinion and, therefore, called on other Consuming Members like the European Community to express its opinion on the issue.
291. The representative of the European Community, Mr. Enzo Barattini, stated that the European Community was in agreement with the position expressed by the Spokesperson of the Consumer Group. He indicated that looking at all the circumstances and facts before the Council it was not possible for the Council to adopt a decision that would go beyond one annual session at the Headquarters of the Organization, even though the position of the Producer Group was perfectly understandable regarding the alternation or rotation of sessions of the Council. He called for a more objective analysis of the situation taking into consideration the financial framework of the Organization and indicated that the ITTA, 1994 allows the Council to come to a decision on the issue without voting and pointed out that there was a legal means by which the Council could take a decision on the date and venue of the next session.
292. The Chairperson sought for clarification from the representative of the European Community regarding his reference to the ITTA and the specific Article.
293. In response, the representative of the European Community referred to Article 9 para 2(a) of the ITTA, 1994. However, he stated that the article must be read in its entirety in order to draw some conclusions regarding the impasse confronting the Council.
294. The Chairperson read Article 9 of ITTA, 1994. She then requested the Council to decide whether it would want to refer to Article 9 as the basis for adopting a decision on the date and venue for the next session.
295. The Council adjourned without reaching a consensus on the issue. On resumption of the meeting on Saturday, 8 November 2008, the Council revisited the issue. The Chairperson hoped that delegates had had the time to reflect on the previous day's discussions and that the Council was in the position to move forward on the issue.
296. Prof. Nii-Ashe Kotey (Ghana), on behalf of the Producer Group, stated that the Producers' Group compromise position was that a high level inter-sessional meeting be convened in Guatemala in June 2009, to among other things, consider the issue of frequency and venue of the sessions, the Thematic Programmes, particularly in relation to the three thematic areas pending finance and any other matters that the Executive Director, in consultation with Members might want to discuss. He also stated that the June 2009 high level meeting be financed from the same sources as the high level meeting convened in Accra in June 2008. Prof. Kotey further stated that the conclusions of the June 2009 meeting on the frequency and venue of sessions be adopted by a Council decision in November 2009 in Yokohama. He also informed the Council that he had already presented the position of the Producers to the Spokesperson of the Consumer Group.

297. The representative of the United States, Dr. David Brooks, expressed gratitude to the Producer Group for their compromised proposal. He recalled that the discussions had been very fruitful and noted that most of the interventions by the Producers had been eloquent and passionate. He indicated that there were elements of convergence of views in the interventions on the issue. He noted that one of the points of convergence was that everybody wanted the issue to be resolved so that the Council could move forward on its core business. He further stated that there was convergence on the idea of a single Council Session per year and underlined the importance of that convergence and the need to move forward on that basis. Dr. Brooks also noted that all the interventions by the Producers acknowledged that no matter the venue of future Sessions of the Council, the Session should be effective and productive. He again stated that there was also the shared desire expressed by the Consumer Spokesperson that all Members had the wish to be made aware of conditions on the ground in Producer Member Countries and shared the desire that the profile of ITTO should be high in all Member Countries. He underlined that there was much more agreement among Members than disagreement. However, the challenges were how to make operational the ideas that had been put forward and in that regard the proposal by the Consumer Spokesperson was a way forward to allow the Council to do in a very careful consideration of how to implement these points of convergence. On the compromise position of the Producers, Dr. Brooks stated that the issues that had been proposed on the agenda for the June 2009 high level meeting in Guatemala were pertinent issues that should be discussed at a session of the Council and not at any other meeting. He also indicated that the proposal to finance the June 2009 meeting along the same lines as the Accra meeting would raise some questions and wondered whether there were resources available in the Biennial Work Programme or in the finances of the Organization to provide for that. He flagged the issue and wanted to know whether it was possible and what were the implications of diverting resources from the operations of the Organization. In conclusion, the representative of the United States stated that there was a willingness to move forward because there had been further convergence between the two caucuses on how to move forward and find a solution at the current Session of the Council.
298. The representative of the European Community, Mr. Enzo Barattini, thanked the Producer Group for their compromise position which was laudable and fully in line with the attempt by the Council to find a solution to the thorny issue of frequency and venue of the Council sessions. Nevertheless, he noted that there were still some issues to be ironed out. He referred to the United States' intervention which singled out the fundamental aspects of the discussions and the points of convergence. He underscored that the partnership between Producers and Consumers should be strengthened and that was the central priority of the European Community. He reiterated that the fundamentals of the partnership must not at any time be put into question. He referred to his previous intervention and stated that the position of the European Community was that a single Council session per year was enough in order to maintain the high quality of output of the Organization and noted that that was a considerable step forward for the Council. He also referred to the compromise position of the Producers Group which was reminiscent of the Accra meeting. He noted that that model produced results but at the same time raised problems regarding the organization of the meeting, and proposed that in order to follow up on this type of initiative it would be important to ascertain the necessity for such a meeting on the basis of an agenda that would be essential and fundamental for the Organization. On the issue of funding, Mr. Barattini noted that the financial resources were made available from sources which did not put any burden on Members and stated that in future such an initiative should be self financing without relying on budgetary resources and based on set deadlines beyond which the event would not take place. He again recalled the Producers' compromise position and the issues to be discussed at the June 2009 high level meeting in Guatemala and stated that all the issues were thorny issues that had to be discussed in the Council once and for all. Mr. Barattini stated that the high level meetings should discuss issues that normally would not be discussed in the Council. In conclusion, Mr. Barattini reiterated that he was pleased with the opening offered by the Producers' compromise position. On the other hand, he expressed concern about the way to implement the proposal and means to finance such an initiative. He urged Members to reconsider the proposal put forward by the Consumer Spokesperson to hold more in-depth discussions on the issue during the next Council Session in November 2009 in Yokohama.
299. The representative of Japan, Mr. Masayoshi Mizuno, expressed appreciation to the Producer Group for the compromise position. He also agreed with the representative of the United States that the discussions had been fruitful and there were many points of convergence between the

two caucuses on many issues and the next step forward was how to operationalize these important elements of convergence. He, however, expressed concern on two main issues: Firstly, how to finance the proposed high-level meeting. He indicated that it would be difficult to use the resources of the Working Capital Account for that purpose. Secondly, on the agenda for meeting, he recalled the intervention by the representative of the United States that the proposed issues to be discussed at the high level meeting were very pertinent and should rather be discussed in the Council. He sought further elaboration from the Producers Group on the proposed agenda.

300. Prof. Nii Ashe Kotey (Ghana), on behalf of the Producer Group, thanked the Consumer Countries that had commented on the Producers' compromise proposal. He indicated that from his own point of view, the interventions sought to portray that the compromise proposal was not firm or concrete enough. He stated that it was not possible for the Producers to have a concrete proposal because it was only an attempt to reach a compromise and Producers were definitely not in the position in view of the time available. He reiterated that delegations had to look at the principle of whether there should be a meeting in June 2009 in Guatemala and then the details of the issues to be discussed could be worked out by a small working group. He stated that the concerns raised on the agenda for the June 2009 meeting in Guatemala was that these issues were pertinent and should be discussed in the Council. He reminded the Council that the offer from the Government of Guatemala was to hold a Council Session and not a high level meeting. He reiterated the position of the Producer Group to hold a meeting in June 2009 in Guatemala and called on the Council to consider the proposal in the spirit of compromise and have the details worked out later.
301. The representative of the Philippines, Mr. Ricardo Umali, expressed support for the compromise proposal by the Producer Group and hoped that the Consumer Group would also issue a definitive statement supporting the proposal. He noted the concerns expressed by some delegations but hoped that the Consumer Group would agree to the principle. He indicated that the issue of financing such a meeting was of concern to both Producers and Consumers alike and hoped that there would be an agreement on how to move forward. The representative stated that the alternating of venues for sessions of the Council had been on-going since the inception of the Council without anybody questioning the basic mandate and without the need for a special vote as stated in Article 9 paragraph 3 of the ITTA, 1994. He questioned the reference to this particular article in the Agreement at this point in time, and underlined the fact that the Council had been working by tradition.
302. The representative of Brazil, Ms. Carolina Costellini, supported the compromise proposal expressed by the Producer Spokesperson. She said the Brazilian delegation was surprised by the inflexibility shown by the Consumer Countries regarding the issue of rotation of the venue of Council Sessions. She underscored the fact that Producers had gone a long way in order to arrive at the compromise position and that for many years the principle of rotation had been respected in ITTO. Unfortunately, the principle was being questioned and Ms. Costellini stated that this issue would be considered, among others, when countries evaluate their ratification of the ITTA, 2006. She noted that since the principle of rotation was one of the basis of work of ITTO, and recalled the beginning of ITTO's history and requested the Secretariat to provide the Brazilian delegation the official documents that allowed the Council to decide on where the Organization's Headquarters would be hosted and on the modalities of its work as well as those documents establishing the financial rules, including the support for meetings in Producer Countries. She believed that the information being requested would provide guidance on the issue and would assist the Council in its decision. Ms. Costellini indicated that the Forty-fourth Session was her first participation in the ITTC and, therefore, she required more information but still hoped that the Council would be able to reach agreement on the issue in order for her to take to Brazil a more positive message from the Session.
303. The representative of Malaysia, Dr. B.C.Y. Freezailah, stated that the position of the Producer Group was very clear as articulated by the Spokesperson of the Producer Group, and amplified by the representative of the Philippines. He noted that the interventions by the Consumer members gave the impression that they welcomed the proposal put forward by the Producer Group, although certain clarifications and details would need to be discussed and determined. He reiterated the intervention by the Producer Spokesperson that these details could be discussed after the proposal had been accepted in principle. Dr. Freezailah underlined that Producers had bent backwards to reach the compromise position closer to the Consumer position. He urged Consumer members to equally move towards the Producers' position. He

said that it appeared to him that while the Producers were moving towards the Consumers' position, Consumer members, on the other hand, were moving away from their original position and that would not make it possible to reach a compromise, and registered Malaysia's deep disappointment.

304. The representative of the United States, Dr. David Brooks appealed to the Chairperson to suspend discussions on the agenda item and adjourn the meeting to allow Members to consult further on the issue. The meeting was subsequently adjourned. On resumption of the meeting, the Chairperson proposed the establishment of a Contact Group to be chaired by the Vice-Chairperson of the Council. The Contact Group comprised the Spokespersons of the Consumer and Producer Groups and all key stakeholders and interested Members. The Council continued deliberations on other issues on the Agenda while the Contact Group convened separately to discuss the issue of venue and dates for the Forty-fifth Session. After a period of about two hours the members of the Contact Group rejoined the Council.
305. The Chairperson informed the Council that the Contact Group on the "Dates and Venues for Future Sessions of the Council" had reached an agreement on the issue and thanked all the Members who participated in the Contact Group meeting. She invited the Vice-Chairperson of the Council to report to the Council the outcome of the Contact Group meeting.
306. H.E. Mr. Michael Maue (PNG), Vice-Chairperson of the Council, informed the Council that it was a difficult journey before arriving at the conclusions of the Contact Group meeting. However, it was done in the spirit of openness, partnership and understanding. He thanked the delegate of Guatemala for making a concession that made the work of the Contact Group possible. He also thanked the two Spokespersons for their tireless efforts. He reported that the Group reached the following conclusion:
- That the generous offer of the People and Government of Guatemala was noted and would be taken into consideration during the November 2009 Session in Yokohama, Japan.
 - All considerations including financial, rotation, frequency and all other relevant issues would be considered at that time.
 - The Council at that Session would adopt the necessary details including the principle of rotation.
 - After looking at all the relevant issues, the offer by Guatemala to host would be considered for the 2010 Council Session.
307. Prof. Nii-Ashe Kotey (Ghana), on behalf of the Producer Group, stated that with the greatest respect to H.E. Ambassador Michael Maue, he was under the impression that the conclusion of the Contact Group meeting was that (1) the Forty-fifth Session would be convened in Yokohama in November 2009; (2) that the Forty-sixth Session would be convened in Guatemala in 2010; and (3) that at the November 2009 session in Yokohama all the operational modalities including the funding of Council Sessions would be decided by the Council. Prof. Kotey informed the Council that that was his recollection of the conclusions of the Contact Group meeting.
308. The representative of Guatemala, Mr. Luis Ernesto Barrera Garavito, thanked the Producers Group for their support and solidarity. He confirmed that the conclusions of the Contact Group meeting were as expressed by the Spokesperson of the Producer Group. He said that it was appropriate to strengthen the principle of rotation and that was the reason Guatemala accepted not to host in 2009 but in 2010. He stated that it was important for member countries to pay great attention to forest management which had been accepted in many countries. He underlined that both Producers and Consumers were accountable for the mis-use of forest resources. He reiterated the fact that Guatemala accepted the compromise position in order to strengthen the principle of rotation.
309. The representative of the Philippines, Mr. Ricardo Umali, wanted more clarity on the decision the Council was approving in order to avoid any confusion. He indicated that the conclusions presented were that in November 2009 the Forty-fifth Session would be held in Yokohama and in 2010 the Council Session would be convened in Guatemala. In addition during the November 2009 Session the Council would discuss all the issues about frequency, duration, and rotation. He wanted to know whether that implied that there was not yet a decision on the principle of rotation and, therefore, the 2010 meeting in Guatemala was only conditional and that depending

on the agreement on rotation, there might or might not be a meeting in Guatemala. He sought further clarification on this.

310. The Vice-Chairperson provided further clarification on the conclusions of the Contact Group meeting. He stated that the November 2009 Session would be held in Yokohama. The Council would at that Session discuss all issues surrounding the hosting of Council Sessions and that the principle of rotation would be respected and in 2010 the Council Session would be convened in Guatemala. There was a big applause by the Council
311. The representative of Japan, Mr. Masayoshi Mizuno, informed the Council that the Forty-fifth Session of the Council would be convened in Yokohama, Japan from 9 to 14 November 2009. He extended a cordial invitation to all delegates to participate in the Forty-fifth Session of the ITTC.

OTHER BUSINESS (Agenda Item 27)

Statement by the Representative of Liberia

312. The representative of Liberia, Mr. Bledde Dagbe, stated that the Government and people of Liberia were grateful for the continued assistance provided by the Council and the Secretariat, particularly in 2007 and 2008. He noted that, historically Liberia was the only member that had benefited from Article 33 of the ITTA, 1994 on "Debt Relief" which enabled 84.1% of Liberia's assessed financial obligations to be waived by the Council in 2007. He also stated that in 2008, the Secretariat provided technical assistance in the preparation of project proposals resulting in the submission of two project proposals by the Government of Liberia to ITTO for evaluation and approval. He was glad to note that the proposals had been approved and recommended for immediate funding. He thanked the Governments of Japan, Switzerland and U.S.A. for pledging to fund those projects. He expressed sincere thanks to the Chairperson and Vice-Chairperson of the Council, the Executive Director and staff of the Secretariat for the encouragement that had brought Liberia this far. He also expressed thanks to the Government of Japan and particularly the City of Yokohama for the hospitality.

Statement by the Trade Advisory Group(TAG)

313. The statement of the Trade Advisory Group, TAG, was presented by Mr. Barney Chan, Coordinator of TAG. The statement noted that the global tropical timber trade had been hit by a "tsunami" and that there was no other way to describe the effects of the financial market meltdowns and the subsequent shift towards recession by many major economies. He underlined that the initial trade statistics were very gloomy: for example Bolivia had reported a drop of 15% in their exports in 2008 as compared to 2007; Malaysia's exports had dropped by 7.5%; and Papua New Guinea log exports projected to drop by 17%. In Africa, exports had dropped so much that some companies were staring at bankruptcies. He recalled H.E. Dr. Elvis Ngolle Ngolle, Minister of Forests and Wildlife's statement to the Council that in Cameroon a large number of employees had been laid off due to the drop in exports and underscored the serious consequences of that on sustainable forest management and the call on ITTO to take proactive action before things got worse. The statement indicated that apart from the severe downturn in the trade, the industry was also faced with intense competition from non-timber products like steel, aluminum, concrete and plastics, and called for a campaign on "wood-is-good". The statement urged the Council to set in motion, actions which would lead to a global generic promotion to use more timber. It also called for more work to be undertaken, if necessary, on life cycle analysis with special linkages to carbon. Secondly, the statement called on ITTO to help Member Countries to understand the concept of legality and noted the intense interest on illegal logging and its associated trade. It cited the EU-FLEGT VPA process, the Goho-wood system of Japan, and the Lacey Act of U.S.A. as measures being undertaken in major markets on the issue. Producers on the other hand were being faced with the problem of lack of harmonization in the treatment of legality by consumers thus leading to different "standards". He called on the Council to bring both consumers and producers towards an acceptable set of common elements deemed necessary to demonstrate legality. In his concluding remarks, Mr. Barney Chan reiterated his call on the Council to rise to the challenge and take quick and appropriate actions within its means to save the tropical timber trade and sustainable forest management during these desperate times of global economic recession.

Statement by the Civil Society Advisory Group

314. The statement was presented by Mr. Yati Bun, Executive Director, Foundation for People and Community Development, Papua New Guinea. He thanked the Government of Japan and the City of Yokohama for hosting the Session. He also commended the Secretariat for the excellent organization and facilitation of the Session. He encouraged Member Countries to speed up the ratification process of the ITTA, 2006. The CSAG was appreciative of the confidence reposed in them by the Council and the Secretariat and was interested in expanding the range of stakeholders with whom ITTO was engaged in its deliberations, strategic analysis and projects, in providing more regular input on key issues facing tropical forests and trade in tropical forest products. The CSAG was also willing to review projects and programmes as well as continue to help to organize special meetings and conferences. Mr. Yati Bun also called on the ITTO Regional Officers to draw upon the CSAG network as appropriate. The statement stated that both TAG and CSAG were excited about the request for them to advise on the design and elaboration of the thematic programmes, being piloted and proposed that there was a potential role for both TAG and CSAG in reviewing selected proposals submitted for the implementation of the thematic programmes. Mr. Yati Bun informed the Council that the CSAG was working with the Government of Cameroon to convene an international conference on "Forest Tenure, Governance and Enterprise: New Opportunities for Central and West Africa". The conference would be jointly sponsored by ITTO, Rights and Resources Initiative and its partners, FAO and the Government of Cameroon. He noted that the conference would be an important opportunity to exchange lessons on forest tenure and policy reform and the implications for the growth of small-scale and community forest enterprises in Central and West Africa, with sharing of experiences from other regions and countries.
315. The statement reiterated the CSAG's previous recommendation that the Council should include a formal presentation by CSAG at least once a year in the ITTC Sessions, similar to the Annual Market Discussions organized by the TAG. Mr. Yati Bun proposed that the formal presentation could take the form of an organized panel of civil society organizations or a technical presentation on relevant ITTO themes and issues of concern

Statement by Japan International Cooperation Agency (JICA)

316. The statement was presented by Mr. Hiroshi Endo, Director of Forestry and Nature Conservation Division. JICA expressed satisfaction with the positive developments towards sustainable forest management and climate change and tropical forests during the Forty-fourth Session of the Council. The statement underlined the importance of climate change as a critical global issue which must be tackled and the contribution of JICA to tackling the issue through the conservation of tropical forests in developing countries. Mr. Endo cited JICA's technical cooperation project for forest resource assessment in Indonesia using the latest Japanese satellite technology which would contribute to the acceleration of Reducing Emissions from Deforestation and Degradation in developing countries (REDD). In addition, in 2009, JICA would start a technical training programme on conservation of tropical forests in the Congo Basin region to target forestry officers from ten (10) Member Countries of the Congo Basin Forest Fund. The statement underlined the necessity for global issues like climate change to be tackled together by collaboration through bilateral and multilateral cooperation and informed the Council that JICA would cooperate with the ITTO Secretariat to promote the technical cooperation between the two Organizations in tackling global issues. Mr. Endo commended the Council for its hard work during the Forty-fourth Session and hoped that ITTO and JICA would produce great results through their collaboration in the future.

Statement by the United Nations Food and Agriculture Organization (FAO)

317. The statement was presented by Mr. Jan Heino, Assistant Director-General, Forestry Department. In his statement, the Director-General commended ITTO for its important work in addressing the numerous issues confronting the world's tropical forests. He noted that ITTO and FAO had collaborated closely over the years in supporting Member Countries in their efforts towards more sustainable management and use of their forest resources. He expressed gratitude to Mr. Emmanuel Ze Meka, the Executive Director, and the staff of the Secretariat for making the collaboration a success story. Mr. Heino noted that as was done in the last biennium, FAO and ITTO had aligned their programmes of work for the current biennium, 2008-2009, to complement each other and make better use of synergies.

318. The Director-General highlighted some of the ITTO/FAO recent collaborative activities. He noted that ITTO had long been an important member of the FRA Advisory group and had strongly supported FAO's work on monitoring, assessment and reporting on global forest resources and looked forward to strengthening the collaboration in this field. Mr. Heino also stated that for many years, ITTO, FAO and other partners had been jointly compiling and reporting data and information on production, consumption and trade of forest products and in May 2008 ITTO and FAO jointly conducted a statistical training workshop in India. He mentioned that following-up on the results and recommendations of the ITTO/FAO joint conference on wood-based bioenergy in Hannover, Germany in May 2007, the two Organizations jointly conducted two regional workshops on wood-based bioenergy in Douala, Cameroon, and Jakarta, Indonesia in 2008 and a regional workshop for Latin America would be convened in 2009. Other areas of collaboration cited by the Director-General were on wood and non-wood forest products, where the two Organizations were planning joint case studies on how small and medium forest-based enterprises would cope with the challenges and opportunities of globalization of the forest products trade. ITTO and FAO jointly organized the international workshop on innovations in tropical forest products industry, held in Abidjan, Côte d'Ivoire in 2008. Mr. Heino also informed the Council that Mr. Paul Vantomme of FAO recently led an ITTO Technical Mission to assist the Government of Côte d'Ivoire in identifying factors most severely limiting that country's progress towards achieving ITTO Objective 2000 and sustainable forest management and to formulate an action plan to overcome these constraints.
319. The FAO Assistant Director-General stated that forest law compliance and governance continued to be critical issues on the international agenda and were not only important pre-conditions for achieving sustainable forest management, but also for reducing deforestation and forest degradation and thus mitigating the effects of climate change. He noted that FAO and ITTO had jointly developed and published the "Best Practices for Improving Law Compliance in the Forest Sector" and had organized five regional workshops, encouraging stakeholders to share experiences across countries, to discuss options for developing national strategies to improve forest law compliance and to strengthen regional collaboration. The most recent workshop was convened in Accra, Ghana in July 2008, with the participation of 70 representatives of government, civil society and the private sector of tropical West African countries. The two Organizations were planning to analyze the rich material from the workshops and publish lessons learnt as a follow-up to the "Best Practices".
320. Mr. Heino expressed FAO's interest in contributing to the ITTO Conference on Forest Tenure in Central and West Africa scheduled for 2009. He stated that FAO would offer its experience gained from extensive studies in Africa, Asia and Latin America to assist with the assessment of the forest tenure situation in tropical countries. He also cited the area of conservation and sustainable management of biodiversity as another area where there was collaboration between ITTO and FAO. He was particularly pleased to note ITTO's contribution to the Asia Pacific Forestry Week, which took place in April 2008 in Hanoi. He expressed FAO's appreciation for ITTO's commitment to providing strong support and collaboration to the on-going Asia-Pacific Forestry Sector Outlook Study, including providing support for country outlook studies in ITTO Member Countries and for sub-regional consultations.
321. Mr. Heino stated that FAO was looking forward to collaborate with ITTO on rapidly emerging issues related to climate change and was pleased to participate in the International Expert Meeting on Addressing Climate Change through Sustainable Management of Tropical Forests which was organized by ITTO in April/May 2008 in Yokohama, Japan. The two Organizations were also planning to launch a joint effort to develop good practice guidelines for integrating climate change adaptation and mitigation responses into management plans at the forest management unit level.
322. Mr. Heino also spoke about the role of ITTO and FAO as founding members of the Collaborative Partnership on Forests (CPF) and that within the limits of available resources, the CPF had responded positively to countries' requests, made at UNFF and other fora. He cited the on-line information on funding sources for sustainable forest management provided by the CPF as well as progress made in providing access to forest information and harmonizing forest-related definitions and to address in particular, the concept of forest degradation. Joint projects at the national or regional level were increasing in areas such as forest landscape restoration; rehabilitation of degraded lands; national forest programmes; information on sustainable forest management; and fire management guidelines. Mr. Heino stated that building on the success of

the Forest Day, organized by CPF members during COP13 of the UNFCCC in Bali in December 2007, the CPF members were preparing the second Forest Day at COP14 in Poznan, Poland. He mentioned that FAO and ITTO, together with IUCN and other collaborating CPF organizations, would use the event to send a clear message to the climate change community that maintaining well-managed forests and restoring degraded forests through sustainable forest management and landscape planning, with wide involvement of stakeholders, were key aspects for comprehensive and successful implementation of the climate change regime, in particular for REDD. The statement noted that most recent CPF initiative in the development of a strategic framework for forests and climate change as a major effort by the CPF on forests for a coordinated forest sector response to the climate change agenda. The strategic framework was being finalized and would be presented at UNFCCC COP14 in Poznan, Poland.

323. In his concluding remarks, Mr. Heino, on behalf of FAO, expressed sincere appreciation to Mr. Emmanuel Ze Meka, the Executive Director, for ITTO's strong commitment and tangible inputs to the work of the CPF and hoped the Council would continue to support this valuable contribution.

Statement by United Nations Forum on Forests

324. The statement was presented by Dr. Mahendra Joshi, Senior Programme Officer, UNFF Secretariat. He commended ITTO for the valuable support it had over the years provided to the UNFF Secretariat and for its active role in the CPF. He was confident that the cooperation between the two Organizations would continue in the future. He informed the Council of the appointment of Ms. Jan McAlpine as the new Director of the UNFF. He recalled Ms. Jan McAlpine active involvement in activities of ITTO, including serving as Chairperson of the Council. Dr. Joshi stated that the new Director was looking forward to a closer cooperation and collaboration between ITTO and UNFF, working for the common goal of sustainable forest management. He also stated that the adoption of the Non-Legally Binding Instrument on All Types of Forests by the UN General Assembly in December 2007 was of historic significance to the global forest community. He noted that building on the years of negotiations in the inter-governmental forest policy process, the non-legally binding instrument seeks to achieve the full global objectives on forests and sustainable forest management. He also indicated that the UNFF new Multi-year Programme of Work for 2007-2015 reflected a range of new policy priorities as evidenced by the large number of issues slated for discussions during the period. Dr. Joshi stated that the 8th Session of the UNFF would be convened from 20 April to 1 May 2009 in New York. He mentioned that discussions on financing for sustainable forest management would be the main agenda at the 8th Session together with the second theme of the Session on "Forests in a Changing Environment" encompassing issues related to climate change, biodiversity, deforestation and desertification. Dr. Joshi stated that in order to facilitate discussions on forest finance during UNFF 8, an open-ended ad-hoc group meetings would be convened from 10 to 14 November 2008 in Vienna, Austria. The Expert Group had been tasked to develop proposals for a voluntary global financing mechanism/forest financing framework. He also informed the Council that the Secretariat had invited members of the CPF with expertise on the issue of financing to form an Advisory Group on Finance, which had benefited from the active participation of ITTO. Other members of the Advisory Group were FAO, GEF Secretariat, UNFCCC Secretariat and the World Bank. He noted that since its inception the UNFF had been fortunate to have country organization and regional-led initiatives to support discussions on topical issues at the Forum, and three such initiatives were organized in 2008. The first meeting which was held in Geneva was the first ever regional-led initiative in support of UNFF, and was co-hosted by Switzerland and Australia that focused on regional priorities and offered a timely opportunity to discuss global regional cooperation, including the modalities for regional inputs into the UNFF. The second meeting was convened in Durban, South Africa, and was a country-led initiative on forest governance and decentralization and co-hosted by Switzerland and South Africa. He noted that the meeting generated intense interest in the region. The third meeting was convened in September in Paramaribo in Suriname and was the country-led initiative on financing for sustainable forest management, and hosted by Suriname, the Netherlands and U.S.A. The meeting identified key challenges of sustainable forest management, including the main obstacles and underlying causes of forest loss and degradation of forest resources. The Guests of Honour were the Presidents of Suriname and Guyana. He acknowledged the significant contributions of ITTO to these country-led initiatives. Dr. Joshi also informed the Council that the UN General Assembly had proclaimed the Year 2011 as the International Year of Forests, and noted that the commemoration of forests at such a high level provides an opportunity to draw attention to the valuable contribution of forests and forestry community. He

encouraged the Council to give due consideration to this important opportunity in its deliberations and activities. He assured the Council that the UNFF Secretariat was committed to working closely with ITTO and underlined the high respect for ITTO's work in promoting sustainable forest management on the ground and building capacity of Member Countries. He hoped that the cooperation between ITTO and UNFF would keep flourishing, particularly through the continuation of secondment of a senior staff member from ITTO to the UNFF Secretariat, and hoped that the Council would finance the secondment during its current Session.

Statement by the Representative of the European Community

325. The statement was presented by Mr. Enzo Barattini (European Community). The statement noted the important work flowing from the high-level meeting convened in Accra in June 2008 and thanked the Government of Ghana for its excellent hospitality and preparations. Mr. Barattini stated that during the Accra meeting, the Thematic Programmes as well as the functions of the Committees were discussed and it was decided that the Forty-fourth Session of the Council would have to take concrete decisions on these issues. The statement underlined the fact that the decision to establish Thematic Programmes was one of the key achievements of the ITTA, 2006, and hoped that the Forty-fourth Session of the Council would be able to settle on the choice of themes, the profiles for these themes and the modalities by which these programmes would be funded and implemented. The statement indicated that the European Union was convinced that implementing the Thematic Programmes in a transparent, innovative, attractive and speedy manner would help ITTO to further enhance its visibility and role in attracting a wider range of donors for additional funding. Mr. Barattini stressed that it was clear that the Thematic Programmes would constitute an important addition to the existing project cycle.
326. The statement underlined the importance of sustainable development and its relations to forest management and welcomed the adoption of the Beijing Declaration on Sustainable Development at the 7th Asia-Europe Summit held in Beijing on 24-25 October 2008, which inter alia, recognized that the promotion of afforestation and reforestation, sustainable forest management, sound land use, sustainable production and consumption patterns and appropriate measures against illegal logging and associated trade, represented an important contribution to reducing greenhouse gases emission and preserving biological diversity.
327. The statement also noted the importance of the ITTA, 2006 and urged member countries to speed up their internal processes to facilitate its entry into force. Mr. Barattini also drew Members' attention to three important policy developments in Europe's fight against illegal logging, namely:
- (i) The conclusion of the first FLEGT Voluntary Partnership Agreement with Ghana;
 - (ii) The preparation of a policy document on green procurement in June 2008 by the European Commission to provide an important incentive to the suppliers of legal and sustainable timber products;
 - (iii) The presentation of a legislative proposal by the European Commission to the European Parliament aimed at curbing the sale of illegal timber in the EU. The proposal would have to be considered by the European Parliament and EU Council.

DECISIONS AND REPORT OF THE SESSION (Agenda Item 28)

328. The Chairperson referred to documents ITTC(XLIV)/21 – ITTC(XLIV)30 comprising the ten (10) decisions for consideration and adoption by the Council.
329. Mr. Flip Van Helden (European Community), Chairperson of the Contact Group on the Thematic Programme profiles, brought to the attention of the Council that there was an omission in the Profile on the Thematic Programme on Forest Law Enforcement Governance and Trade. He referred to the section on "Programme Strategy paragraph (iii) and stated the reference to public-private partnership between governments, the private sectors, NGOs and local communities...." Should rather read "public-private partnerships between governments, the private sector, civil society organizations and local communities".
330. The representative of Malaysia, Dr. Norini Haron, referred to Decision 10(XLIV) Annex 1 – Thematic Programme on Reducing Deforestation and Forest Degradation and Enhancing

Environmental Services in Tropical Forests and proposed to include outreach activities together with capacity-building, institutional strengthening and training under the section on Assessment and Diagnosis.

331. The representative of Norway, Mr. Jon Heikki Aas, thanked all Members who had contributed to the discussions on the Thematic Programmes. He noted that with the adoption of the three decisions the Council had made a big step forward and expressed appreciation for the spirit of cooperation and partnership that had characterized the discussions and also expressed confidence that the new way of working would serve both Producers and Consumers very well. Mr. Aas expressed special thanks to Ghana for the proposal on the Thematic Programme on Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests. On behalf of the Government of Norway, Mr. Aas pledged USD 3.5 million towards this Thematic Programme. He informed the Council that Norway would be interested in nominating a representative to participate in the further development of this Thematic Programme.
332. The representative of Japan, Ms. Tokuko Nabeshima, referred to the Thematic Programme on Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Countries and expressed Japan's interest in the Thematic Programme and requested that Japan should be included in the list of potential donors to this programme.
333. The representative of the United States of America, Ms. Jennifer Conje, noted that at the beginning of the Session, there appeared to be confusion and hesitancy on moving forward on the Thematic Programmes and congratulated the Council for all the hard work that had been done during the Session in shaping and moving forward on piloting this new mechanism which would hopefully attract more funding to ITTO, as demonstrated by the pledge by Norway. She mentioned that the United States would pledge some funds for the Thematic Programme on Forest Law Enforcement Governance and Trade and also the Thematic Programme on Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests. The United States was also looking forward to seeing how the other Thematic Programmes would develop and perhaps engaging in those programmes as well in the future.
334. The representative of Switzerland, Dr. Jürgen Blaser, expressed the interest of Switzerland to participate as a future donor in the Thematic Programme on Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests.
335. The Council approved all the ten (10) decisions. Amendments and editorial corrections were noted. Rule 33 of the Rules of Procedures is to be applied to the circulation of the decisions and the report of the Council to Members. The Chairperson thanked all Members for the great spirit of cooperation throughout the drafting of the decisions. She noted that it was very encouraging that the Thematic Programmes, especially, had been approved by the Council after so many years of discussions. She was pleased that there was a great deal of interests among Producers and Consumers and congratulated Members for the decisions that had been adopted.

CLOSING OF THE SESSION (Agenda Item 29)

Statement by the Producer Spokesperson

336. Prof. Nii Ashe Kotey (Ghana), on behalf of the Producer Group, noted that the Forty-fourth Session had been challenging, particularly, because the Organization appeared to be in a transition period and the inability of the ITTA, 2006 to enter force was an albatross. He indicated that the two deadlines of 1st February 2008 and 1st September 2008 had passed without the required members for the Agreement to be effective. He urged Member Countries to work hard before the next Session in order to meet the requirements for the entry into force of the ITTA, 2006. He underscored that the inability for the ITTA, 2006 to enter into force was sending wrong signals to the public and urged Members to work hard to dispel the wrong impressions that there appeared to be a lack of interest in the Organization. In the opinion of the Producer Spokesperson, there were lots of opportunities for the Organization in the new Agreement, and cited the progress made on the Thematic Programmes and looked forward to their implementation on a pilot basis. Prof. Ashe Kotey commended the Chairperson for her able leadership which had enabled the Council to achieve significant success despite the difficulties encountered at the Session. He noted that the decisions adopted by the Council were a reflection of the good work and level of understanding and willingness among Members

to work in a true spirit of compromise and partnership. The Spokesperson expressed gratitude to all donors, particularly those who had contributed to the financing of projects approved at the Session. He also congratulated the Chairperson-Elect and the Vice-Chairperson-Elect and expressed confidence that they would provide the Council with the required leadership to steer through the transition period, which was froth with challenges. The Producer Spokesperson expressed sincere thanks and gratitude to the Consumer Spokesperson for his support and understanding in smoothing out the paths that enabled the Council to resolve issues and to adopt decisions and underlined that the number and quality of decisions adopted at the Session was a reflection of the supportive role of the Consumer Spokesperson. Prof. Ashe Kotey thanked the Executive Director and staff for their dedication and hard work and also expressed his gratitude to the Producer Group for giving him the opportunity to serve as the Spokesperson for the group.

Statement by the Consumer Spokesperson

337. Dr. James Gasana (Switzerland), on behalf of the Consumer Group, expressed appreciation and gratitude to the Government of Japan and the City of Yokohama for the generous hospitality accorded to delegates and the support to the work of the Forty-fourth Session of the ITTC. He also expressed his satisfaction and pleasure in working with the Chairperson and Vice-Chairperson of the Council and also with all delegations, both Producers and Consumers. He thanked the Executive Director and staff of the Secretariat for their dedication and hard work throughout the Session. He placed on record the considerable progress made by Forty-fourth Session on issues of great importance for the future work of the Organization which was achieved through the spirit of partnership. He cited the excellent work to conclude the operational modalities of the Thematic Programmes. Dr. Gasana stated that there were many other matters on which there was a spirit of partnership, shared purpose and innovation. He indicated that for future Sessions, with the same spirit of innovation that had been demonstrated, the Council could improve the rationalization of the work of the Committees and that given the challenges facing the Organization, in the perspective of the entry into force of the new Agreement, there should be a balance of the time used by the Committees between project and policy work. With regard to the ITTA, 2006, Dr. Gasana noted that many Members had expressed the need to have broad participation in the ITTA, 2006 and expressed satisfaction with the decision adopted by the Council on the entry into force of the ITTA, 2006. He underscored that the entry into force of the ITTA, 2006 was a matter of urgency. The Consumer Spokesperson expressed his sincere thanks to the Producer Spokesperson, Prof. Nii Ashe Kotey, for his cooperation and understanding and also expressed gratitude to the Chairperson for her able leadership. Dr. Gasana also congratulated the Chairperson-Elect, H.E. Ambassador Michael Maue and the Vice-Chairperson-Elect, Mr. Daniel Birchmeier and on behalf of the Consumer Caucus, pledged full support to both of them.
338. Mr. Dambis Kaip (Papua New Guinea), on behalf of the Government of Papua New Guinea, congratulated the Chairperson for her able leadership of the Council during the Forty-fourth ITTC Session and also during the Accra meeting in June 2008. He also expressed his appreciation to the Executive Director and staff of the Secretariat for their excellent work in organizing the Session. Mr. Kaip extended full appreciation to the Government and People of Japan and the City of Yokohama for the warm hospitality accorded to delegates. On behalf of the Government of PNG, Mr. Kaip expressed his gratitude to the Council for electing H.E. Ambassador Michael Maue as Chairperson of the Council for 2009. He pledged that H.E. Ambassador Maue would continue the excellent work by the out-going Chairperson, Ms. Katharina Kuehmayer of Austria. He also recalled the convening of the Forty-second Session of the Council in Port Moresby, PNG in May 2007 and indicated that it was a demonstration of the confidence of the international community in PNG and expressed gratitude to ITTO. The representative of PNG reaffirmed the commitment of PNG to ITTO Objective 2000 and stated that PNG had put in place the necessary policy, legislative and institutional framework to address those factors hampering sustainable forest management in PNG which were identified by the ITTO diagnostic mission. Mr. Kaip stated that national governments alone would not be able to deliver sustainable forest management, let alone sustainable development and indicated that mutli-sectoral approach was paramount towards enhancing sustainable forest management. He expressed his gratitude to donor countries who had pledged funds towards the implementation of the thematic programmes. He regretted that PNG had not been able to provide trade statistics to the Secretariat and attributed the inability to the on-going restructuring exercise going on in the PNG Forest Agency. He informed the Council that as a matter of urgency the PNG government would ratify the ITTA, 2006. On behalf of the Government of

- PNG, Mr. Kaip expressed gratitude to the international community, including ITTO for their contribution in reshaping the forestry sector of PNG, and admitted that much more was needed to be done.
339. Mr. Paul Duclos Paradi (Peru), on behalf of the Government of Peru, expressed deep gratitude to the Council for the remembrance of the memory of Late Ms. Patricia Hanashiro, who passed away in February 2008. He thanked all the Members of the Council for their expression of sympathy. He encouraged all Members to work hard to achieve the objectives of ITTO, an organization that Patricia worked so hard for and dedicated her entire life to.
340. Mr. Masayoshi Mizuno (Japan) commended the able leadership of the Chairperson and the cooperation shown by all Members of the Council during the Session. He indicated that the Forty-fourth Session had been very productive in tackling so many issues on the agenda and in providing good solutions to many of the challenges facing the global community. He noted that the discussions throughout the Session was very informative and valuable in promoting further efforts of all Members towards the common goal of ITTO. On the other hand, he also noted that many participants mentioned the necessity to explore the best and most efficient way to improve the discussions within the Council. Mr. Mizuno stated that the Government of Japan would provide some suggestions on ways to improve the discussions and make the process more efficient. He called for cooperation from other Members and the Secretariat to support Japan's effort to come up with arrangements which would lead to fruitful and thorough discussions on important issues, such as the budget. Mr. Mizuno acknowledged that the Council had made a good start on the Thematic Programmes and that the mechanism for implementing the pilot phase was attractive and satisfactory enough at this stage. However, it should be recognized that there were still room for improvement depending on the actual implementation and the reaction from many potential donors and implementing countries. Mr. Mizuno stated that Japan would be willing to be involved in that process. On the issue of the ratification of the ITTA, 2006, Mr. Mizuno noted that the Council received many good news about the advanced domestic procedures towards the ratification and congratulated Members for their positive efforts. He reiterated that it was a great achievement that the Council finally adopted the decision on "Promoting the entry into force of the new Agreement". He urged all Member Countries, including those who had completed their ratification processes to devote much energy and resources in the implementation of the Council decision on the ratification of the ITTA, 2006. Mr. Mizuno stated that among the various measures, it should be well noted that the Secretariat would make use of the workshops sponsored by Japan for the purpose of assisting Members to complete their ratification procedures. He stressed that the workshops would offer good opportunities to disseminate the message emphasizing the merits of the new Agreement and encouraging every efforts by all those involved in forest management, industry or government to support the process of ratification of the ITTA, 2006. He hoped that by the Forty-fifth Session many more countries would have completed their ratification procedures and the new Agreement ready to enter into force.
341. Mr. Enzo Barattini (European Community) expressed gratitude to the Chairperson for her able leadership of the Council. He indicated that the Chairperson had represented Austria and the European Community very well as Chairperson of the Council. He was very pleased with the positive results achieved by the Council and commended Ms. Katharina Kuehmayer for her leadership. Mr. Barattini also congratulated the Chairperson-Elect, H.E. Ambassador Michael Maue, and pledged the support of the European Community to the Chairperson-Elect. He also congratulated the Vice-Chairperson-Elect, Mr. Daniel Birchmeier.

Closing Statement by the Chairperson

342. In her closing remarks, the Chairperson, Ms. Katharina Kuehmayer commended Members' spirit of cooperation during the Session which enabled the Council to achieve some excellent results. She stated that the decision to implement the thematic programmes would open up new opportunities for ITTO and its Members and was pleased to note that some of the thematic programmes adopted at the Session had already attracted the interest of donors and, therefore, projects within those programmes could start in the near future. The Chairperson encouraged all governments who had not yet completed the necessary ratification procedures to speed up their efforts in doing so and hoped that the adoption of the Decisions on the Thematic Programmes, with the prospect of increased funding and flexibility would accelerate the rate of ratification of the ITTA, 2006. Ms. Kuehmayer was pleased to note that the Session had run very smoothly although there were some period of uncertainty, especially regarding the issue of

dates and venue of the Forty-fifth Session, and commended Members for the compromise that enabled a resolution of the issue, for the time-being. She, however, acknowledged that the Council would need to find a long-lasting resolution to the problem. The Chairperson expressed her gratitude to the Government of Japan and the City of Yokohama for the hospitality and kindness in hosting the Session. She also thanked the Executive Director and staff for their professionalism and unwavering support to the Council. In her concluding remarks, the Chairperson stated that she was proud of ITTO and the Council and that it had been an honour for her to serve the Organization over a period of two years in the capacity of Vice-Chair and Chair of the Council. Ms. Kuehmayer informed the Council that she would continue her involvement with ITTO.

343. The Chairperson officially closed the Forty-fourth Session of the ITTC.

ANNEX I

LIST OF PARTICIPANTS

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FORTY-FOURTH SESSION
3 – 8 November 2008
Yokohama, Japan

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Editor & Communications Manager

Mr. Eduardo Mansur
Assistant Director, Reforestation and Forest Management

Mr. Mahboob Hasan
Finance/Administrative Officer

Mr. Charas Mayura
Finance/Administrative Officer

Mr. John J. Leigh
Conservation Officer, Reforestation and Forest Management

Dr. Tetra Yanuariadi
Projects Manager, Forest Industry

Dr. Hwan Ok Ma
Projects Manager, Reforestation and Forest Management

Ms. Frances Marie Maplesden
Statistician

Mr. Polycarpe Masupa-Kambale
Projects Manager, Reforestation and Forest Management

Mr. Edmond Collins Ahadome
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Dr. Lauren Flejzor
Market Information Services (MIS) Coordinator

Mr. Ramon Carrillo Arellano
Projects Manager, Forest Industry

Ms. Celestine Ntsame-Okwo
Regional Officer, Africa

Prof. Floriano Pastore
Regional Officer, Latin America

Dr. Chisato Aoki
Senior Research Assistant

Ms. Hideko Hattori
Secretary

Ms. Kanako Sakaguchi
Secretary

Mr. Christopher Kossowski
Administrative Assistant

Ms. Naho Tamura
Secretary

Ms. Maiko Suzuki
Finance Assistant

Mr. Jean-Christophe Claudon
Statistical Assistant

Ms. Masako Sakai
Secretary

Ms. Manako Hanawa
Secretary

Ms. Lingyun Yang
Secretary

Mr. Kenneth Sato
Communications Assistant

Ms. Utako Aoike
Secretary

Ms. Adriana Sugihara
Secretary

Ms. Rosemarie Jungheim
Secretary

Mr. Simon Kawaguchi
Secretary

Ms. Yuka Irie
Secretary

Mr. Tomoya Inoue
Driver

* * *

ANNEX II

AGENDA

DOCUMENT: ITTC(XLIV)/1

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2 September
2008

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FORTY-FOURTH SESSION
3 – 8 November 2008
Yokohama, Japan

AGENDA

1. Opening of the Session
2. Ascertainment of the Quorum
3. Adoption of Agenda and Organization of Work
4. Report on Membership of the Council
5. Report of the Credentials Committee
6. Proposed Distribution of Votes for 2008
7. Admission of Observers
8. Statement by the Executive Director
9. Report of the Informal Advisory Group (IAG) – Decision 5(XXVI)
10. CITES Listing Proposals by Members – Decision 3(XVI)
11. Annual Review and Assessment of the International Tropical Timber Situation
12. Report on the Meeting on Operational Modalities of Future Work of the International Tropical Timber Council– Decision 6(XLIII)
13. Entry into force of the ITTA, 2006– Decision 3(XLI)
14. Progress Report on the Implementation of the ITTO Biennial Work Programme for 2008–2009 – Decision 2(XLIII)
15. Conservation and Sustainable Use of Biodiversity in Tropical Timber Producing Forests– Decisions 4(XLIII) and 2(XLIII)
16. ITTO Objective 2000 – Decision 2(XXIX)
17. ITTO Action Plan 2008–2013
18. Developments in the UNFCCC regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy– Decisions 2(XXXIX) and 1(XLI)
 - (a) Developments in the UNFCCC regarding Forests
 - (b) Role of ITTO in Climate Change adaptation and mitigation
 - (i) Report of the international Expert Meeting on Addressing Climate Change through the sustainable management of Tropical Forests

- (ii) ITTO Children's Environmental Education Programme
 - (iii) Capturing Funds from Carbon Markets to Promote Sustainable Management of Tropical Forests
- 19. Measures to Improve and Strengthen the ITTO Project Cycle – Decision3(XXXVII)
- 20. Promotion of Trade in Sustainably Produced Timber– Decision 2(XXXIX)
- 21. ITTO Fellowship Programme – Decision 4(XXVII)
 - (a) Progress Report on the ITTO Fellowship Programme;
 - (b) Report by the Chairperson of the Fellowship Selection Panel
- 22. Draft Annual Report for 2007
- 23. Special Account and Bali Partnership Fund
 - (a) Pledges to the Special Account and the Bali Partnership Fund;
 - (b) Report of the Panel on Sub-Account B of the Bali Partnership Fund (BPF)
- 24. Reports of the Associated Sessions of the Committees
- 25. Election of Chairperson and Vice-Chairperson of the Council for 2009
- 26. Dates and Venues of the Forty-fifth and Forty-sixth Sessions of the Council and the Associated Sessions of the Committees
- 27. Other Business
- 28. Decisions and Report of the Session
- 29. Closing of the Session

ANNOTATIONS TO THE AGENDA

Item 1 - Opening of the Session

The Forty-fourth Session of the Council will be opened by the Chairperson of the Council, Ms. Katharina Kuehmayer (Austria).

Item 2 - Ascertainment of the Quorum

The Executive Director will report to the Council on the state of the quorum requirement for the start of the Session.

Item 3 - Adoption of Agenda and Organization of Work [Document ITTC(XLIV)/1]

The Council may decide to consider and adopt its Agenda. On the schedule of meetings, the Council may consider the draft schedule distributed under Decision 5(XXII), the advice of the Informal Advisory Group (IAG) and undertake due consultations in the Chairperson's Coordinating Bureau, issuing the time-table daily and at more frequent intervals as necessary.

Item 4 - Report on Membership of the Council

The Executive Director will report on the status of membership of the Council.

Item 5 - Report of the Credentials Committee [Document ITTC(XLIV)/3]

The Council may consider and adopt the Report of the Credentials Committee and approve the credentials of delegations.

Item 6 - Proposed Distribution of Votes for 2008 [Document ITTC(XLIV)/1 Annex]

The proposed distribution of votes for the year 2008, in accordance with Article 10(6) of the ITTA, 1994, is shown in the Annex to this Agenda. In accordance with Article 19(4) of the ITTA, 1994, this distribution of votes will be used for the assessment of the contribution of each Member to the Administrative Budget for 2009.

Item 7 - Admission of Observers [Document ITTC(XLIV)/Info.3]

The Council may decide to admit those States and Organizations which request admission to the Session as Observers. Two lists of such applicants will be submitted at the Session for consideration and decision. The first such list shall contain the names of all States and Organizations which have previously been admitted to the Council Sessions and the second those States and Organizations who are applying for admission on the first occasion at this Session.

Item 8 - Statement by the Executive Director

The Executive Director will address the Council and report on activities of the Organization and other developments of relevance to the Organization.

Item 9 - Report of the Informal Advisory Group (IAG) – Decision 5(XXVI) [Document ITTC(XLIV)/2]

Pursuant to Decision 5(XXVI), and in order to organize its work for the Session, the Council may consider the report of the Twenty-second Meeting of the Informal Advisory Group (IAG), to be convened on Sunday, 2 November 2008.

The report of the Twenty-second Meeting of the IAG will be presented by the Chairperson, Ms. Katharina Kuehmayer (Austria).

Item 10 - CITES Listing Proposals by Members – Decision 3(XVI)

Pursuant to its Decision 3(XVI) the Council may arrange consultations on Members' proposals to list internationally traded tropical timber species in the CITES Appendices which have been reported to the Secretariat since the last Session.

Item 11 - Annual Review and Assessment of the International Timber Situation

[Document ITTC(XLIV)/5]

The Council may wish to base its discussion on this item on the following:

(i) **Elements for the 2008 Annual Review and Assessment of the International Timber Situation**

This is prepared by the Secretariat and comprises statistics and available data on production, imports and exports of timber products, emphasizing tropical timber products, and an analysis of economic and market developments. The Elements for the 2008 Annual Review will be partly based on information extracted from national responses to the ITTO/UNECE/FAO/EUROSTAT Joint Forest Sector Questionnaire and partly from other sources.

(ii) **A General Introductory Statement by the Secretariat**

Using various sources of information including the Elements for the 2008 Annual Review, the Statement will give an overview of the world timber situation, focusing on tropical timber, including recent developments and the short-term outlook based on available forecasts.

The Council may also decide after due discussions the type of statistics and information and the format of presentation Members shall furnish on timber, its trade and the activities aimed at achieving sustainable management of timber producing forests as stipulated in Article 29(2) of the ITTA, 1994.

Item 12 - Report on the Meeting on Operational Modalities of Future Work of the International Tropical Timber Council– Decision 6(XLIII)

[Document ITTC(XLIV)/6]

The Chairperson of the Council, Ms. Katharina Kuehmayer (Austria) will report on the outcome of the meeting on Operational Modalities of Future Work of the International Tropical Timber Council convened in Accra, Ghana on 9 – 12 June 2008.

Item 13 - Entry into Force of the ITTA, 2006– Decision 3(XLI)

[Document ITTC(XLIV)/7]

Pursuant to its Decision 3(XLI), the Council will review the status of deposits of instruments of ratification, acceptance, approval, or accession to the ITTA, 2006.

Item 14 - Progress Report on the Implementation of the ITTO Biennial Work Programme for 2008 – 2009 – Decision 2(XXIX)

[Document ITTC (XLIV)/8]

The Council will receive the progress report on the implementation of the Biennial Work Programme for 2008 – 2009.

Item 15 - Conservation and Sustainable Use of Biodiversity in Tropical Timber Producing Forests– Decision 4(XLIII)

[Document ITTC(XLIV)/9]

Pursuant to its Decision 4(XLIII), the Council will receive the final draft of the ITTO Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Producing Forests.

Item 16 - ITTO Objective 2000 – Decision 2(XXIX)
[Documents ITTC(XLIV)/10], ITTC(XLIV)/11 and ITTC(XLIV)/12]

Pursuant to its Decision 2(XXIX), which requested the Executive Director to render assistance, on request, to producer countries to identify, in each country, those factors which most severely limit progress towards achieving Objective 2000 and sustainable forest management and to formulate an action plan to overcome these, the Council will receive the reports on the assistance provided to the Governments of Cameroon, Côte d'Ivoire and Togo.

Item 17 - ITTO Action Plan 2008–2013
[Document ITTC(XLIV)/13]

The Council may wish to consider and approve the draft ITTO Action Plan 2008–2013.

Item 18- Developments in the UNFCCC Regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy – Decisions 2(XXXIX), 1(XLI) and 2(XLIII) [Documents ITTC(XLIV)/14, ITTC(XLIV)/15, and ITTC(XLIV)/16]

- (a) Pursuant to its Decisions 2(XXXIX) and 1(XLI) the Council will be updated on developments in the UNFCCC regarding forests.
- (b) Pursuant to its Decision 2(XLIII) the Council will receive the following reports and consider the following proposals regarding the role of ITTO in climate change adaptation and mitigation in relation to tropical forests.
 - (i) The Council will receive a report on the ITTO International Expert Meeting on Addressing Climate Change through the sustainable management of Tropical Forests which was convened in Yokohama from 30 April to 2 May 2008 [Document ITTC(XLIV)/14]
 - (ii) The Council may wish to consider a proposal by the Executive Director on the establishment of ITTO Children's Environmental Education Programme [Document ITTC(XLIV)/15]
 - (iii) The Council may wish to consider a proposal by the Executive Director on "Capturing Funds from Carbon Markets to Promote Sustainable Management of Tropical Forests" [Document ITTC(XLIV)/16].

Item 19 - Measures to Improve and Strengthen the ITTO Project Cycle- Decision 3(XXXVII)
[Document ITTC(XLIV)/17]

The Council may wish to consider and approve the draft new edition of Project Cycle Manuals, related Guidelines and Software Tool pursuant to its Decision 3(XXXVII).

Item 20 - Promotion of Trade in Sustainably Produced Timber– Decision 2(XXXIX)

Pursuant to its Decision 2(XXXIX) which requested the Executive Director, upon request, to assist countries to develop systems to demonstrate the legality of timber by supporting provision of data and information to assist consumers to procure legally/sustainably produced and legally traded timber, the Council will be informed on assistance provided to the Government of Côte d'Ivoire.

Item 21- ITTO Fellowship Programme – Decision 4(XXVII)
[Documents ITTC(XLIV)/18 and ITTC(XLIV)/19]

The Council may consider: (a) the progress report prepared by the Secretariat on implementation of the ITTO Fellowship Programme, as called for in Decision 4(XXVII) [Document ITTC(XLIV)/18]; and (b) the report of the Fellowship Selection Panel presented by its Chairperson [Document ITTC(XLIV)/19]. The Council will announce the final selection of awards based on the Chairperson's report.

Item 22 - Draft Annual Report for 2007
[Document ITTC(XLIV)/4]

The Secretariat will present to the Council the draft Annual Report for 2007.

Item 23 - Special Account and Bali Partnership Fund
[Document ITTC(XLIV)/20]

- (a) Pledges to the Special Account and the Bali Partnership Fund

The Council may invite Members and Observers to announce any new contributions they may wish to pledge to the Special Account and the Bali Partnership Fund.

- (b) Report of the Panel on Sub-Account B of the Bali Partnership Fund

The Council will have before it the report of the Panel on Sub-Account B of the Bali Partnership Fund established under Decision 4(XXX) to consider actions/activities, pre-projects and projects that are eligible for funding under Sub-Account B. The Council may consider and adopt the recommendations contained in the report [Document ITTC(XLIV)].

Item 24 - Reports of the Associated Sessions of the Committees

The Council will have before it the Reports of the Associated Sessions of the Committees presented by the respective Chairpersons. The Council may consider and adopt the recommendations contained in each of the Reports.

Item 25 - Election of Chairperson and Vice-Chairperson of the Council for 2009

The Council may decide after due consultations, to elect a Chairperson and Vice-Chairperson for 2009. Under Article 8 of the ITTA, 1994, the Council is required to elect a Chairperson and Vice-Chairperson for each calendar year. Under Article 8, paragraph 2, the Chairperson and the Vice-Chairperson, one from among the representatives of producing countries, and the other from among the representatives of the consuming countries, are required to alternate each year between the two categories of Members, provided, however, that this shall not prohibit the re-election to either or both under exceptional circumstances by Special Vote of the Council.

Item 26 - Dates and Venues of the Forty-fifth and Forty-sixth Sessions of the Council and the Associated Sessions of the Committees

In order to maintain the established practice of setting Session dates and venues eighteen months in advance to facilitate logistical arrangements, the Council may wish to set the dates and venues of its Forty-fifth and Forty-sixth Sessions following the interest expressed by Guatemala and China to host future Sessions of the Council.

Item 27 - Other Business

The Council may consider any matters brought under this item.

Item 28- Decisions and Report of the Session

The Council shall consider the proposed decision(s) and adopt it/them accordingly. In accordance with Rule 33 of the Rules of Procedure, a report on the proceedings shall be prepared by the Executive Director and shall be circulated to all Members as soon as possible.

Through Decision 7(XXXIII) the Council adopted the following procedures for its decision making:

- (a) The Council will give guidance to the Executive Director through the Council Chairperson on routine or non-controversial matters not having financial implications. This guidance will be included in the Report of the Session, not reflected as decisions of Council;

- (b) In order for draft decisions by Members to be considered by Council, the following procedures will be adopted:
- In relation to the Provisional Agenda, Members submit proposals for Council decisions to the Executive Director for circulation to all Members not less than two weeks prior to Council. Each proposal contains three elements: the subject, the purpose of the decision, and the proposed action, including any financial implications. The Executive Director will not circulate incomplete proposals.
 - Minus Day 1: The IAG considers the proposals for Council decisions from Members, as well as proposals from the Executive Director.
 - Council Day 1: The Chairperson presents the proposals to Council as part of the IAG report.
 - Day 2: The proposals for draft decisions are discussed in Caucuses and via informal consultations.
 - Day 3: The Council decides the topics it will consider for decision; then the Chairperson, assisted by a small group and the Executive Director, develops preliminary draft decisions for circulation to and consideration by all Members.
 - Day 4+: The Chairperson's Open-Ended Drafting Group convenes to discuss and finalize draft decisions.
 - Noon, Penultimate Day: Final decisions are submitted for translation. Decisions still under negotiation are deferred to the next Council Session.

The Council may wish to review the above procedures.

Item 29 - Closing of the Session

Following any final statements by Delegates, the Chairperson will close the Forty-fourth Session of the Council.

Annex

DISTRIBUTION OF VOTES FOR 2008

	<u>No. of Votes</u>	
	2007	2008
<u>PRODUCING MEMBERS</u>		
Africa		
Cameroon	26	26
Central African Republic	25	25
Congo	26	25
Côte d'Ivoire	25	25
Democratic Republic of the Congo	25	26
Gabon	25	26
Ghana	25	25
Liberia	25	25
Nigeria	25	25
Togo	25	25
Asia & Pacific		
Cambodia	16	16
Fiji	14	14
India	28	28
Indonesia	106	100
Malaysia	122	122
Myanmar	37	37
Papua New Guinea	25	26
Philippines	15	15
Thailand	16	17
Vanuatu	14	14
Latin America/Caribbean		
Bolivia	25	25
Brazil	145	147
Colombia	24	24
Ecuador	15	15
Guatemala	11	12
Guyana	15	15
Honduras	11	11
Mexico	24	24
Panama	11	11
Peru	29	29
Suriname	14	14
Trinidad and Tobago	10	10
Venezuela	21	21
Total: 1,000	1,000	

	<u>No. of Votes</u>	
	2007	2008
<u>CONSUMING MEMBERS</u>		
Australia	17	17
Canada	17	16
China	238	226
Egypt	17	17
European Community		
Austria	10	11
Belgium/Luxembourg	17	16
Denmark	15	14
Finland	10	10
France	34	35
Germany	20	19
Greece	13	13
Ireland	14	15
Italy	29	27
Netherlands	30	31
Poland	11	11
Portugal	18	18
Spain	23	28
Sweden	11	11
United Kingdom	27	25
Japan	217	222
Nepal	10	10
New Zealand	11	11
Norway	10	12
Republic of Korea	86	83
Switzerland	11	11
United States of America	84	91
Total:	1,000	1,000

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ANNEX III

TEXT OF THE DECISIONS

ADOPTED BY THE COUNCIL AT ITS FORTY-FOURTH SESSION

DOCUMENT: ITTC(XLIV)/21
DOCUMENT: ITTC(XLIV)/22
DOCUMENT: ITTC(XLIV)/23
DOCUMENT: ITTC(XLIV)/24
DOCUMENT: ITTC(XLIV)/25
DOCUMENT: ITTC(XLIV)/26
DOCUMENT: ITTC(XLIV)/27
DOCUMENT: ITTC(XLIV)/28
DOCUMENT: ITTC(XLIV)/29
DOCUMENT: ITTC(XLIV)/30

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3 – 8 November 2008
Yokohama, Japan

DECISION 1(XLIV)

PROJECTS, PRE-PROJECTS AND ACTIVITIES

The International Tropical Timber Council,

Having considered at its Forty-fourth Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(XLII)/8, and CRF(XLII)/7; and the report of the Fourteenth Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTC(XLIV)/20;

1. Decides to:

(i) approve the following Projects:

PD 479/07 Rev.2 (M)	Timbers of Tropical Africa Part 2: Group 7 (2) within the PROTA Programme (Ghana) ITTO Budget: \$596,419.00
PD 480/07 Rev.2 (M)	Demand and Supply of Tropical Wood Products in China Towards 2020 (China) ITTO Budget: \$263,520.00
PD 450/07 Rev.2 (F,I)	Capacity Building for CDM Forestry in the Framework of SFM Emphasizing Community Forests and Poverty Alleviation in Ghana (Ghana) ITTO Budget: \$402,516.00
PD 467/07 Rev.3 (F)	Generating an Ongoing Information System on the Status of Mahogany (<i>Swietenia Macrophylla</i>) and Cedar (<i>Cedrela Odorata</i>) Populations in Support of CITES Scientific Authority in Peru (Peru) ITTO Budget: \$896,724.00
PD 471/07 Rev.2 (F)	The Potential Impact of Environmental Fluctuations and Climate Change on Forest Plantation Pests in Ghana: Improving Pest Management Strategies through Research, Training and Extension (Ghana) ITTO Budget: \$276,588.00
PD 476/07 Rev.2 (F)	Clonal Test of Superior Progeny of Shorea Leprosula for Enrichment Planting Programme (Indonesia) ITTO Budget: \$414,072.00

PD 482/07 Rev.2 (F)	Sustainable Forest Production and Conservation with Community Participation in the Chepigana Forest Reserve of Darien, Panama (Panama) ITTO Budget: \$470,108.00
PD 490/07 Rev.2 (F)	Project to Build the Institutional capacities of the CITES Scientific Authority for Plants in Cameroon to Ensure the Conservation and Sustainable Management of Prunus Africana (Cameroon) ITTO Budget: \$603,288.00
PD 501/08 Rev.1 (F)	Promoting Household Reforestation in the Tropical Zone of Southwestern China through Development and Extension of Household-oriented Techniques (China) ITTO Budget: \$353,435.00
PD 507/08 Rev. 1 (F)	Development of the National Reforestation Policy and Afforestation Strategy Consistent with the Liberian 3C-Approach (Liberia) ITTO Budget: \$396,310.00
PD 515/08 Rev. 1 (F)	Monitoring Deforestation, Logging, and Land Use Change in the Pan Amazonian Forest (Brazil) ITTO Budget: \$1,490,206.00
PD 457/07 Rev.2 (I)	Contribution to the Development of the Further Processing of Timber in Five Producer Countries of the Congo Basin (Gabon) ITTO Budget: \$1,007,672.00
PD 506/08 Rev.1 (I)	Reviving Forestry Education in Liberia (Liberia) ITTO Budget: \$292,522.00
PD 513/08 Rev.1 (I)	Enhancing the Capacity of the Wood Processing Sector to Improve Efficiency and Add Value in Guyana (Guyana) ITTO Budget: \$278,640.00
PD 518/08 Rev.1 (I)	Energetic Valorization of Wood Residues by Compaction Process (Brazil) ITTO Budget: \$491,941.00

(ii) authorize financing for immediate implementation of the following Projects approved at this Session:

PD 479/07 Rev.2 (M)	\$596,419.00
PD 507/08 Rev.1 (F)	\$396,310.00
PD 506/08 Rev.1 (I)	\$292,522.00

(iii) authorize the release of \$200,000.00 for the continued implementation of the Freezailah Fellowship Fund;

(iv) authorize financing for immediate implementation as soon as earmarked funds are available in the Special Account of the following Projects approved at this Session:

PD 480/07 Rev.2 (M)	\$263,520.00
PD 450/07 Rev.2 (F,I)	\$402,516.00
PD 467/07 Rev.3 (F)	\$896,724.00
PD 471/07 Rev.2 (F)	\$276,588.00
PD 476/07 Rev.2 (F)	\$414,072.00
PD 482/07 Rev.2 (F)	\$470,108.00
PD 490/07 Rev.2 (F)	\$603,288.00
PD 501/08 Rev.1 (F)	\$353,435.00
PD 515/08 Rev. 1 (F)	\$1,490,206.00
PD 457/07 Rev.2 (I)	\$1,007,672.00
PD 513/08 Rev.1 (I)	\$278,640.00

PD 518/08 Rev.1 (I) \$491,941.00

- (v) authorize financing for immediate implementation of the following Projects which were approved at earlier Sessions:

PD 294/04 Rev.4 (F) – Phase II	\$180,373.00
PD 428/06 Rev.2 (F)	\$502,978.00
PD 441/07 Rev.2 (F)	\$463,115.00
PD 459/07 Rev.1 (F)	\$593,163.00
PD 470/07 Rev.1 (F)	\$209,574.00
PD 448/07 Rev.2 (I)	\$354,672.00

- (vi) authorize the amendment in the budget and the release of additional funds for the continued implementation of the following Project which was approved at an earlier Session:

PD 391/06 Rev.2 (M) – Additional fund \$56,420.00

- (vii) authorize the amendment in the budget and financing for immediate implementation as soon as earmarked funds are available in the Special Account of the following Project which was approved at an earlier Session:

PD 460/07 Rev.2 (F) – Phase I	\$277,333.00
– Phase II	\$155,585.00

2. Decides to:

- (i) approve the following Pre-Projects:

PPD 138/07 Rev.1 (M)	Verifying the Legality of Timber Forest Products in Peru (Peru) ITTO Budget: \$ 79,844.00
PPD 142/08 Rev.1 (F)	Assessing the Policy and International Framework to Facilitate the Development of an Integrated Grazing Policy for Sustainable Forest Management in India (India) ITTO Budget: \$ 79,969.00

- (ii) authorize financing for immediate implementation of the following Pre-Projects approved at this Session:

PPD 138/07 Rev.1 (M)	\$79,844.00
PPD 142/08 Rev.1 (F)	\$79,969.00

- (iii) authorize the release of additional funds for the continued implementation of the following Activities:

PP-A/39-162A [Decision 2(XXXIX)]	\$3,383.00
PP-A/43-193 [Decision 2(XLIII)]	\$100,000.00
PP-A/43-210 [Decision 2(XLIII)]	\$139,000.00
PP-A/43-224 [Decision 2(XLIII)]	\$40,758.00

- (iv) authorize financing for immediate implementation of the following additional activities under PP-A/43-210 [Decision 2(XLIII) paragraph 3, item (xiv)] as soon as earmarked funds are available in the Special Account:

Capturing Funds from the Carbon Markets to Promote Sustainable Management of Tropical Forests To conduct a feasibility study	\$100,000.00
ITTO's Children's Environmental Education Programme on Tropical	Up to the amount of \$582,837.00

Forests (CEEP)

3. Urges Members to consider financing those approved Projects, Pre-Projects and Activities for which funds are not immediately available,
4. Appeals to Members to make unearmarked contributions to the Special Account which comprise at least 10% of the total value of their pledges, in accordance with Decision 6(XIII), the remainder being voluntary contributions allocated to approved Projects, Pre-Projects and Activities and furthermore decides that such unearmarked contributions shall not be allocated without the prior authorization of the Council,
5. Further appeals to Members to also make voluntary contributions to the Bali Partnership Fund, particularly to the Sub-Account B of this Fund to finance Projects, Pre-Projects and Activities to assist Members in achieving the Year 2000 Objective of ITTO, and
6. Requests the Executive Director to continue consultations with potential donors and the Common Fund for Commodities in order to secure financing for those Projects, Pre-Projects and Activities for which funds are not immediately available.

* * *

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FORTY-FOURTH SESSION
3 – 8 November 2008
Yokohama, Japan

DECISION 2 (XLIV)

APPOINTMENT OF AUDITOR FOR THE FINANCIAL YEARS 2008-2009

The International Tropical Timber Council,

Noting Decision 10(XXXI) which amended the Rules 7, 17 and 27 of the Financial Rules and Rules relating to Projects of the International Tropical Timber Organization with a view to appoint an independent auditor of recognized standing for auditing the accounts of the Organization for a term of three consecutive years;

Noting further that firm “Arata Kansa Houjin (PWC Arata), Tokyo” was appointed to audit the Accounts of the International Tropical Timber Organization (ITTO) for the Financial Year 2007 [Decision 2(XLII)] and has satisfactorily completed the audit of the Accounts for the year 2007;

Decides to re-appoint the firm “Arata Kansa Houjin (PWC Arata), Tokyo” to audit the Accounts of the International Tropical Timber Organization (ITTO) for the Financial Years 2008 and 2009; and

Further decides that the appointment of an Audit firm for the financial years 2009 and beyond or the re-engagement of this same Auditor, on annual basis, is subject to satisfactory performance, and shall be confirmed at the Forty-fifth Session of the Council.

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8 November 2008

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FORTY-FOURTH SESSION
3 – 8 November 2008
Yokohama, Japan

DECISION 3 (XLIV)

AMENDMENTS TO THE STAFF REGULATIONS AND RULES OF THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

The International Tropical Timber Council,

Recognizing the provisions under Rule 901 of the Staff Regulations and Rules of the International Tropical Timber Organization (ITTO) which provide for the “Amendments of, and Exceptions to, the Staff Rules”;

Noting that the Staff Regulations and Rules of the International Tropical Timber Organization (ITTO) were approved by the Council for implementation since 17 November 1988;

Noting also the need to revise the Staff Regulations and Rules of the ITTO, which are based on those of the United Nations, to synchronize with the changes in the staff regulations and staff rules of the United Nations which have been constantly revised over the years;

Appreciating the work of the Committee on Finance and Administration at its Twenty-third Session in revising these Regulations and Rules;

Noting further the recommendations of the Committee on Finance and Administration, as contained in Document CFA(XXIII)/9;

Decides:

1. To approve the amendments to the Staff Regulations and Rules of the ITTO, as contained in the Document CFA(XXIII)/8; and
2. To approve the implementation of the revised Staff Regulations and Rules of the ITTO with effect from 1 November 2008.

* * *

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3 – 8 November 2008
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DECISION 4(XLIV)

THE ITTO ACTION PLAN 2008-2011 TRANSITIONAL PERIOD

The International Tropical Timber Council,

Recognizing the objectives of the ITTO as set out in Article 1 of the ITTA, 1994 and ITTA, 2006;

Reaffirming the overall aim defined in ITTO Objective 2000;

Recalling the ITTO Action Plan 1990, the ITTO Libreville Action Plan (1998-2001) and the ITTO Yokohama Action Plan (2002-2006);

Noting that the implementation period of the ITTO Yokohama Action Plan 2002-2006 has been extended to 2007 [Decision 2(XXXIX)];

Further recalling Decision 2(XXXIX), paragraph 2(vi) on the new ITTO Action Plan to succeed the ITTO Yokohama Action Plan;

Noting the written comments from Members on the draft new ITTO Action Plan, and also the comments made during the Forty-third and the Forty-fourth Sessions of the Council and during the Meeting on the Operational Modalities of Future Work of the International Tropical Timber Council, held in Accra, Ghana, during 9-12 June 2008;

Welcoming the Report of the Inter-sessional Working Group on the new ITTO Action Plan [Document ITTC(XLIII)/8] and the draft new ITTO Action Plan [Document ITTC(XLIV)/13];

Recognizing the importance and urgency of adopting a new Action Plan to guide the work of the Organization;

Noting that the ITTO is in a transitional phase, as the ITTA, 2006 is soon to enter into force and Thematic Programmes are being piloted for which guidance and directions are required;

Decides to:

1. Adopt the ITTO Action Plan 2008-2011, as contained in Document ITTC(XLIV)/13 Rev.1; and
2. Request the Executive Director to arrange for the translation, publication and wide distribution of the ITTO Action Plan 2008-2011 to Members and other interested parties as expeditiously as possible.

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DECISION 5 (XLIV)

REVISION OF ITTO PROJECT CYCLE MANUALS AND GUIDELINES

The International Tropical Timber Council,

Recalling Decision 3(XXXVII) on Measures to Improve and Strengthen the ITTO Project Cycle, which among others, decided to develop draft terms of reference for consultants who would be engaged to revise the ITTO Project Formulation Manual and related material; to prepare user-friendly and condensed Project Cycle manuals and guidelines; and to propose those terms of reference to the Joint Session of the Committees at the Thirty-eighth Session of the Council;

Noting that the Joint Session of the Committees held during the Thirty-eighth Session of the Council in June 2005, in Brazzaville, Republic of Congo, approved the Terms of References for the engagement of the Consultants for the revision of the ITTO Project Cycle Manuals and Guidelines;

Noting further that the Council at its Forty-first Session held in November 2006, in Yokohama, Japan, reviewed the documents and requested further improvements, both in terms of its technical contents and its editorial aspects on the documents;

Welcoming the Report on the Measures to Improve and Strengthen the ITTO Project Cycle [ITTC(XLIV)/17]; presented to the Council at its Forty-fourth Session and which contained, as produced by the two consultants, the revised *ITTO Manual for Project Formulation*; the revised *ITTO Manual for Project Monitoring, Review, Reporting and Evaluation*; the *ITTO Manual on Standard Operating Procedures for the ITTO Project Cycle (SOP)*; the revised *ITTO Guidelines for the Selection and Employment of Consultants and Procurement of Goods and Services*; and the *ITTO Project Formulation Software (ITTO Protocol)*;

Taking into account the comments and advices of Members during the Forty-fourth Session of the Council;

Decides to:

1. Adopt the revised ITTO Manual for Project Formulation; the revised ITTO Manual for Project Monitoring, Review, Reporting and Evaluation; the ITTO Manual on Standard Operating Procedures for the ITTO Project Cycle (SOP); the revised ITTO Guidelines for the Selection and Employment of Consultants and Procurement of Goods and Services; and the ITTO Project Formulation Software (ITTO Protocol);
2. Request Member countries to submit from May 2009 new (pre)project proposals exclusively based on the revised ITTO Manual for Project Formulation approved under this Decision;
3. Encourage Member countries to promote the use of the revised manuals and guidelines;
4. Request the Executive Director to facilitate training on the use of the revised manuals and guidelines; and
5. Authorize the Executive Director to seek voluntary contributions from Member Countries to meet the cost of the training workshops, not exceeding US\$200,000.00.

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DECISION 6 (XLIV)

ITTO / IUCN GUIDELINES FOR THE CONSERVATION AND SUSTAINABLE USE OF BIODIVERSITY IN TROPICAL TIMBER PRODUCTION FORESTS

The International Tropical Timber Council,

Recalling Decision 4(XLIII), which welcomed the draft *ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests*, hereafter referred to as the Guidelines;

Further recalling Decision 8(XXX) on cooperation between ITTO and IUCN;

Further recalling the Convention on Biological Diversity and its expanded program of work on forest biological diversity;

Acknowledging the valuable assistance given by the four Producer Member countries in which the draft guidelines have been evaluated in accordance with the recommendations of the Committee on Reforestation and Forest Management at its Thirty-seventh Session;

Recognizing the value of operational guidelines in assisting Member Countries to build their capacity and accelerate progress towards achieving Objective 2000;

Realising the need to promote the implementation of the Guidelines as a way of encouraging the conservation and sustainable use of tropical forest biodiversity in tropical timber production forests;

Decides to:

1. Adopt the *ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests* as contained in Document ITTC(XLIV)/9 Rev.1;
2. Strongly encourage Members to adapt and make use of the *ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests* wherever appropriate in their work, including in ITTO project proposals and reporting;
3. Commend the Guidelines to Members and the international community as a reference on the conservation and sustainable use of biodiversity in tropical timber production forests;
4. Request the Executive Director, in collaboration with IUCN and other partners, to undertake the following actions to promote the implementation of the Guidelines:
 - a. Publish, distribute and promote the *ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests*;
 - b. Facilitate the application of the Guidelines at a range of scales in partnership with forest operators, local communities and other stakeholders in cooperation with other international organizations, civil society organizations and others;

5. Authorize the Executive Director to seek additional voluntary contributions under Decision 2(XLIII) from Members and other sources for this purpose as shown in the budget breakdown below:

In 2009, key activities to guarantee the promotion of the Biodiversity Guidelines shall include:

Dissemination at global meetings (World Forest Week, World Economic Forum, World Forestry Congress)	Approximately US\$ 15,000 each	US\$ 45,000
Preparatory work for IUFRO World Congress and Nagoya CBD CoP 10	Approximately US\$20,000 each	US\$ 40,000
Publication and distribution	1,000 copy per language x 3 x US\$30 each	US\$ 90,000
	TOTAL	US\$ 175,000

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DECISION 7(XLIV)
ENTRY INTO FORCE OF
THE INTERNATIONAL TROPICAL TIMBER AGREEMENT, 2006

The International Tropical Timber Council,

Recalling that the International Tropical Timber Agreement, 2006 was adopted in January 2006 at the United Nations Conference for the Negotiation of a Successor Agreement to the ITTA, 1994 and has been open for signature, ratification, acceptance or approval to any government invited to that Conference;

Observing that the deposition of instruments for signature, ratification, acceptance, approval or accession is insufficient for the definitive entry into force of the ITTA, 2006 and that, therefore, it has not yet entered into force, either provisionally or definitively, in accordance with its Articles 39.1 or 39.2;

Recognizing the importance of broad participation in the ITTA, 2006 in order to respond effectively to global concern on tropical forests;

Recalling Decision 3 (XLI) of 11 November 2006, which extended the duration of the ITTA, 1994, and noting the need to consider whether to maintain the extension beyond 2009 or to terminate the ITTA, 1994 in accordance with its Article 46(5) if, by that time, the ITTA, 2006 has not entered into force either provisionally or definitively;

Decides to:

1. Encourage all governments who have not yet signed or completed the necessary procedures to become parties to the ITTA, 2006 to accelerate their efforts to do so;
2. Request the Executive Director to contact all governments who have not yet signed or completed procedures to become parties to the ITTA, 2006 and to offer assistance, as appropriate, to expedite their efforts;
3. Further request the Executive Director to prepare a report on the status of signature and ratification of the ITTA, 2006 and to circulate this report to all Members no later than the end of September 2009;
4. Review, at the Session of the Council in November 2009, the status of signature and ratification of the ITTA, 2006 and to consider, at that time, further steps towards the entry into force of the ITTA, 2006.

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DECISION 8(XLIV)

THEMATIC PROGRAMMES SUB-ACCOUNT UNDER THE SPECIAL ACCOUNT

The International Tropical Timber Council,

Noting that the “*Financial Rules and Rules Relating to Projects of the International Tropical Timber Organization*” adopted by the International Tropical Timber Council through Decision 6(XXIII) of December 1997 dealt specifically with the three financial accounts of the Organization established through Article 18, paragraph 1 (a), (b) and (c), and elaborated under Articles 19, 20 and 21 of the ITTA, 1994;

Also noting Article 23 of the ITTA, 1994 “Audit and publication of accounts”;

Recognizing that Decision 9(XLIV) on *Thematic Programmes on Pilot Basis, and Operational Procedures and Guidelines* necessitates the establishment of a separate sub-account for thematic programmes on a pilot basis;

Taking note of Article 18, paragraph 1 (d) of the ITTA, 1994, which states that “there shall be established such other accounts as the Council shall deem appropriate and necessary”;

In anticipation of Article 20, paragraph 1 of the ITTA, 2006 which includes the establishment of the Thematic Programmes Sub-Account;

Decides to:

1. Establish, with effect from 1 January 2009, the Thematic Programmes Sub-Account in the Special Account of the International Tropical Timber Organization for the development, management, implementation and evaluation of Thematic Programmes;
2. Authorize the Executive Director to transfer into the Thematic Programmes Sub-Account unearmarked contributions for the financing of specific Thematic Programmes, consistent with the procedures for Thematic Programmes established on a pilot basis by the Council;
3. Request the Executive Director to submit to the Council an auditor’s report on the Thematic Programmes Sub-Account of the Special Account as soon as possible after the close of the financial year but not later than six months after that date and in any case not later than two months before the next session of the Council; and
4. Apply *mutatis mutandis* the Financial Rules of the International Tropical Timber Organization to the Thematic Programmes Sub-Account.

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DECISION 9(XLIV)

THEMATIC PROGRAMMES ON PILOT BASIS: OPERATIONAL PROCEDURES AND GUIDELINES

The International Tropical Timber Council,

Recalling that the International Tropical Timber Agreement (ITTA), 2006, the Successor Agreement to the ITTA, 1994, was adopted in January 2006, and is expected to enter into force in the near future;

Also recalling Article 20 of the ITTA, 2006 which provides for the establishment of the Thematic Programmes Sub-Account to facilitate unearmarked contributions for the financing of approved pre-projects, projects and activities consistent with thematic programmes established by the Council;

Further recalling Article 24.3 of the ITTA, 2006 on the links between the Action Plan and Thematic Programmes, and Article 25, paragraph 1 regarding the submission of proposals contributing to thematic programmes;

Noting the report of the Meeting on Operational Modalities of Future Work of the ITTC convened during 9-12 June 2008 in Accra, Ghana, and the Background Document on Operational Modalities under the ITTA, 2006: Work of the Committees, Thematic Programmes, Project Cycle prepared for that meeting;

Also noting the March 2007 report of the Inter-sessional Working Group on Thematic Programmes and the October 2007 report of the Working Group on the Review of the Implementation of the ITTO Yokohama Action Plan 2002-2006;

Considering experiences gained in developing and implementing thematic elements of the Biennial Work Programme, including the ITTO programmes on Tropical Forest Law Enforcement and Trade and on Cooperation between ITTO and CITES to Improve Country Capacity to Implement CITES Listings of Tropical Timber Species, as well as experiences gained through implementation of Articles 20, 21, 24 and 25 of the ITTA, 1994;

Decides to:

2. Implement, on a pilot basis, Thematic Programmes for the following areas where additional funding is expected, utilizing the procedures and guidelines contained in Annexes 1 and 2 of this decision:
 - a. Forest Law Enforcement, Governance and Trade
 - b. Community Forest Management and Enterprises
 - c. Trade and Market Transparency
 - d. Industry Development and Efficiency
 - e. Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests

3. Adopt, on a pilot basis, the terms of reference for Thematic Programme Advisory Committees contained in Annex 3 of this decision.
4. Urge Members to contribute to the Thematic Programmes Sub-Account to initiate implementation of the thematic programmes;
5. Request the Executive Director to report at each Council session on the development, status and other relevant information on the pilot operation of the Thematic Programmes, and to keep Members informed inter-sessionally through the ITTO web site; and
6. Review and evaluate the effectiveness of the pilot operation of the Thematic Programmes after three years.

ANNEX 1

PROPOSED PROCEDURES FOR PILOT OPERATION OF
THEMATIC PROGRAMMES FOR APPROVED THEMATIC PROGRAMME AREAS

ACTION AND SEQUENCE	RESPONSIBILITY
1. Development of a thematic programme profile (TPP)	Executive Director (ED) in consultation with interested donors and Members
2. Approval of the TPP	Council
3. Preparation of a thematic programme document (TPD) based on the approved TPP	ED with assistance of donors, other interested Members, and as appropriate, other partners
4. Development and submission of proposals for financing under the Thematic Programme	Members and ED
5. Assessment and selection of proposals for financing under the Thematic Programme	Thematic Programme Advisory Committee
6. Monitoring & evaluation of programme implementation	Secretariat, implementing agencies, Thematic Programme Advisory Committee
7. Reporting on Programme implementation	Annual reporting to Council by ED Bi-annual reporting by implementing agencies and Secretariat
8. Revision/amendment of the TPD as needed	Council

ANNEX 2

PROPOSED GUIDELINES FOR THEMATIC PROGRAMME PROFILES AND THEMATIC PROGRAMME DOCUMENTS

1. Thematic Programme Profile

A thematic programme profile is a concise scoping document that provides an initial description of the thematic programme and covers the following elements:

- a) Rationale statement, including problem to be addressed and international context
- b) General objectives
- c) Strategy to be employed
- d) Anticipated outputs/outcomes and benefits
- e) Potential partners/collaborating agencies
- f) Indicative budget and timeframe
- g) Potential donors

2. Thematic Programme Document

A thematic programme document further develops the Thematic Programme Profile and provides detailed information on the following planning and operational elements. These elements comprise the logical framework for the programme:

Planning elements

- a) Rationale statement and problem analysis, including relevant international and regional processes and value-added of the programme
- b) Specific objectives, including, as appropriate, intermediate targets
- c) Strategies for achieving objectives
- d) Outputs/outcomes/deliverables and expected impact/benefits
- e) Other partners and stakeholders
- f) Activities
- g) Work plan, including budget estimates and donor contributions

Operational elements

- a) Composition of the Thematic Programme Advisory Committee and expert profiles
- b) General selection criteria for proposed activities/projects/pre-projects outlined in paragraph 2 of Annex 3
- c) Thematic programme-specific selection criteria for proposed activities/projects/pre-projects, as appropriate
- d) Administrative arrangements
- e) Monitoring and evaluation procedures
- f) Technical and financial reporting procedures

ANNEX 3

PROPOSED TERMS OF REFERENCE FOR
THEMATIC PROGRAMME ADVISORY COMMITTEES

1. Each thematic programme will have a Thematic Programme Advisory Committee to assist the Executive Director with the implementation of the thematic programme as follows:
 - a) Selection of activities/pre-projects/projects for financing under the Thematic Programme;
 - b) Monitoring and evaluation of progress in implementing the Thematic Programme; and
 - c) Identification of potential additional sources of voluntary financial contributions to the Thematic Programme.

2. In selecting activities/pre-projects/projects for financing, all Thematic Programme Advisory Committees will consider the following general criteria, in addition to any specific criteria identified in the relevant Thematic Programme Document:
 - a) Conformity with the Thematic Programme Document and ITTA objectives;
 - b) Technical feasibility;
 - c) Cost effectiveness;
 - d) Environmental and social effects;
 - e) Linkages or relevance to other activities/pre-projects/projects under the programme;
 - f) Applicability/extension of results, e.g. regionally or globally;
 - g) Clear quantitative and qualitative indicators to evaluate progress towards achieving programme objectives;
 - h) Measures to verify the coherence and effectiveness of individual activities/pre-projects/projects funded under the programme;
 - i) Overall impact and sustainability of outputs and outcomes; and
 - j) Mechanisms for effective stakeholder participation.

3. The membership of a Thematic Programme Advisory Committee and its specific functions will be identified in the Thematic Programme Document. As a general rule, each Thematic Programme Advisory Committee will not exceed seven members, taking into account the need for balanced representation among members. They will include:
 - a) Three producer member representatives with recognized expertise on the thematic programme;
 - b) At least one non-donor consumer member representative with recognized expertise on the Thematic Programme;
 - c) Expert representatives of interested donors and collaborating institutions; and
 - d) Executive Director or his designated representative.

4. In consultation with members, the Executive Director will invite individuals to participate on Thematic Programme Advisory Committees.

5. As a general rule, Thematic Programme Advisory Committees will work and coordinate through electronic means and meet once a year.

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FORTY-FOURTH SESSION
3 – 8 November 2008
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DECISION 10(XLIV)
THEMATIC PROGRAMME PROFILES

The International Tropical Timber Council,

Recalling Decision 9(XLIV) on Thematic Programmes on a Pilot Basis: Operational Procedures and Guidelines and Decision 8(XLIV) on Thematic Programme Sub-Account under the Special Account;

Decides to:

1. Approve the Thematic Programme Profiles contained in Annex 1 of this decision for the following thematic areas:
 - a. Forest Law Enforcement, Governance and Trade
 - b. Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests
 - c. Community Forest Management and Enterprises
 - d. Trade and Market Transparency
 - e. Industry Development and Efficiency;
2. Request the Executive Director to:
 - a. Develop Thematic Programme Documents for 1(a) and 1(b) consistent with the procedures and guidelines set forth in Decision 9(XLIV) and seek additional donor financing for their full implementation; and
 - b. Circulate completed Thematic Programme Documents to Members and invite Members to submit proposals for activities/pre-projects/projects based on the documents;
3. Also request the Executive Director to utilize the relevant profiles in Annex 1 to seek donor financing for 1(c), 1(d) and 1(e), and, where there is sufficient donor interest, to develop Thematic Programme Documents consistent with the procedures and guidelines set forth in Decision 9(XLIV); and
4. Further request the Executive Director to report progress on 2 and 3 above at the 45th Session of the Council.

ANNEX 1

THEMATIC PROGRAMME ON FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADE

Programme Profile

RATIONALE AND CONTEXT

Illegal activities in the forest sector continue to add to the degradation of forests and undermine the contribution of the forest sector to employment generation and social and economic development and poverty alleviation. An unknown volume of timber is illegally felled, processed and traded. Forest operations conducted outside the law may under-value the resource on which they are based, resulting in the degradation of the resource and a lack of optimal socioeconomic benefits for local people. Several factors contribute to the occurrence of illegal timber harvesting, such as an ineffective policy and legal framework, a lack of enforcement capacity, insufficient data about the forest resource and illegal operations, and a high demand for cheap timber. Cooperation between producer and consumer countries is needed.

The International Tropical Timber Agreement (ITTA), negotiated in 2006, includes commitments to: strengthening the capacity of members to improve forest law enforcement and governance and address related trade in tropical timber; improving the marketing and distribution of tropical timber and timber product exports from sustainably managed and legally harvested sources; contributing to sustainable development and poverty alleviation; and recognizing the role of forest-dependent indigenous and local communities in achieving sustainable forest management and developing strategies to enhance the capacity of these communities to sustainably manage timber-producing forests.

In 2007 the Council approved a pilot of the TFLET Thematic Programme. The objectives of that pilot, as well as the projects and activities under implementation, will be integrated into the Thematic Programmes to be developed under this profile, taking into account the administrative arrangements put in place for the existing programme.

GENERAL OBJECTIVE

The general objective of the Thematic Programme is to improve national forest law enforcement and governance in tropical ITTO member countries in order to enhance and diversify international trade in tropical timber from sustainably managed forests and to help alleviate poverty in those countries.

PROGRAMME STRATEGY

The strategy to reach the objective contains several elements: (i) respond to the needs of producer members and local communities to improve forest governance; (ii) enhance the transparency and effective management of supply chains; and (iii) public-private partnerships between governments, the private sector, Civil Society Organizations and local communities are enhanced to create strong networks to discourage illegal forest activities.

ANTICIPATED OUTPUTS/OUTCOMES

- Enhanced capacity of forest-dependent and local communities to improve governance and sustainably manage their forests in order to alleviate their poverty;
- Enhanced capacity of small and medium-sized enterprises in harvesting, processing and handling timber from legally and sustainably managed sources;
- Increased market opportunities for legally and sustainably produced timber from tropical forests by supporting business-to-business initiatives;
- Enhanced capacity of trade associations and civil-society organizations, in particular those representing local groups and workers in the forest sector, to be involved and actively participate in the development and implementation of policies and programmes on tropical forest management and timber trade;
- Policies and programmes to improve forest law enforcement and governance, contributing to the implementation of international objectives as agreed in the ITTA, UNFF, FAO, CITES, CBD and UNFCCC, as well as relevant partnership arrangements;

- Information exchange among stakeholders as well as the identification of commonalities and horizontal elements in policies and programmes to improve forest law enforcement and governance; and
- Better enforcement of forest laws and regulations through chain of custody and tracking and tracing systems such as fingerprinting methods and improved verification and monitoring procedures.

The approach to be taken in this proposed Thematic Programme will complement ITTO's work on policy and transparency by intensifying its work with government, private-sector and civil-society actors. The programme will encourage and facilitate partnerships between government agencies, civil-society organizations and private companies to, on the one hand, increase the involvement of local communities in forest management, production and benefit-sharing and, on the other, improve market access for forest products.

POTENTIAL PARTNERS AND COLLABORATING AGENCIES

The Thematic Programme will enhance public-private partnerships between relevant stakeholders, including governments, the private sector and civil-society organizations, taking into account the specific concerns and needs of local and indigenous communities depending heavily on the conservation and sustainable use of tropical forest resources as well as the sustainable use of timber and non-timber forest products.

The main actors in the forest sector are national government forestry agencies, national government forest law enforcement agencies, national-level civil-society, and private-sector organizations, companies, local cooperatives and community administrations, and small and medium-sized forest enterprises.

The intermediary beneficiaries are a diverse group of national-level and local organizations. The primary target group comprises national governments. The secondary target groups are the trade associations and civil-society organizations, the private sector and research institutions. The ultimate target groups are the producers and the end-users. The programme will be demand-driven and flexible, so that potential beneficiaries can, in consultation with ITTO and other stakeholders, determine the exact nature of the activities they undertake through the programme.

INDICATIVE BUDGET

The total indicative budget of the Thematic Programme is US\$15 million, of which US\$12 million would be for country-level activities and US\$3 million for regional and international-level activities.

TFLET pilot phase already pledged	US\$ 4,800,000
Balance	US\$ 10,200,000
TOTAL	US\$ 15,000,000

POTENTIAL DONORS

The governments of the Netherlands, Japan, Switzerland, USA, Australia, New Zealand, Finland, Norway and Korea have already pledged contributions to the thematic programme pilot phase totalling US\$4.8 million.

THEMATIC PROGRAMME ON
REDUCING DEFORESTATION AND FOREST DEGRADATION AND
ENHANCING ENVIRONMENTAL SERVICES IN TROPICAL FORESTS

Programme Profile

RATIONALE

Tropical forests play a vital role in sustaining a large proportion of the world's biodiversity, maintaining land-use options and water resources, contributing to the carbon cycle and providing other key services to forest-dependent people. The ITTA, 2006, commits ITTO to promoting a '*better understanding of the contribution of ... environmental services to the sustainable management of tropical forests with the aim of enhancing the capacity of members to develop strategies to strengthen such contributions in the context of sustainable forest management...*'.

Tropical forests provide an important service by protecting watersheds that supply forest-dwelling and urban communities with high-quality water. Some ITTO member countries have developed payment schemes for environmental services related to watershed management, which could inform similar initiatives in other tropical countries. Tropical forests are also of enormous importance for the conservation of biodiversity. They contain more species than other biomes and a high proportion of these species are threatened. Services such as these and others, including carbon storage and disaster prevention, may be achieved simultaneously through sustainable forest management.

Deforestation and forest degradation in tropical forests have reduced the quality of many forest environmental services. Often, poorly implemented timber harvesting has damaged remaining trees and caused soil erosion and compaction, while the conversion of forests to other land uses has also led to the loss or degradation of many services. The introduction or strengthening of sustainable forest management, forest restoration, afforestation and reforestation in such areas can play an important role in restoring environmental services and reducing emissions from deforestation and forest degradation. ITTO has a long track record of working with member countries and partners to promote such activities through field projects and capacity-building.

GENERAL OBJECTIVE

The general objective of the Thematic Programme is to help improve livelihoods by reducing deforestation and forest degradation and enhancing environmental services through the sustainable management of tropical forests, forest restoration, afforestation, reforestation and other related activities.

PROGRAMME STRATEGY

The Thematic Programme would focus primarily on four strategic areas:

I. Assessment and diagnosis

The quality of planning for forest-related interventions depends on the availability and accuracy of data and information related to the state of and threats to forest resources. Activities to be supported in this area could include:

- Forest cover and forest resources assessment, monitoring and verification systems
- Pilot multi-purpose forest inventories
- Estimation of forest carbon stocks, including emissions from deforestation and forest degradation based on already existing tools for this purpose
- Assessment of policy, legal and institutional frameworks to promote biodiversity conservation, carbon storage, watershed conservation and other environmental services through sustainable forest management
- Land and forest tenure assessments
- Capacity-building, institutional strengthening, training and outreach.

II. Enabling conditions and capacity-building

Activities here would be aimed at establishing enabling policy, legal and institutional frameworks and governance related to environmental services and the reduction of emissions from deforestation and degradation, including by strengthening tenure security and resource access. They would be grouped under four headings: Formulation/enhancement of national forest policies, including legislation; Training; and Proposal formulation.

III. Demonstration activities

The Programme would facilitate demonstration projects on sustainable forest management, forest restoration, reforestation and afforestation to help realize the benefits of environmental services, including in local communities.

IV. Scaling up and dissemination

Programme support would be provided for activities dedicated to the replication and scaling up of successful demonstration projects related to environmental services schemes in tropical forests. The Programme would also provide support for sharing information and lessons learned locally, nationally and internationally.

In all four areas, ITTO would undertake complementary cross-cutting actions to facilitate the implementation of the Programme in an integrated manner.

ANTICIPATED OUTPUTS/OUTCOMES

The intended outcomes of the Thematic Programme are: (i) Increased area of forest under sustainable management, and reduced deforestation and forest degradation in tropical timber producing forests; (ii) Improved capacities to develop and implement feasible policy options and incentives mechanisms to promote environmental services through sustainable forest management; (iii) Improved livelihoods for forest dwellers and other stakeholders directly involved in the supply of environmental services through the sustainable management of tropical forests; (iv) Improved practices to promote and stimulate community involvement in the supply of environmental services from the sustainable management of tropical forests, and their wide dissemination; and (v) Improved resilience of tropical forest ecosystems and forest-dependent communities.

POTENTIAL PARTNERS/COLLABORATING AGENCIES

The Programme would be implemented in close cooperation with ITTO's Civil Society Advisory Group and Trade Advisory Group and relevant international, regional and national organizations and bodies, including the UN-REDD Fund, the World Bank's Forest Carbon Partnership Facility and the planned Forest Investment Program.

INDICATIVE BUDGET AND TIMEFRAME

An indicative three-year budget that would result in significant improvements in the three tropical regions would be US\$18 million.

Pledged	US\$ 3,500,000
Balance	US\$ 14,500,000
TOTAL	US\$ 18,000,000

POTENTIAL DONORS

The Government of Norway has made an initial pledge of US\$ 3,500,000. The Governments of Japan, Switzerland and U.S.A. have indicated their intention to contribute to this Thematic Programme.

THEMATIC PROGRAMME ON COMMUNITY FOREST MANAGEMENT AND ENTERPRISES

Programme Profile

RATIONALE

Forests are important resources for the rural poor, with over 800 million people living in forests and woodlands in the tropics. In addition to their contributions to livelihoods by providing a subsistence safety net, tropical forests are also a source of income and employment, a capital asset, and, by providing natural medicines, an alternative health care system. Indigenous groups and communities own or manage about 20% of forests in developing countries, and this percentage is growing. Such communities, however, often face challenges in managing their forests sustainably and in obtaining tangible benefits from their efforts. In many cases, the forest areas for which they assume rights are degraded and, without investments in rehabilitation, have limited development potential. In many tropical forests, most income for communities is derived from the collection and commercialization of non-timber forest products (NTFPs) rather than from timber production.

Many community-based forest enterprises (CFEs) are involved in the harvesting and management of forests and the processing of timber and NTFPs. They are typically small, operate informally, and depend on national and niche export markets and they rarely form part of organized commercial supply chains. Only a few have developed into medium-sized industrial enterprises, and their capacity to add value is generally low. Regulations may unintentionally act as barriers to community access to forests, capital and markets and may also unduly raise the costs of CFEs. Weak governance and inequitable sharing of benefits can be additional challenges. National policies may not recognize the economic potential of community forestry and broader social, cultural and other objectives which are important for CFEs.

One of the constraints to the development of forest communities, smallholders and their enterprises can be their limited managerial and technical capacity. Building the capacity of communities to plan, utilize, monitor and manage their forest resources is critical to reducing their vulnerability to external pressures. CFEs face particular challenges in meeting the demanding and complex market requirements for their products. On the other hand, many new opportunities are emerging – e.g. growing national and regional markets for forest products, community/smallholder-corporate partnerships, and high-value market niches in developed countries which appreciate the social value of community products – but external support is necessary to make effective use of these. With adequate support, community-based management and business models could often provide local solutions for the sustainable management and utilization of forests.

GENERAL OBJECTIVE

The general objective of the Thematic Programme is to contribute to poverty reduction in tropical forest areas by: (i) strengthening the ability of forest communities and smallholders to sustainably manage their tropical forest resources; and (ii) assisting CFEs to add value to and market the products and services obtained from these resources.

PROGRAMME STRATEGY

At the community level the Programme would support CFEs to develop and implement approaches with high employment and revenue creation potential and economic feasibility. These would be targeted at improving forest management and the production of timber, timber products and NTFPs to supply local industry or domestic and export markets. Programme interventions would aim at strengthening organizational, managerial and technical skills and the business development of CFEs, smallholders and their organizations. The programme strategy would focus on participatory planning and implementation where communities define their own needs and priorities. Implementation would involve the piloting, demonstration and mainstreaming of successful approaches and models for creating financially and economically viable, socially and culturally adapted CFEs.

At the country level, activities would include, inter alia, the strengthening of the policy, legal and institutional frameworks for CFE development, training, increasing CFE access to capital and markets, the strengthening

of community-based organizations, associations and networks, the strengthening of local governance models, the development of tools for implementing community forest management, and improving the efficiency of CFEs.

At the regional and international levels, activities would include, inter alia, providing support to knowledge management and the sharing of country experiences, and partnership-building with interested national, regional and international bodies. To avoid duplication, the Programme would rely heavily on existing knowledge and accumulated experience.

ANTICIPATED OUTPUTS/OUTCOMES

The intended outcomes of the Thematic Programme would be: (i) improved knowledge and skills in implementing sustainable forest management among communities, smallholders and their organizations; (ii) improved access by CFEs to capital and technology, and strengthened marketing capacities; (iii) increased value added of CFE production; (iv) strengthened organizations of communities and smallholders; and (v) enabling policy and legal frameworks at the country level to implement community forest management.

POTENTIAL PARTNERS/COLLABORATING AGENCIES

The Programme would be implemented in close cooperation with ITTO's Civil Society Advisory Group and Trade Advisory Group, and relevant international, regional and national organizations and bodies.

INDICATIVE BUDGET AND TIMEFRAME

An indicative three-year budget of the Thematic Programme that would result in significant improvements in the three tropical regions is US\$10 million, most of which would be for community-level pilot projects and other country-level activities.

POTENTIAL DONORS

THEMATIC PROGRAMME ON INDUSTRY DEVELOPMENT AND EFFICIENCY

Programme Profile

RATIONALE

Tropical forest industries create value from the use of forest resources and can contribute to their sustainable management. The potential for revenue and employment can be increased by, for example, expanding production and exports of further-processed products. At the same time, where local processing capacities exceed the sustainable timber production potential of forests, unsustainable and illegal activities can occur. National legal and policy frameworks must consider the need for long-term sustainable industrial development.

Examples of problems in forest industries include structural deficiencies and managerial weaknesses. The latter is particularly common in small and medium-sized forest enterprises (SMFEs). Management systems in SMFEs may be inadequate for the effective planning and control of operations, posing difficulties for effective supply-chain management and product tracking. These enterprises may not have sufficient capacity to apply modern technology and management methods, which may be a barrier to integration with established supply chains. Access to financing (particularly for SMFEs) is often identified as an important constraint to sustainable tropical forest industry development. The situation is characterized as a vicious circle in which low profitability results in a lack of sufficient funds for the renewal of capital equipment, which further inhibits the profitability of the enterprise.

There are several underutilized opportunities for tropical forest resource-based industrial development, including growing product demand in emerging markets, new markets for secondary processed wood products, the expanded use of lesser-used species, new product and process innovations, and the commercialization of forest-based services. Many tropical countries need external support in order to make use of these opportunities with a view to increasing employment and revenue generation, thereby contributing to poverty reduction.

GENERAL OBJECTIVE

The general objective of this Thematic Programme would be to strengthen the capacity of tropical timber-producing countries to: (i) increase the production, further processing and trade of tropical timber and other forest products and services from sustainably managed and legally harvested forests; and (ii) improve efficiency in the processing and utilization of tropical timber and timber products and non-timber forest products (NTFPs).

PROGRAMME STRATEGY

The Thematic Programme would operate at three levels with the aim of enhancing sustainable forest industry development in ITTO producer member countries, with a particular emphasis on SMFEs.

At the enterprise level, the Programme would demonstrate and disseminate innovative approaches and technologies, support business development, and strengthen management and technical skills along the whole value chain in order to improve efficiency and value adding.

At the country level, the Programme would support the mainstreaming of innovations, improving policy and legal frameworks, the promotion of investment, and the strengthening of those institutions that serve industrial development.

At the regional/international level, the Programme would support the sharing of experiences, technology transfer and partnership-building.

Activities could be implemented through research and development, technology transfer and international cooperation. These could include:

support for industrial planning, investment promotion, business development and risk management; improved concession management;

development of efficient harvesting and processing technologies; the utilization of wood residues and wood wastes; the development of sustainable wood-based bioenergy production; the organization of commercial supply chains and producer networks and the strengthening of relevant stakeholder associations; and the improvement of managerial and technical skills in SMFEs through capacity-building, institutional strengthening, training and networking.

ANTICIPATED OUTPUTS/OUTCOMES

The intended outcomes of the Thematic Programme would be: (i) the increased supply and trade of forest industry products and services with higher value added; (ii) improved efficiency in the harvesting and processing of timber and NTFPs; (iii) reduced emissions from industrial operations; (iv) improved policies to promote investment, facilitate the development and transfer of technology; and (v) improved management capacity, particularly in SMFEs.

POTENTIAL PARTNERS/COLLABORATING AGENCIES

The Programme would be implemented in close cooperation with the ITTO Trade Advisory Group and Civil Society Advisory Group, relevant international and regional bodies, and national industry and trade associations.

INDICATIVE BUDGET AND TIMEFRAME

An indicative three-year budget for the Thematic Programme that would result in significant improvements in the three tropical regions is US\$10 million, most of which would be for pilot projects and other country-level activities, supported by relevant regional and international-level activities.

POTENTIAL DONORS

THEMATIC PROGRAMME ON TRADE AND MARKET TRANSPARENCY

Programme Profile

RATIONALE

International tropical timber markets are undergoing structural changes in the face of changing global demand and supply patterns and market requirements. Transparency is essential for promoting international trade in timber and other products from sustainably managed and legally harvested tropical forests. Improvements in market transparency that need to be addressed include assessments of future demand and supply, the description of value chains for tropical timber products, end uses, characteristics of markets (including domestic markets in tropical regions), and factors influencing market conditions and the competitiveness of tropical timber producers. Enhanced market information on non-timber forest products (NTFPs) and a better knowledge of international market opportunities would help the development of forest-based small and medium-sized enterprises (SMFEs), which dominate the NTFP sector. Other specific information gaps include markets for lesser-used species and new plantation timbers.

Public and private timber procurement policies and emerging regulations designed to promote trade in legally produced timber and timber products represent new challenges, especially for tropical timber exporters. Non-tariff barriers and tariff escalation, technical, health and sanitary standards and product specifications in major import markets are also evolving and influencing market requirements for timber and timber products. There is a need to monitor these developments and to support tropical timber producing countries in meeting the challenges they pose. Consumption and trade can be encouraged by communicating the environmental credentials of tropical timber and timber products to buyers, consumers and other stakeholders.

The lack of adequate information makes it difficult to improve national policy and regulatory frameworks and thereby to promote trade in timber and other products from tropical forests. Many ITTO producer member countries will benefit from strengthening information systems concerning the forestry sector and domestic and export markets for forest products.

GENERAL OBJECTIVES

The general objectives of this Thematic Programme would be to: (i) increase the capacity of producer member countries to develop and employ market intelligence and marketing skills; and (ii) improve market transparency through improved data and analysis.

PROGRAMME STRATEGY

The Thematic Programme would operate at two levels: (i) the country level, to build capacities to monitor existing markets and develop new markets for products derived from tropical forests and to promote the trade in tropical timber from sustainably managed and legally harvested sources; and (ii) at the regional/international level, to improve market transparency and share experiences on trade and trade promotion.

Activities could include support for:

- the development of market information systems and training on statistical and economic information, market intelligence and marketing for all forest products and services;
- studies and exchanges on:
 - domestic, regional and international market opportunities,
 - substitution and competitiveness in relation to competing materials and non-tropical timber and non-timber products,
 - factors which influence the markets for and competitiveness of tropical timber and timber products and NTFPs,

- systems for forest certification,
 - procurement and other relevant policies,
 - export/import procedures
 - timber-related technical, safety, health and environmental standards and regulations;
-
- the development of product standards, grading rules and quality control systems for tropical timber products and NTFPs;
 - strengthening the capacity of and cooperation among customs authorities; and
 - the improvement of communication on the environmental credentials of tropical timber and timber products.

ANTICIPATED OUTPUTS/OUTCOMES

The intended outcomes of the Thematic Programme would be: (i) improved market transparency for tropical timber and timber products and NTFPs; (ii) strengthened country capacity in market intelligence, information systems and trade promotion; and (iii) improved market conditions that promote trade in tropical timber and timber products and NTFPs.

POTENTIAL PARTNERS/COLLABORATING AGENCIES

The Thematic Programme would be implemented in close cooperation with ITTO's Trade Advisory Group and Civil Society Advisory Group, relevant international and regional organizations, national timber trade associations and civil-society organizations.

INDICATIVE BUDGET AND TIMEFRAME

An indicative three-year budget for this Thematic Programme that would result in significant improvements in the three tropical regions would be US\$5 million, most of which would be for country-level activities and the remainder for regional/international level activities.

POTENTIAL DONORS

ANNEX IV

REPORTS OF THE ASSOCIATED SESSIONS OF THE FOUR COMMITTEES

Documents: CEM-CFI(XLII)/8
CRF(XLII)/7
CFA(XXIII)/9 Rev.1

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3 – 8 November 2008
Yokohama, Japan

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

FORTY-SECOND SESSION OF THE COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE AND THE COMMITTEE ON FOREST INDUSTRY

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Appendix A: Report on the ITTO Annual Market Discussion – 2008

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REPORT

1. Opening of the Session

The Forty-second Session of the Committees was opened on 3 November 2008 at the Joint Session of the Committee on Economic Information and Market Intelligence (CEM), the Committee on Reforestation and Forest Management (CRF), the Committee on Forest Industry (CFI), and the Committee on Finance and Administration (CFA), chaired by Ms. Michele Mire (U.S.A.), Chairperson of CEM. This Joint Session considered Agenda items 1-4. Joint Sessions of the Technical Committees were also convened under the chairmanship of Ms. Michele Mire (U.S.A.) to consider items 5 and 7(A) of the Agenda, respectively. The subsequent meetings of the CEM and CFI were conducted in joint sessions by Ms. Michele Mire (USA), Chairperson of CEM and Dr. Jürgen Blaser (Switzerland), Chairperson of CFI. The list of participants is presented in document ITTC(XLIV)/Info. 2.

2. Adoption of Agenda and Organization of Work

The Agenda for the Joint Session of the Committees as contained in documents CEM-CFI(XLII)/1, CFA(XXIII)/1 and CRF(XLII)/1 was duly adopted.

3. Admission of Observers

The Committees admitted the observers listed in document ITTC(XLIV)/Info.3 Rev.1 as approved by the Council.

4. Report of the Meeting of the Expert Panel for Technical Appraisal of Project Proposals

The Committees noted the presentation made by Dr. Bipin Behari (India), Chairman of the Expert Panel for Technical Appraisal of Project Proposals at its Thirty-sixth Meeting held from 4 to 8 August 2008 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XLII)/1. In summary, the report of the Expert Panel indicated:

- (i) a total number of 43 proposals was evaluated, comprising 41 project proposals and 2 pre-project proposals.
- (ii) a total number of 16 proposals (37% of proposals evaluated) comprising 15 projects and 1 pre-project were accorded category 1 rating, compared with 24% accorded at the previous Expert Panel meeting.
- (iii) nine (9) out of the 16 proposals accorded category 1 rating were revised proposals.
- (iv) eighteen (18) proposals were sent back to proponents for revision and nine (9) were recommended not to be approved by the Committees.
- (v) all 41 projects and 2 pre-projects were assessed through the new appraisal system.
- (vi) there was a significant improvement in the quality of project proposals.

Dr. Behari presented the general comments made by the Expert Panel at its Thirty-sixth Meeting including:

- (i) the common weaknesses of many proposals already pointed out by previous Expert Panels.
- (ii) lack of clear and comprehensive problem analysis in the problem tree.
- (iii) lack of focus of specific objectives.
- (iv) inconsistency between logical framework matrix and key issues of the problem and its analysis.
- (v) inadequate risk analysis and failure to address risk mitigation measures.
- (vi) sustainability of the projects not addressed.
- (vii) inadequate presentation of budget items and supporting terms of reference (TORs).
- (viii) inadequate involvement of stakeholders
- (ix) in the framework of community participatory projects, methodologies for implementation were often insufficiently articulated.
- (x) project proposals submitted in phases often lack in specifying the vision for subsequent phases along with the overall strategy
- (xi) lack of reference to internal monitoring mechanism for successful implementation of the project
- (xii) pre-projects often lack focus on the preparation of a full project proposal.

He further highlighted the persistent problems in project formulation. For regional proposals presented by a single country, there was often the lack of evidence of support and commitment from partner countries or organizations. The section on the origin of a proposal also suffered from missing,

irrelevant or inadequate information such as country priorities, recommendations of ITTO missions as well as completion reports and ex-post evaluations of relevant projects.

On the experience of the Expert Panel in the application of the new (revised) ITTO system for technical appraisal of project and pre-project proposals, Dr. Behari indicated that the scoring system added value to the evaluation process, assisting panel members to assess project proposals systematically, reducing subjectivity of the assessment, facilitating comparison between evaluators, helping prepare recommendations, and compelling evaluators to look closely at different aspects of a project's proposal. Dr. Behari noted, however, that the scoring system also required careful attention to ensure that it was properly applied in the scoring table. The Expert Panel recommended that there was a need to come quickly to a final decision in relation to the format of the proposal in the 3rd edition of the manual, the manual and the scoring sheet needed to be finalised in close collaboration with a working group, and the flow chart for the decision in category may also be revised after the format and the scoring sheet is finalized.

The delegation of the Philippines commented on the need to harmonize and make consistent the tools for project and pre-project formulation and appraisal. The delegation also commented that the quantitative scoring assessment of the proposals should be conveyed to the proponents. Regarding the issue of providing quantitative and qualitative assessment of the proposals to the executing agencies, Dr. Behari responded that the decisions made by the Expert Panel were based on a full assessment of proposal, whether or not the scoring sheet was conveyed to the proposer.

The delegation of Guatemala requested clarification on the criteria for countries resubmitting projects that had been approved but not funded. Dr. Behari responded that this was not an issue which the Expert Panel was able to address.

The delegation of the United Kingdom noted that although similar issues were being raised by previous Expert Panels, project proposals were improving in quality as demonstrated by the statistics presented by Dr. Behari. He noted that although the quantitative assessment was a useful guide, some subjectivity was always involved in proposal assessments.

5. ITTO Annual Market Discussion – 2008

The Committees noted the summary of the ITTO Annual Market Discussion – 2008, held in the Joint Session of the Technical Committees on 5 November 2008, as contained in Appendix A. The theme of the Market Discussion was “Intra-Regional Trade in Challenging Times”. Ms. Michele Mire (Chairperson of CEM) chaired the meeting and Mr. Barney Chan (T-A-G Coordinator) served as the moderator of the Market Discussion.

The following feature presentations were made during the Market Discussion:

Mr. Brent McClendon (IWPA)	Intra-regional Trade in Challenging Times - A Global Overview
Mr. Alhassan Attah (Ghana Forestry Commission)	Perspectives on Intra-regional Trade in Africa
Mr. Bob Tate (PNG Forest Industries Association)	Perspectives on Intra-regional Trade in the Asia-Pacific Region

6. Report on Completed Projects and Pre-projects

The Committees considered the Report of Completed Projects and Pre-projects as contained in document CEM-CFI(XLII)/2 as follows:

Committee on Economic Information and Market Intelligence

PD 133/02 Rev.3 (M) Timber and Timber Products Trade Flow Study in the Philippines

The Secretariat informed the Committees that the project, after several budget-neutral extensions, was completed in late 2007. The Government of the Philippines had provided significant resources to staff the project over the last 24 months of implementation.

The project achieved its objectives and all outputs envisioned (survey of timber trade flows, timber trade flow database and project website) were attained. The representative of the Philippines thanked ITTO for its support and noted the linkages between this project and others funded by ITTO to develop a Forest Sector Information System. He stressed that this project had been particularly helpful in identifying possible check points or entry points for monitoring flows of illegal timber in his country.

The Committees noted that the final report and financial statement of the project had been submitted to the Secretariat and were in good order. The Committees duly declared the project complete.

PPD 61/02 Rev.2 (M) Review of the Presentation Situation and Development of a Strategy and Project for Enhancing the National Forestry Statistics Management System (Côte d'Ivoire)

The Secretariat provided an overview of the pre-project, noting that all pre-project outputs were successfully completed and a project resulting from the pre-project was recently reviewed by the Thirty-sixth Expert Panel. The representative of the executing agency (The Ministry of Water and Forests) in Côte d'Ivoire explained that the project proposal was designed to help implement a sound forestry statistical system in Côte d'Ivoire and thanked the ITTO Secretariat for supporting the pre-project. The Committees noted that the executing agency had submitted the completion and final audit reports to the Secretariat. The Committees duly declared the pre-project complete.

PPD 101/04 Rev.1 (M) Development and Promotion Program for Financial Compensation and Environmental Services Derived from Tropical Forest Ecosystems in Guatemala

The Secretariat reported on the achievements of the pre-project, indicating that the pre-project successfully resulted in studies on the quantification and identification of environmental services and defined basic guidelines for creating and regulating a compensation system for environmental services in forest ecosystems. The Secretariat indicated that the project proposal resulting from this pre-project had recently been appraised by the Thirty-sixth Expert Panel and had been given a Category 2 rating. The Committees noted that the completion and audit reports for this pre-project had been submitted to the Secretariat. The Secretariat indicated that the remaining balance of pre-project funds in the executing agency's project account amounting to US\$11,162.49 had to be returned to the ITTO Secretariat. The Committees duly declared the pre-project complete.

Committee on Forest Industry

PD 37/94 Rev.3 (I) Strengthening of the Forest Products Laboratory of IBAMA (Brazil)

The delegate of Brazil reported on the implementation of the project. The Committees noted that in spite of the long duration of the project, outputs were completed.

The delegate of Brazil also reported that the final Project Steering Committee meeting was held in April 2008 with the participation of donor representatives and the Secretariat. He also informed that the last output "The Catalogue of Products and Services of the Forest Products Laboratory" was recently printed and delivered to the Secretariat and that copies were available for distribution during the current Council Session.

The Secretariat informed that the completion report has been delivered by the executing agency and that the final financial audit was being executed at the time of reporting. The Committees declared the project complete, subject to the submission of the final financial audit and the satisfactory revision of the completion report by the Secretariat.

PD 31/99 Rev.3 (I) Non-timber Production and Sustainable Development in the Amazon (Brazil)

The Secretariat reported on the implementation of the project. The Committees noted that in spite of the long duration of the project, outputs were delivered. Additional outputs were produced such as "Diagnosis of extractivism in 4 axes of analysis"; "Analysis and diagnosis elaboration and technical criticism for copaiba and babacu"; and a book entitled "Amazonian Flora for Cosmetic Production".

The Committees also noted that the final financial audit had been submitted to the Secretariat in accordance with the project agreement. The Secretariat reported that the completion report had been submitted by the executing agency. The Committees duly declared the project complete.

PD 36/99 Rev.4 (I) Processing and Utilization of Almaciga (*Agathis philippinensis* Warb.) Resin as Source of Industrial Chemicals (Philippines)

The delegate of the Philippines reported on the implementation of the project, aimed at increasing the commercial value and industrial applications of almaciga resin by improving resin quality through refining and chemical modifications.

The Committees noted that outputs were delivered, enabling the achievement of the project specific objectives namely "Study the techno-economics of refining crude almaciga resin in a pilot scale and develop some industrial chemicals from refined almaciga resins", and "Conduct techno-transfer on improved tapping techniques for almaciga resin".

The delegate of the Philippines also reported that the final financial audit would be submitted to the Secretariat, and that the completion report had recently been submitted. The Committees declared the project complete, subject to the submission of the final financial audit and the revision of the completion report by the Secretariat.

PD 108/01 Rev.3 (I) Development of Sustainable Rattan Production and Utilization through Participation of Rattan Small Holders and Industry in Indonesia

The delegate of Indonesia provided an overview of the implementation of the project. The Committees noted that the implementation of the activities of the project had resulted in the realization of its outputs as planned, thereby contributing to the development of sustainable rattan production and utilization in Indonesia. The Committees further noted that the executing agency had submitted the completion report, technical reports and the final financial audit to the Secretariat in accordance with the project agreement. The Committees duly declared the project complete.

PD 277/04 Rev.3 (I) Promoting Selected Non-Timber Forest Products Based on Community Participation Approach to Support Sustainable Forest Management in East Kalimantan (Indonesia)

The delegate of Indonesia reported on the implementation of the project aimed at increasing the contribution of non-timber forest products (NTFPs) to the forest sector earnings in East Kalimantan through the establishment of small-scale NTFP industries focusing on medicinal plants from the forests and a marketing system.

The Committees noted that the executing agency had submitted 4 technical reports and a completion report, which had been compiled in a CD-rom available for distribution at the current Council Session. The Secretariat reported that the final financial audit was submitted to the Secretariat prior to the current Session of the Committees. The Committees duly declared the project as complete.

PD 344/05 Rev.2 (I) Utilization of Lesser Used Wood Species in Guyana

The delegate of Guyana reported on the implementation of the project, which delivered the outputs originally envisaged for reaching the specific objectives, namely: technological properties of lesser used species analysed; awareness and use of lesser used species increased; and wood processing technique used by local industry for lesser used species improved.

The Committees noted that the executing agency had submitted relevant publications of the project to the Secretariat. The publications were also available on the websites of the Guyana Forestry Commission and ITTO. The Committees also noted that the completion report had been submitted to the Secretariat. The Secretariat reported that the final financial audit had been submitted. The Committees duly declared the project complete.

PPD 112/05 Rev.2 (I) Guatemalan Forest Industry Development Project

The Secretariat reported on the implementation of the pre-project aimed at formulating a project proposal for the development of forest industrialization centres in Guatemala.

The Committees noted that outputs for the achievement of the specific objectives had been delivered.

The Secretariat reported that the preparation of the completion report and final financial audit by the executing agency were underway at the time of reporting. The Committees declared the pre-project complete subject to the satisfactory submission of the completion report and final financial audit.

PPD 121/06 Rev.2 (I) Development of Value-Adding Processes for Short-Rotation, Small-Diameter Community Teak Plantations in Java and Eastern Indonesia

The delegate of Indonesia reported on the implementation of the pre-project aimed at promoting the development of value-adding processes for small-diameter teak logs harvested from community forests.

The Committees noted that technical reports, a project proposal for achieving the specific objectives, completion report, and final financial audit had been satisfactory submitted to the Secretariat. The Committees duly declared the project complete.

7. Ex-post Evaluation

(A) Ex-post Evaluation Reports

To facilitate the sharing of experiences and lessons learned from ex-post evaluation of projects among members, the consideration of ex-post evaluation reports was undertaken at the Joint Session of the Technical Committees. The Committees considered the executive summaries of the ex-post evaluation reports as contained in document CEM-CFI(XLII)/3.

Committee on Economic Information and Market Intelligence

An oral report was made by the Secretariat on the progress in the implementation of the ex-post evaluation of the following completed projects:

PD 41/99 Rev.4 (M) Development and Implementation of the Pilot Project of the Forestry Statistics Information System (FSIS) (Philippines)

The Committees noted that this project would be evaluated together with PD 133/02 Rev.3 (M), which was declared complete and selected for ex-post evaluation at the current session of the Committees.

PD 194/03 Rev.2 (M) Expanding and Improving Global Mangrove Database and Information System (GLOMIS) and its Networking (Japan/Global)

The Committees noted that a consultant, Mr. Erik Lammerts van Bueren, had been engaged to undertake the ex-post evaluation of this project and the report of the ex-post evaluation was expected to be presented at the next session of the Committees.

Committee on Forest Industry

PD 69/01 Rev.2 (I) Improved and Diversified Use of Tropical Plantation Timbers in China to Supplement Diminishing Supplies from Natural Forests

A presentation before the Committees was made by the consultant, Dr. Bipin Behari (India) with the support of the co-consultant, Mr. Dike Kari, in respect of their ex-post evaluation report on the project.

The development objective of the project was to improve and diversify the use of tropical plantation timbers in the provinces of Guangxi, Guangdong and Hainan, by focusing on the development of processing and manufacturing technologies for promoting the production of value-added wood products. The project required an extension of 6 months (54 months in total) to facilitate publication of technical reports.

The consultants reported that all seven outputs were achieved and were reported in the executive summary contained in document CEM-CFI(XLII)/3. The consultants highlighted that the outputs of the project had been very well documented and that training materials produced were of excellent quality. The project produced a total of 13 technical reports and 12 papers.

The consultants reported on the achievements of the project in compliance with ITTO objectives as set out in article one (c), (f), (i), (l), and (m) of ITTA 1994 with the exception of export earnings which might be reflected in the longer term.

The consultants reported that sawing, drying, and gluing technologies for fast growing eucalypt and acacia species for high added-value products had been developed and that further promotion, along with existing government policies, would provide a good basis for the sustainability of the project.

Impacts and relevance of the project were clear from the point of view of value adding, as interest in manufacturing high value-added products from eucalypts had increased in China.

Following an intervention by the delegation of Japan (see notes on PD 10/00 Rev.2 (I,F) below) the Joint Committees commended the consultants for their report and presentation.

PD 10/00 Rev. 2 (I,F) Sustainable Management and Utilization of Sympodial Bamboos in South-China

A presentation before the Committees was made by the consultant, Dr. Bipin Behari (India), with the support of co-consultant, Mr. Dike Kari, in respect of the ex-post evaluation report on the project.

The consultants reported that the project was selected for ex-post evaluation at the Thirty-eighth Session of the Committees held in Merida, Mexico in 2006.

The development objective of the project was to develop knowledge and technologies on sustainable management and improved utilization of sympodial bamboo resources and contribute to the socio-economic development of the rural communities in south China. The consultants informed that the evaluation was carried out approximately two years after the completion of the project.

The actual duration of the project was 51 months compared with 36 months as originally envisaged due to natural disasters and additional tasks. The consultants reported that all outputs were achieved and were reported in the executive summary contained in document CEM-CFI(XLII)/3. However, the consultants highlighted that for output 2 - "Demonstration sites for SFM of sympodial bamboo", the total area planted under the project was 2,390 ha, exceeding the original target of 2,000 ha. The project also improved the technology for processing bamboo shoots. In total, the project produced 16 technical reports, 5 papers, and held 3 training courses.

The consultants highlighted that outputs and achievements were consistent with the policies of the Government of China on the sustainable development of communities, as well as with ITTO Objectives as set out in article 1 (c), (f), (i), and (j) of ITTA 1994, with the exception of export earnings which might be reflected in the longer term.

As for the impact of the project, the consultants highlighted that the awareness of the development of sympodial bamboo had been created through the dissemination of project results. An interest had been expressed by a company to integrate sympodial bamboo to its production line.

Regarding the sustainability of the project, the consultants reported that the development of cultivation models for sympodial bamboo had encouraged farmers to have larger scale plantations of bamboo.

The consultants reported that natural disasters and increasing prices of raw materials for bamboo charcoal were unexpected circumstances affecting project implementation. Therefore, it was stressed that economic analysis for similar projects might need more attention.

Following the presentation on the report of the ex-post evaluation of the two projects in China, the delegate of Japan, as the donor of the two Chinese projects, congratulated the executing agencies for the successful implementation of the projects. He requested information on the extent to which the projects addressed the key problems, taking into account the indicators for the development objective identified in the logical framework matrix. The consultants responded that the methodology used for conducting the ex-post evaluation had taken into account the logical framework matrix. According to it

all planned research and experiments had been conducted and results had been made available. With respect to impacts, the consultant remarked that awareness of project results had been created, but that follow-up actions might be needed from the executing agencies, the industry and the government. Regarding sustainability, the consultants informed that the executing agencies' teams and plantations were still existent and there were possibilities for replicating the projects in other areas in China.

The Committees commended the consultants for their report and presentation.

PD 51/00 Rev.2 (I,M) Improvement of Rubberwood Utilization and Marketing in Thailand

A presentation before the Committees was made by the consultant, Ms. Charlotte Jane Cudby (New Zealand), in respect of her ex-post evaluation report on the project.

The consultant provided a brief presentation of the background of the project and the strategy behind the project for the furniture industry in Thailand.

The consultant reported that the budget of the project was very well managed and that the indicators of the logical framework matrix were good enough for evaluating the implementation of the project but not for evaluating its impacts.

The consultant reported that overall the project was successful and that stakeholders had very good disposition and will towards the project, which proved to be relevant for the industry. However, human resource turn-over was a factor that could have been better managed.

The industry was the strongest driver for change, understanding the value of the project and the cooperation brought by the project. The project helped in improving quality control and furniture design, better marketing, and employee retention, in addition to a number of other aspects. The project successfully used training for bringing stakeholders together, building their capacity and enabling development of a national rubberwood development strategy.

The project had generated several follow-up initiatives, including industrial change management and lectures on eco design, which were linked to the sustainability of the project. However, the consultant pointed out that further leadership and common vision among stakeholders and other government departments was needed.

Regarding impacts and outcomes, the consultant reported that the stakeholders had different roles and interests. However, the project was well managed and continuously improved with feed-back, improving relations among stakeholders. The project provided training on saw doctoring, surface finishing, industrial management, export marketing, wood preservation, and design.

The consultant's main recommendations included:

- a need for a clearer leadership and policy direction from the government; and
- development of a rubberwood strategy and industry roadmap.

Following the presentation, the delegate of Thailand congratulated the consultant and thanked the donors (the Governments of Japan and USA) for their support in making funding available for the project. He also indicated that the recommendations had been presented to the executing agency for follow-up.

The Committees commended the consultants for their report and presentation.

Oral reports were made by the Secretariat on the progress in the implementation of the ex-post evaluation of the following completed projects:

PD 34/99 Rev.2 (I) Development and Implementation of Stress Grading Rules for Tropical Timber in the Philippines

PD 35/99 Rev.4 (I) Performance Evaluation of Export Wood Furniture in Relation to Strength and End-use Applications Using Established Test Standard (Philippines)

PD 68/01 Rev.2 (I)	Training in Reduced Impact Logging in Guyana
PD 94/90 Rev.3 (I)	The Integration of Forest-Based Development in the Western Amazon - Phase II – Technology for Sustainable Utilization of Raw Forest Materials (Brazil)
PD 46/97 Rev.3 (I)	Community Forest Product Processing in the Puerto Dias Extractive Reserve (Brazil)
PD 146/02 Rev.1 (I)	Promoting Sustainable Utilization of Bamboo through Community Participation in Sustainable Forest Management (Myanmar)

The Committees noted that a consultant had been identified to undertake the ex-post evaluation of PD 68/01 Rev.2 (I) in Guyana and PD 94/90 Rev.3 (I) and PD 46/97 Rev.3 (I) in Brazil and that the reports of the ex-post evaluation of these projects would be presented at the next session of the Committees. The Committees also noted that the ex-post evaluation for the projects PD 34/99 Rev.2 (I), PD 35/99 Rev.4 (I) and PD 146/02 Rev.1 (I) might be conducted as soon as funds were made available.

(B) Selection of Projects for Ex-post Evaluation

The Committees duly selected the following projects for ex-post evaluation:

Committee on Economic Information and Market Intelligence

PD 133/02 Rev.3 (M)	Timber and Timber Products Trade Flow Study in the Philippines
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Committee on Forest Industry

The Committees did not make any selection considering that the ex-post evaluations of three projects selected previously were still pending.

8. Review of Projects, Pre-projects and Activities in Progress

The Committees considered the Report of Projects and Pre-projects in Progress as contained in document CEM-CFI(XLII)/4 Rev.1 and took note of progress in the implementation of the following projects and pre-projects:

(A) Projects and Pre-projects under implementation

Committee on Economic Information and Market Intelligence

1. PD 16/93 Rev.4 (M)
Phase IV, 2008
 2. PD 40/96 Rev.5 (M)
 3. PD 124/01 Rev.2 (M)
Phase II Stages 1 & 2
 4. PD 168/02 Rev.1 (M)
 5. PD 182/03 Rev.2 (M)
 6. PD 192/03 Rev.3 (M)
 7. PD 196/03 Rev.1 (M)
- | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market Information Service for Tropical Timber and Timber Products, Phase IV, 2008 (Global) |
| The Establishment of a National Statistical System for Imported Timber and Timber Products (Egypt) |
| Promotion of Sustainable Management of African Forests (Africa) |
| Establishment of a National System of Collection, Entry, Processing and Dissemination of Forestry and Timber Statistical Data in Togo |
| Enhancement of the Forest Statistics Information and Management System (STATFOR) through the Integration of a Computer Module for Processed Log Management (Gabon) |
| A Comprehensive Information System for Sustainability of the Wooden Furniture Industry in Malaysia |
| Upgrading and Strengthening of the National Forest Statistical Information System in Venezuela |

8. PD 264/04 Rev.3 (M,I) Timbers of Tropical Africa Part 1: Group 7(1) within the PROTA Programme (Ghana)
9. PD 291/04 Rev.2 (M) Establishment of a Network to Facilitate Collection, Processing and Dissemination of Statistics Pertaining to Tropical Timber and Other Forestry Parameters in India
10. PD 295/04 Rev.2 (M) Creating and Sustaining a Market for Environmental Services from China's Tropical Forests
11. PD 338/05 Rev.1 (M,I) Promotion of Guatemalan Certified Timber and Timber Products Trade
12. PD 340/05 Rev.2 (M,F,I) National Forest Statistical Information System in Guatemala
13. PD 353/05 Rev.2 (M,F,I) Adoption and Implementation of the Forestry Information System (FIS) for the Philippines
14. PD 391/06 Rev.2 (M) Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood (Japan)
15. PD 415/06 Rev.2 (M) Systematisation and Modelling of Economic and Technical Information to Train Professionals Related to the Production, Processing and Marketing of Timber Products – Phase II (Colombia)
16. PD 440/07 Rev.1 (M,I) Improving the Detection and Prevention of Illegal Logging and Illegality in Shipment and Trade of Wood Products in Guyana
17. PD 443/07 Rev.1 (M) Strengthening of the Forest Statistics and Information Center – CIEF (Honduras)
18. PD 449/07 Rev.2 (M) Enhancing Forest Law Enforcement in Papua New Guinea
19. PPD 8/98 Rev.1 (M) Establishment of a National Forest and Timber Marketing Statistics System (Ecuador)
20. PPD 14/00 (M) Strengthening the Market Discussion (Global)
21. PPD 45/02 Rev.3 (M) Technical Assistance of the Formulation of a Project Aimed at Capacity Strengthening for the Sustainable Management of Natural and Planted Forests in Panama
22. PPD 62/02 Rev.1 (M) Establishing a Forest Statistics Management System in the Democratic Republic of Congo

Committee on Forest Industry

1. PD 73/89 (M,F,I) Assistance for Project Identification and Formulation (Global)
2. PD 39/93 Rev.4 (I) Project for the Development, Application and Evaluation of Biomass Energy Technologies through Briquetting, Gasification and Direct Combustion of (Wood and Agricultural) Wastes (Malaysia/Cameroon)
3. PD 46/96 Rev.2 (I) Establishment of a Wood Workers and Craftsmanship Village (Ghana)
4. PD 44/98 Rev.2 (I) Handbook on Tree and Wood Identification of 100 Lesser-used and Lesser-known Timber Species from Tropical Africa with Notes on Ethnography, Sylviculture and Uses (Ghana)
5. PD 13/99 Rev.2 (M,F,I) ITTO Information Network and Project Support (Phase II) (Global)

6. PD 40/00 Rev.4 (I) Utilization of Small-Diameter Logs from Sustainable Source for Bio-Composite Products (Indonesia)
7. PD 65/01 Rev.2 (I) Training in Reduced Impact Logging in Cambodia
8. PD 73/01 Rev.5 (I,M) Promotion of Tropical Non-wood Forest Products (NWFPs) in Guangxi Autonomous Region, China Based on Sustainable Community Development
9. PD 77/01 Rev.2 (I,F) Contribution to the Development of Skills and Technical Training Structures at the Mbalmayo National School of Forestry (Cameroon)
10. PD 100/01 Rev.3 (I) Capacity Building for the Development of a Sustainable Rattan Sector in China Based on Plantation Sources
11. PD 103/01 Rev.4 (I) Demonstration of Rubberwood Processing Technology and Promotion of Sustainable Development in China and other Asian Countries (China)
12. PD 131/02 Rev.4 (I) Training of Forest Practitioners for the Improvement of Forest Industry in Cambodia
13. PD 233/03 Rev.2 (I) Application of Intermediate Technologies for Sustainable Forest Harvesting (Peru)
14. PD 268/04 Rev.3 (I) The International Conference on Innovation in Tropical Forestry and Forest Products Industries (Innovations for Tropical Timber) (Côte d'Ivoire)
15. PD 275/04 Rev.3 (I) Improvement of the Sustainable Management and Utilization of Non-Timber Forest Products (NTFPs) in Cambodia
16. PD 286/04 Rev.1 (I) Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia (Indonesia)
17. PD 306/04 Rev.1 (I) Improving Utilization and Value Adding of Plantation Timbers from Sustainable Sources in Malaysia
18. PD 318/04 Rev.2 (I) Quality Control and Standardization of Ghanaian Wood Products
19. PD 333/05 Rev.2 (I) Development and Delivery of a Vocational Training Programme in Reduced Impact Logging and Sustainable Forest Management Practices in Guyana
20. PD 334/05 Rev.2 (I) Demonstration and Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (Philippines)
21. PD 347/05 Rev.2 (I) Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership
22. PD 364/05 Rev.4 (I) Providing Village Communities with Basic Technological Training for Extracting Valuable Essential Oils from Eucalyptus Citriodora Plantations in Rural Areas of Congo (Rep. of Congo)
23. PD 384/05 Rev.3 (I) Testing Laboratory for the Development of Quality Standards for Mexican Primary and Processed Tropical Forest Products
24. PD 385/05 Rev.4 (I,F) Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species

25. PD 397/06 Rev.3 (I) Sustainable Development of the Wood-Based Industries in South Kalimantan (Indonesia)
26. PD 398/06 Rev.2 (I) Promoting the Utilization of Plantation Timber Resources by Extending Environmentally Sound Preservation Technology (China)
27. PD 401/06 Rev.2 (I) Value Adding and Kiln Drying of Commercial Timbers by Small Scale Community Saw Millers in Guyana
28. PD 416/06 (I) Regional Workshop on Processing, Marketing and Trade of Quality Wood Products of Teak Plantations (India)
29. PD 425/06 Rev.1 (I) Production and Utilization Technology for Sustainable Development of Eaglewood (Gaharu) in Indonesia
30. PD 431/06 Rev.1 (I) Processing and Utilization of Trees on Farmlands and Logging Residues through Collaboration with Local Communities (Ghana)
31. PPD 5/00 Rev.1 (I) Sustainable Management of Non-timber Forest Produce (NTFP) in Maharashtra State of India
32. PPD 68/03 Rev.2 (I) Study on Utilization of Plantation Teak (Myanmar)
33. PPD 97/04 Rev.1 (I) Improve Strategies and Assess Training Needs to Achieve SFM in Suriname
34. PPD 117/05 Rev.2 (I,M) Development of a Local Forest Industry Based on Sustainable Forest Management in the South-West Sector of the Lacandon Highlands National Park within the Mayan Biosphere Reserve, Peten, Guatemala
35. PPD 125/06 Rev.2 (I) National Training Program to Promote the Adoption of Reduced Impact Logging (RIL) in Papua New Guinea
36. PPD 133/07 Rev.1 (I) Training Needs Analysis for the Builders' Woodworks Industry in the Philippines

(B) Projects and Pre-projects pending Agreement

Committee on Economic Information and Market Intelligence

1. PD 406/06 Rev.1 (M) Establishment of a National Forest and Timber Marketing Statistics System (Ecuador)
2. PD 487/07 Rev.1 (M) Independent Validation of Legal Timber in Ghana
3. PPD 139/07 Rev.1 (M) Strengthening of the National Forest Information System (Thailand)

Committee on Forest Industry

None

(C) Projects and Pre-projects pending financing

Committee on Economic Information and Market Intelligence

1. PD 124/01 Rev.2 (M) Promotion of Sustainable Management of African Forests (Africa) Phase III
2. PD 461/07 Rev.2 (M) Research on China's Green Public Procurement Policy to Promote Market Development of Environment Friendly Tropical Forest Products

3. PPD 132/07 Rev.1 (M,I) The Promotion of Plantation and Market of Potential Lesser Used Species (LUS) to Support Sustainable Wood-based Industries in Indonesia

Committee on Forest Industry

1. PD 299/04 Rev.4 (I) Reduction of Timber Wastes in Both Logging and Mechanical Processing Operations (Republic of Congo)
2. PD 373/05 Rev.3 (I) Impacts of Integrating Forest-Based Medicinal Plant Production with Sustainable Forest Management on the Forest Ecosystem and Tropical Timber Supply (Philippines)
3. PD 413/06 Rev.2 (I) Optimization of Wood Residue Utilization and Investments in Ghana: Commercial Options for Industrial and Community Uptake
4. PD 433/06 Rev.3 (I) Sustainable Model for the Brazilian Wood Flooring Production Chain
5. PD 435/06 Rev.1 (I) Nanotechnology Applied to Tropical Timber Products (Brazil)
6. PD 448/07 Rev.2 (I) Sustainable Utilization and Marketing of Selected Non-Timber Forest Products to Support the Handicraft Industry and the Development of Rural Communities (Philippines)

The Committees held discussions on the following projects and pre-projects:

Committee on Economic Information and Market Intelligence

PD 40/96 Rev.5 (M) The Establishment of a National Statistical System for Imported Timber and Timber Products (Egypt)

The Committees recalled that at the previous session, the delegate of Japan suggested that a technical mission be despatched to Egypt to determine the status and problems associated with the project with a view to reporting back to the Committees.

The Secretariat reported that the technical mission was despatched in February 2008. During the mission, the executing agency informed the ITTO project manager of the delays experienced in the implementation of the project including the statistical database having ceased to function since 2005. In an attempt to overcome these problems, ITTO's approval was given for an international consultant to be hired on a short-term basis to fix and adjust the statistical system and to conduct training on the system involving the staff at the Central Administration of Afforestation. Subsequently, the objective of establishing a statistical unit had been achieved but other project activities associated with the training of personnel at the data centres and the conduct of a full industrial survey had not been completed. Further training courses scheduled to be conducted from May to August 2008 did not take place and the industry survey had yet to be conducted and its results delivered to the Secretariat. The executing agency has not been submitting project progress reports and annual financial audits as stipulated in the project agreement. In spite of the latest effort by the Secretariat to revive the implementation of the project, it had become evident that the prospect for the outstanding activities to be implemented and completed was very doubtful. Accordingly, the Secretariat was withholding the remaining ITTO funds amounting to US\$23,128.08 from being disbursed to the executing agency.

The Committees expressed deep concern that a project with a planned duration of 30 months had suffered severe delays in implementation of over 106 months. In view of the unlikely prospect for the remaining activities of the project to be implemented and completed, the Committees agreed to recommend to the Council that its sponsorship of the project be terminated pursuant to paragraph 5 of Article 25 of the ITTA, 1994. The Committees requested the Secretariat to undertake appropriate action in accordance with the relevant provisions of Rule 31 of the Financial Rules and Rules Relating to Projects of ITTO, Article X of the project agreement and paragraph 11 of Article 11 of the ITTA, 1994.

PD 182/03 Rev.2 (M) Enhancement of the Forest Statistics Information and Management System (STATFOR) Through the Integration of a Computer Module for Processed Log Management (Gabon)

The Secretariat informed the Committees that the implementation of this project had not yet begun due to significant delays in finalizing the project agreement and subsequently in recruiting consultants. The representative of Gabon indicated that consultants were now available and that implementation would commence shortly. He stressed the importance of ITTO's support to the development of Gabon's forest statistics infrastructure, including through this project which his country was eager to begin implementing. The Secretariat noted that it might be necessary for the executing agency to request a budget-neutral extension at the next session of the Committees due to the delay between the first disbursement of funds and project start-up.

PD 264/04 Rev.3 (M,I) Timbers of Tropical Africa Part 1: Group 7(1) within the PROTA Programme (Ghana)

A presentation on the progress in the implementation of this project was made by the project coordinator. The Committees noted the potential contribution and impact of the project in improving access to interdisciplinary data on timbers of Tropical Africa which could serve as a basis for the formulation of sound policies for the sustainable development of the tropical forest sector in the region. The data should also be used by ITTO member countries in Africa for the development of pre-projects and projects for financing by ITTO. The Committees thanked the project coordinator for his presentation.

PD 391/06 Rev.2 (M) Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood (Japan)

The Committees considered document CEM-CFI(XLII)/7 containing a request by the Government of Japan for the duration of the project to be extended by twelve months to 31 May 2010 and for additional funding of US\$69,670 comprising US\$56,420 from ITTO and US\$13,250 from the executing agency. The Committees noted that the primary purpose of the request was to expand the scope of the project to include Papua New Guinea as a potential source of supply of certified/verified legal tropical wood in addition to Malaysia and Indonesia. The delegations of Papua New Guinea and Malaysia informed the Committees of their support to the request. The Committees agreed to recommend to the Council that the duration of the project be extended to 31 May 2010 and that additional funding of US\$69,670 be made immediately available at its current session.

PD 406/06 Rev.1 (M) Establishment of a National Forest and Timber Marketing Statistics System (Ecuador)

The Secretariat indicated that the project agreement for PD 406/06 Rev.1 (M) would need to be signed by the end of the year or it would lose its status of an approved project according to paragraph 2, Annex 2 of Decision 2(X). The Secretariat also recalled that a final financial audit for pre-project PPD 8/98 Rev.1 (M), associated with the above project, would need to be submitted before the implementation of the project could commence. The delegation of Ecuador explained that due to institutional changes in the Government of Ecuador, there had been delays in the signing of the agreement. However, the agreement was being signed and the financial audit report for PPD 8/98 Rev.1 (M) would soon be submitted to the Secretariat.

PD 487/07 Rev.1 (M) Independent Validation of Legal Timber in Ghana

The Committees noted that the contributions amounting to US\$323,040 and US\$150,000 pledged respectively by the Governments of Switzerland and the Netherlands for the implementation of the project were conditional to the Government of Ghana and the Ghana Forestry Commission (GFC) as the executing agency submitting a revised proposal incorporating the comments from these ITTO member countries to the Secretariat.

PPD 139/07 Rev.1 (M) Strengthening of the National Forest Information System (Thailand)

The Committees noted that the Government of Thailand was reviewing the draft agreement for the implementation of this pre-project.

Committee on Forest Industry

PD 39/93 Rev.4 (I) Research and Development in Energy Alternative from Biomass (Wood and Agricultural Residues) through Briquetting, Gasification and Direct Combustion (Malaysia and Cameroon)

The Committees noted that the project was funded by the Common Fund for Commodities (CFC) and commenced in 1997, with the aim of introducing and transferring biomass energy technologies to the commercial sector in Malaysia and Cameroon. As recommended by the Committees at the previous session, a technical mission was despatched to conduct an in-depth assessment of the implementation of the Cameroonian component of the project from 21 to 26 January 2008. On 27 June 2008, the Minister of Forests and Wildlife of Cameroon gave his concurrence to the report and recommendations of the Mission and on 31 October 2008, the Managing Director of CFC agreed with the proposal to resume the implementation of the Cameroonian component of the project with the following conditions: (i) Financial Audit Report for IRGM Energy Research Laboratory (Cameroonian component) to be made available to CFC; (2) Confirmation that equipments procured by CFC would be handed over to the new project executing agency; (3) IRGM to account fully all expenditures in line with CFC reporting requirements; (4) FRIM outstanding reporting to be submitted to ITTO/CFC (including completion report, technical reports, financial statement and final financial audit). The delegations of Cameroon and Malaysia confirmed their commitments to fulfill the above conditions in order to resume the implementation of the Cameroonian component of the project.

PD 46/96 Rev.2 (I) Establishment of a Wood Workers and Craftsmanship Village (Ghana)

The Secretariat reported that at the previous session the Committees noted that the technical reports were being prepared and the project would be declared complete at the Forty-second Session. However, the revised completion report, technical reports, and final financial audit report had not been submitted to the Secretariat. The delegation of Ghana reported that the finalization of the project's reports was in progress for submission to the Secretariat by the end of 2008. The Committees noted that the project would be declared complete at the next session of the Committees.

PD 77/01 Rev.2 (I,F) Contribution to the Development of Skills and Technical Training Structures at the Mbalmayo National School of Forestry (Cameroon)

The Secretariat reported on the implementation of the project and informed the Committees that the executing agency has just submitted the final progress report together with a project proposal for a second phase that had been evaluated by the Expert Panel for Technical Appraisal of Projects and Pre-projects proposals. The Secretariat indicated that the executing agency had requested an extension until 31 December 2008, for the conduct of the final financial audit.

The delegation of Cameroon confirmed that the oral report given was correct, and that counterpart funds had been made available to the executing agency in order to submit the final financial audit to the Secretariat by the end of December 2008.

PD 347/05 Rev.2 (I) Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership

The Secretariat reported on the implementation of the project and informed the Committees that the executing agency had submitted the final progress report, and that to date, the executing agency had not submitted any request for extension of the duration of the project without additional funds, as recommended by the PTC meeting held in February 2008 in Libreville. The project was facing some delays due to the finalization of the mission to South Africa.

The delegation of Gabon informed that activities for completing the project were underway, and requested a six months extension (until April 2009) of the duration of the project in order to submit the completion report and final financial audit to the Secretariat.

PPD 5/00 Rev.1 (I)

Sustainable Management of Non-timber Forest Produce (NTFP) in Maharashtra State of India

The Secretariat reported that the duration of the pre-project had been extended until 31 March 2008 and that the executing agency submitted a project proposal for appraisal by the Thirty-sixth Expert Panel. However, the completion report and final financial audit for the project had not been submitted to the Secretariat.

The delegation of India reported that the preparation of the pre-project's reports was in progress and would be submitted to the Secretariat this year. The Committees noted that the project would be declared complete at the next session of the Committees.

9. Consideration of Project and Pre-project Proposals

The Committees considered the following six project proposals that had been evaluated and commended by the Thirty-sixth Expert Panel for the Technical Appraisal of Project Proposals as contained in document CEM-CFI(XLII)/5. The Committees recommended that these proposals as amended be approved by the Council and that funding be made immediately available at its current session.

Committee on Economic Information and Market Intelligence

PD 479/07 Rev.2 (M)	Timbers of Tropical Africa Part 2: Group 7(2) within the PROTA Programme
PD 480/07 Rev.2 (M)	Demand and Supply of Tropical Wood Products in China towards 2020

Committee on Forest Industry

PD 457/07 Rev.2 (I)	Contribution to the Development of the Further Processing of Timber in Five Producer Countries of the Congo Basin (Gabon)
PD 506/08 Rev.1 (I)	Reviving Forestry Education in Liberia
PD 513/08 Rev.1 (I)	Enhancing the Capacity of the Wood Processing Sector to Improve Efficiency and Add Value in Guyana
PD 518/08 Rev.1 (I)	Energetic Valorization of Wood Residues by Compaction Process (Brazil)

The Committees considered in detail the comments and recommendations of the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals on the above proposals, and the revisions incorporated in the final versions in response to these comments and recommendations as applicable. The final versions of all proposals were duly evaluated by the Committees.

The Committees further considered the following project proposals that had been evaluated by the Thirty-sixth Expert Panel for the Technical Appraisal of Project Proposals which decided not to commend these proposals which were submitted to the Committees for final appraisal.

Committee on Economic Information and Market Intelligence

PD 473/07 Rev.1 (M,F)	Developing and Integrating Community Compensation Payment Schemes in Forest Management in Ghana
PD 500/08 (M)	Developing the National Forest Statistics Management System of Côte d'Ivoire

The Committees recommended that PD 473/07 Rev. 1 (M,F) should not be considered further by ITTO. The Committees further recommended that project proposal PD 500/08 (M) be reformulated, taking due account of the comments and recommendations made by the Expert Panel for the Technical Appraisal of Project Proposals at its Thirty-sixth meeting, for submission to the Secretariat and for technical

appraisal by the Expert Panel. This followed the submission by the delegation of Côte d'Ivoire regarding the importance of the project to the country's economy and that the country's statistical capacity was insufficient to meet national and international reporting requirements.

The Committees noted that the Expert Panel had given Category 4 ratings to several project proposals that had been submitted in the first instance without the opportunity for revision. The Committees decided that the Expert Panel should provide an explicit and concise justification for each Category 4 rating being recommended to a particular proposal.

Committee on Forest Industry

PD 516/08 (I,M)

Preparation of Three Works on the Trees of Gabon

The Committees recommended that the proposal should not be further considered by ITTO.

The Committees also considered the following pre-project appraised and commended to the Committees by the Thirty-fourth Expert Panel for the Technical Appraisal of Project Proposals:

Committee on Economic Information and Market Intelligence

PPD 138/07 Rev.1 (M)

Verifying the Legality of Timber Forest Products in Peru

The Committees recommended that the proposal be approved by the Council and that funding be made immediately available at its current session.

The detailed results of the Committees' evaluation and appraisal of all the foregoing proposals are presented in Appendix B.

10. Policy Work

Three issues and ten strategic policy activities under the CEM and five strategic policy activities under the CFI were discussed by the Committees.

Committee on Economic Information and Market Intelligence

(i) Market Access

The Committees noted that negotiations under the WTO Doha Rounds were still on-going. The delegation of Malaysia repeated its enquiry whether the EU would be amenable to the testing for CE marking (strength and safety certification) being allowed to be undertaken by authorised companies in exporting countries.

The Committees also noted developments relating to the Amendments to the Lacey Act in the U.S.A. aimed at combating illegal logging and expanding anti-trafficking protection to a broader set of plants and plant products by making it unlawful to import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce any plants or products made from plants (with limited exceptions) that were harvested or taken in violation of a domestic or foreign law. The Committees further took note of the negotiations on Voluntary Partnership Agreements (VPAs) between the European Union and a number of ITTO producing member countries under the EU Forest Law Enforcement, Governance and Trade (FLEGT) Programme as well as the presentation to the European Parliament by the European Commission of its draft legislation to control the import of illegally sourced timber into the EU.

(ii) Forest and Timber Certification

The Committees were informed that the Report on the Comparability and Acceptance of Forest Certification Systems presented at the previous session had been published and disseminated as ITTO Technical Series No. 29. The delegation of Malaysia suggested that the recommendation on developing a common approach to standards of legal origin and legal compliance as well as their verification procedures as contained in the report be taken up as an item for the policy work of the Committees.

(iii) Selected Data and Analysis from ITTO Annual Review and Assessment of the World Timber Situation

Mr. Hin Keong Chen from TRAFFIC, reported on work undertaken by TRAFFIC to complement previous work by ITTO on the major contributing factors to trade data discrepancies. The study investigated the underlying reasons for discrepancies in international timber trade statistics, ie activities relating to illegal timber trade such as under-invoicing, mis-specification of products, fraudulent trade data and smuggling, with a particular emphasis on the role of Customs agencies. The study focused on tropical timber producers (Malaysia and Indonesia), processors and re-exporters (China, Hong Kong SAR, Singapore, Taiwan Province of China and Vietnam), and key consumers (Japan, Republic of Korea, Australia, USA, and the EU, in particular UK, Netherlands, France, Germany, and Italy). Results showed that only a small proportion of bilateral timber trade for items HS 4403, 4407, 4408 and 4412 had less than 5% variance between imports and exports.

The recommendations of the study were to change Customs documentation protocols, with Customs export declaration forms being the verification for Customs importation of timber; adequate training for Customs officials to verify proper use of HS code classifications; standardization by Governments of the six-digit HS code classifications; evaluation of the option of using prior notification to reduce the incidence of illegal timber trade; stronger dialogue and complimentary policies between trading partners; adoption of standard ITTO conversion factors; and further investigations of the influence of free trade zones on timber trade discrepancies.

The Committees thanked Mr. Chen for his excellent presentation.

(iv) Review of the Timber Market in Two Significant Tropical Timber Importing Countries [PP-A/36-149]

The leading consultant, Mr. Ole Pedersen, presented the Draft Report on the Review of the Iberian Timber Market as contained in document CEM-CFI(XLII)/6. He indicated that Portugal and Spain were importing tropical timber principally because domestic sources were not yielding enough high quality joinery/veneer roundwood. However, both markets were experiencing falling demand for wood arising from steep decline in housing construction and worsening prospects for the economy. He highlighted the mixed trends in the imports of tropical roundwood, sawnwood, plywood, veneer sheets, furniture, builders' joinery, decking, mouldings, parquet and other secondary processed wood products. His overall assessment was that the reduction of imports was evident for roundwood only while the other product groups showed steady or increased market shares.

Mr. Pedersen outlined factors affecting the competitiveness of tropical timber in light of the negative and environmentally hostile campaigns against the product in comparison with temperate hardwoods and softwoods which were enjoying positive market perception and supported by aggressive and sustained promotion. He underlined the need for similar promotion for tropical timber, capitalising on its superior characteristics and aesthetic qualities.

He contended that once re-balancing had taken place, the Iberian timber market would offer interesting market opportunities for tropical timber given the long tradition of using tropical timber in the region, the flexibility of the market in accepting varieties of species, dimensions and qualities and the lesser impact of negative environmental communications on tropical timber on the market. He presented a list of specific recommendations to ITTO producer member countries in respect of each of the tropical product groups covered in the review.

The Committees thanked Mr. Pedersen for his excellent presentation. The delegation of the European Community pointed out that the information on tariffs applied by the EU was incomplete and had not taken the preferential tariffs on timber products provided under its General System of Preferences into account. The delegate also indicated that Spain was one of the seven member states that were developing green procurement policies which would cover timber products, reflecting growing concern with illegal and unsustainable logging in the country. The delegate further provided a list of suggestions to assist the consultants in refining and finalising the report.

The delegation of Malaysia underlined the need for projections to be included in future market reviews. The delegation also sought ITTO's assistance in addressing the negative perception of tropical timber through its communication and outreach activities.

In view of the lengthy report of the review, the delegate of the U.S.A. recommended that the executive summary of the report be rewritten with a view to enhancing its overall analysis, synthesis and presentation. The consultants should also consolidate the numerous tables and statistics into key statistics tables and a statistics appendix.

The Committees requested the consultants to take due account of the comments and suggestions made in finalising their report.

(v) Studies on Subsidies Affecting Tropical Timber Products [PP-A/39-172]

The Committees recalled that consultations on the issue were initiated by the delegation of New Zealand at the previous session. The Committees were informed that the delegation of New Zealand did not intend to pursue the inclusion of subsidies at the current session of the Committees. The Committees agreed to conclude and discontinue its consideration of this strategic policy activity.

(vi) Consider Further Work on Forest Law Enforcement and Illegal Trade in Timber and Timber Products [PP-A/39-173]

The Committees noted the presentations made by Mr. Bob Smith and Mr. Art Klassen on the implementation of two approved proposals under the ITTO pilot schemes on the feasibility of adopting timber tracking systems.

Mr. Smith presented the outcomes of the sub-activity entitled 'Using SGS TLTV Programme to Demonstrate Legality of Timber Product Exports from PNG to Australia' involving Saban Enterprises Limited, Papua New Guinea. These included the production of a comprehensive Chain-of-Custody manual for the company, learning experience and skill development for the staff of the company through initial compliance check, cost and benefit analysis of implementing TLTV and Chain-of-Custody and implementation of pilot Chain-of-Custody management framework.

The sub-activity had been useful in providing a formal framework to enhance management systems and skills of staff, demonstrating the benefits of legality compliance for Saban and downstream customers, preparing for future forest certification, providing an example for similar proposals in the Pacific Islands and developing government policies on addressing illegal logging.

Mr. Art Klassen highlighted the work of the Tropical Forest Foundation (TFF) in assisting PT. Gema Hutani Lestari in achieving independent third party verification of legality and establishing a complete Chain-of-Custody system. The work included baseline assessment against legality and Chain-of-Custody standards, Chain-of-Custody baseline assessment of industry, training in Chain-of-Custody, monitoring, pre-audit check and legality and Chain-of-Custody third party audit.

The sub-activity was successful in achieving certificate of legality for the company, Chain-of-Custody certificate for the sawmill, securing auditor/company maintenance contract and implementing TFF Legal Verified Certificate and Contract on Reduced Impact Logging. The sub-activity demonstrated that credible and robust private sector solutions to obtaining assurances of origin and legality were available, feasible and cost-effective.

The Committees thanked Mr. Smith and Mr. Klassen for their excellent presentations.

(vii) Enhancement of Statistical Work and Training Workshops on Statistics [PP-A/39-174]

The Secretariat reported that this activity covered access to international forest products trade and market databases, such as the World Trade Atlas, and maintaining ITTO's involvement in the Intersecretariat Working Group on Forest Statistics and Joint Forest Sector Questionnaire process. The IWG was a collaboration between FAO, UNECE, ITTO and Eurostat. The Secretariat participated in the annual IWG meeting in Geneva in February 2008, and would also be attending the next meeting in February 2009. In 2008, the IWG continued to standardise and improve the quality and methodologies for data collection on forest sector statistics, including such issues as product classifications, data validation, data exchanges and conversion factors.

The Secretariat also advised the Committees that under the strategic policy activity 18 of the Council, "Enhance the technical capacity of member countries particularly developing member countries to meet the statistics and reporting requirements", ITTO supported the first national workshop on forest sector statistics held in New Delhi from 13 to 16 May 2008. The Secretariat sought interest from up to two

developing member countries which would require assistance in statistical training in 2009 and urged countries to be proactive in coming forward to seek assistance.

- (viii) Economic Valuation of the Forest Sector with Particular Reference to the Amazon Basin [PP-A/39-176]

The ITTO Regional Officer for Latin American and the Caribbean made a brief presentation on the activity jointly organized by ACTO, ITTO and FAO on the real contribution of the forest sector to the national economies. An overview of the Ecuadorian situation was provided by a consultant. The consultant's report was discussed by the ACTO countries in a workshop held in Quito, Ecuador in April -2008. Among the conclusions reached at this workshop were: the countries were in different conditions to account for the forest sector contribution to the GDP; the account of the water supply by forests could significantly increase this contribution; the building of a satellite account, although a difficult exercise, could be an interesting approach to start the search for a better description of the forest sector economic contribution to the national accounts.

- (ix) Collaborate with the Trade Advisory Group (TAG) in Organizing and Holding the ITTO Annual Market Discussions on the World Tropical Timber Trade during Sessions of the ITTC, in 2008 and 2009

The Secretariat notified the Committees of the TAG's decision to convene the ITTO Annual Market Discussions 2009 under the theme 'Promoting Legal and Sustainable Tropical Wood Products in Global Markets'. The Secretariat informed the Committees that the ITTO Annual Market Discussions 2009 would be held in conjunction with the next Session of the ITTC.

- (x) Monitor Developments and Progress in Timber Procurement Policies [PP-A/43-220]

The Committees noted that funding of the strategic policy activity was still pending. In view of the proliferation of timber procurement policies in major tropical timber importing countries, the delegation of Malaysia made an appeal for the activity to be funded by the Council at its current session.

- (xi) Review the Long-term Outlook for Tropical Timber [PP-A/43-221]

The Secretariat reported that the activity would analyse long term drivers of change in tropical timber markets and provide forecasts of the medium to long term outlook for production, consumption and trade in tropical timber. The activity was being implemented in November 2008 and would be reported at the next session of the Council in 2009 and published as an ITTO Technical Series.

- (xii) Monitor the Competitiveness of Tropical Wood Products Compared with Other Materials [PP-A/43-222]

The Secretariat reported that the activity would examine the competitiveness of tropical timber products from selected producer countries in each of the ITTO producer regions to key export markets and consumer market sectors and substitution trends. The activity was being implemented in November 2008 and would be reported at the next session of the Council in 2009 and published as an ITTO Technical Series.

- (xiii) Assist Market Remuneration for Environmental Services Provided by Tropical Forests in Three Producing Regions [PP-A/43-223]

The Secretariat informed that official letters had been sent to producing member countries requesting nominations for communities to be considered for this activity and that the activity would be implemented in early 2009. The Secretariat indicated that further information regarding the nomination process was available on the ITTO website and that the deadline for nominating communities for consideration by the Secretariat would be 31 December 2008.

Committee on Forest Industry

- (i) Promote Wood-based Bioenergy Using Wood Residues and Wastes in Tropical Countries [PP-A/43-231]

The Committees were briefed by the Secretariat on the implementation of the activity. Two regional fora on promoting woodbased bioenergy using wood residues and wastes were held in Douala, Cameroon

(3-5 September 2008) for the African Region and in Jakarta, Indonesia (14-17 October 2008) for the Asia-Pacific Region. For the Latin-America and Caribbean Region, the forum had been scheduled to be held in Brazil during the first-half of 2009. The delegation of Brazil confirmed their willingness to host the meeting.

(ii) Strengthen Policies and Opportunities for Forest Investment [PP-A/43-206]

The Secretariat reported that the first National Workshop to Promote Further Investment in Tropical Forests was held from 26 to 27 March 2008 in Santa Cruz de la Sierra, Bolivia. The workshop was attended by 85 participants from the industry, the local communities, local NGOs, and representatives of the Regional Government.

Thirteen presentations were made at the workshop covering three major topics: Public policies for enabling conditions for investment; International markets for Bolivian tropical woods and its relation with investment; Investment opportunities in Bolivia in forest plantations and carbon markets. The Committees noted that work for the identification of countries for the Investment Workshops in the Africa and the Asia Pacific regions was being carried out by the Secretariat.

(iii) Promote Further Processing of Tropical Timber [PP-A/43-232]

The Secretariat reported that guidelines for the cooperation with FAO for this policy activity had been agreed and a proposal for developing the activity had been identified for the African Region. Identification of proposals for Asia-Pacific and Latin America was being carried out by the Secretariat.

(iv) Study the Technical and Environmental Standards of Tropical Timber Products in International Markets [PP-A/43-230]

The Committees were informed by the Secretariat that this activity would be undertaken during the first-half of 2009.

(v) Study on the International Transportation of Timber Products [PP-A/31-111C]

The Committees recalled consideration of this activity at the previous session and noted that a decision was taken not to proceed with the convening of an international conference on transportation of tropical timber products. In the absence of further discussion on the subject, the Committees decided to conclude consideration of this agenda item.

The delegation of Côte d'Ivoire proposed a new policy activity on "Measures to Protect Forest Products from Countries Affected by Conflicts" to be considered by the Committees.

11. Election of Chairpersons and Vice-Chairpersons for 2009

Following the usual consultations undertaken by the producer and consumer groups, Ms. Siti Syaliza binti Mustapha (Malaysia) was elected Chairperson of the CEM and Ms. Carla Boonstra (the Netherlands) was elected Vice-chair for 2009. Mr. James Nirmal Singh (Guyana) was elected Chairperson of the CFI and Dr. Im Eun Ho (Republic of Korea) was elected Vice-chair for 2009.

12. Dates and Venues of the Forty-third and Forty-fourth Sessions of the Committees

The Forty-third Session of the Committees would be held in conjunction with the Forty-fifth Session of the International Tropical Timber Council.

The Forty-fourth Session of the Committees would be held in conjunction with the Forty-sixth Session of the International Tropical Timber Council.

13. Other Business

No other business was considered by the Committees.

14. Recommendations to the International Tropical Timber Council

- (i) The Committees recommended that funding be made immediately available for the following projects and pre-project approved at this Session:

Committee on Economic Information and Market Intelligence

PD 479/07 Rev.2 (M)	Timbers of Tropical Africa Part 2: Group 7(2) within the PROTA Programme (Ghana) [US\$596,419]
PD 480/07 Rev.2 (M)	Demand and Supply of Tropical Wood Products in China Towards 2020 [US\$263,520]
PPD 138/07 Rev.1 (M)	Verifying the Legality of Timber Forest Products in Peru [US\$79,844]

Committee on Forest Industry

PD 457/07 Rev.2 (I)	Contribution to the Development of the Further Processing of Timber in Five Producer Countries of the Congo Basin (Gabon) [US\$1,007,672]
PD 506/08 Rev.1 (I)	Reviving Forestry Education in Liberia [US\$292,522]
PD 513/08 Rev.1 (I)	Enhancing the Capacity of the Wood Processing Sector to Improve Efficiency and Add Value in Guyana [US\$278,640]
PD 518/08 Rev.1 (I)	Energetic Valorization of Wood Residues by Compaction Process (Brazil) [US\$491,941]

- (ii) The Committees recommended that additional funding be made immediately available for the following project approved at this Session:

Committee on Economic Information and Market Intelligence

PD 391/06 Rev.2 (M)	Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood (Japan) [US\$56,420]
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- (iii) The Committees recommended that funding be made immediately available for the following projects and pre-projects approved at earlier Sessions:

Committee on Economic Information and Market Intelligence

PD 124/01 Rev.2 (M) Phase III	Promotion of Sustainable Management of African Forests (Africa) [Phase III - US\$1,444,144]
PD 461/07 Rev.2 (M)	Research on China's Green Public Procurement Policy to Promote Market Development of Environment Friendly Tropical Forest Products [US\$296,590]
PPD 132/07 Rev.1 (M,I)	The Promotion of Plantation and Market of Potential Lesser Used Species (LUS) to Support Sustainable Wood-based Industries in Indonesia [US\$69,001]

Committee on Forest Industry

PD 299/04 Rev.4 (I)	Reduction of Timber Wastes in Both Logging and Mechanical Processing Operations (Republic of Congo) [US\$608,970]
PD 373/05 Rev.3 (I)	Impacts of Integrating Forest-Based Medicinal Plant Production with Sustainable Forest Management on the Forest Ecosystem and Tropical Timber Supply (Philippines) [US\$222,993]

PD 413/06 Rev.2 (I)	Optimization of Wood Residue Utilization and Investments in Ghana: Commercial Options for Industrial and Community Uptake [US\$488,806]
PD 433/06 Rev.3 (I)	Sustainable Model for the Brazilian Wood Flooring Production Chain [US\$516,927]
PD 435/06 Rev.1 (I)	<u>Nanotechnology Applied to Tropical Timber Products (Brazil)</u> [US\$412,619]
PD 448/07 Rev.2 (I)	Sustainable Utilization and Marketing of Selected Non-Timber Forest Products to Support the Handicraft Industry and the Development of Rural Communities (Philippines) [US\$354,672]

(iv) The Committees recommended that the following project be terminated at this Session:

Committee on Economic Information and Market Intelligence

PD 40/96 Rev.5 (M)	The Establishment of a National Statistical System for Imported Timber and Timber Products (Egypt)
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15. Report of the Session

The Committees adopted this report for submission to the Council, with due acknowledgement to the work of the Secretariat under the able guidance of the Chairpersons of the Committees.

APPENDIX A

REPORT ON THE ITTO ANNUAL MARKET DISCUSSION - 2008 5 November 2008, Yokohama, Japan

The ITTO Annual Market Discussion 2008 was held on 5 November 2008 with the theme “Intra-regional Trade in Challenging Times”. The discussion featured three speakers: Mr. Brent McClendon (International Wood Products Association, USA); Mr. Alhassan Attah (Ghana Forestry Commission, Ghana); and Mr. Bob Tate (PNG Forest Industries Association, PNG). The presentations were followed by a question and answer session with members of the Joint Committees. The Chairperson for the session was Ms. Michele Mire (CEM Chair, USA) and Mr. Barney Chan (TAG Coordinator) moderated the session.

Mr. Brent McClendon (IWPA) presented an overview of changing global trends in the wood products trade in light of the global economic downturn. Mr. McClendon drew attention to many problems in the global economy, including that consumer confidence is low and companies have shed jobs, particularly in the timber industry. He noted that since August, the price of oil was down 32% and markets were down 30% for the year. He mentioned other trends particular to the US, such as falling housing starts and remodeling applications. He noted that current economic conditions had impacted US businesses, especially medium-sized businesses, and had observed many distribution yards go out of business. He explained the new US Lacey Act from a US importer's perspective, saying it was designed to limit illegal logging and that a declaration, which was still under development, would need to be provided at the time of importation. In response to the new Act, he said that the importers celebrate what the Lacey Act can do for the US trade, but noted that US traders had concerns about the unintended consequences of the Act. McClendon also mentioned other US regulations that had an impact on the trade such as limits set on formaldehyde emissions by the US state of California, which requires third party certification of all composite wood products sold in California. He explained that this regulation was slowly becoming the national standard. On the role of ITTO, Mr. McClendon suggested that ITTO should strengthen its promotion of the forest products sector. He said that the Organization should: facilitate events and bring groups together for discussion on tropical timber issues; continue to work on the consolidation of forest inventory/trade data; and assist in identifying common elements of legality. He also encouraged the ITTO to conduct further research on forest industry and trade and marketing of tropical timber.

Mr. Alhassan Attah (Ghana Forestry Commission) presented on intra-regional trade in Africa. He noted there is a limited amount of official data to draw from on intra-regional trade as most of the trade in Africa is informal. Mr. Attah explained that intra-regional trade is only 7% of total trade in Africa and identified the key importing countries of logs (Egypt, South Africa and Morocco), sawn timber (Nigeria, Senegal, Morocco, Egypt, Algeria, South Africa, Ghana and Tunisia), veneer (Morocco, Nigeria, South Africa and Ghana) and plywood (Nigeria, Burkina Faso, Mali and Gambia) in Africa, noting that there was a general increase in regional trade of wood products. He noted an example, saying that wood trade from Ghana to Nigeria was much higher than what is exported to Europe. On the challenges to intra-regional trade, he said that poor infrastructure, road networks and tariffs were some of the obstacles facing the region. On opportunities, Mr. Attah noted the significance of increasing trade in Central Africa. He explained that South Africa, Algeria, Nigeria and Egypt were important markets for the region and that Africa in troubling economic times could further expand into these markets as well as domestic markets. However, he said that the high reliance on European markets for exports would slow African economies and make access to finance difficult. He suggested that further capacity should be developed on statistics. He recommended that ITTO could help promote regional trade, particularly in legally sourced timber, encourage harmonization of grading rules and support member countries in developing their value added sector. He also suggested governments eliminate bureaucratic inefficiencies for the forest sector and encouraged the private sector to promote purchases from the region and create strong linkages between trade organizations and member countries.

Mr. Bob Tate (PNG FIA) mentioned that PNG would be affected by a downturn in forest production and exports, which particularly impact rural areas where economic alternatives may not exist. Rising costs and supply delays for equipment and parts would make it more difficult on the industry. Due to the slowing demand from markets in Australia and New Zealand, PNG markets were weakening as buyers were becoming more cautious and may further impact the building and construction sectors. Regarding prices, Mr. Tate explained that prices were already beginning to drop as a result of the US and EU economic slowdown and the strengthening of the PNG currency against the US dollar. In 2008, he noted that the forecast for log exports could be between 2.4 to 2.7 million m³. Mr. Tate explained that some claims were made that the many companies in PNG were operating ‘illegally’, which were often proven false although these claims were highly supported by NGOs. He said that the FIA has helped to introduce market driven, voluntary actions to ensure legality certification systems are available when required. He explained that a

pilot project on chain of custody and implementation and a timber legality standard under SGS, the Timber Legality and Traceability Verification (TLTV) Program, was successfully completed. He hoped that a new project supported by the Australian government would help to extend this work on legality to two additional project sites, which eventually could be applied as a legality standard to all types of forest operations in PNG. He noted that allegations of illegality, whether accurate or false, created consumer concern and product aversion in consuming countries. Saying that the costs of compliance were rising in a more restrictive trading environment, Mr. Tate indicated this may reward those who are already 'cutting corners'. On recommendations for ITTO, he suggested: further action on illegal logging; the design of a common approach and response to trade restrictions; and the promotion of standards on legality, including to help member countries recognize the standards; and the encouragement of trade in tropical forest products where those standards have been met.

Barney Chan (TAG Coordinator) noted there were two common themes of the presentations: legality and promoting the use of tropical timber products. Particularly on legality, he explained that producers were looking to ITTO for guidance, as countries were struggling with the various legal guidelines of importers and how to work within various processes, including those created by the EU, Japan and the US.

In the ensuing discussion, a variety of delegations thanked the TAG for their coordination of the event and highlighted the usefulness of the Annual Market Discussions to the ITTC. The Philippines suggested that an action plan for timber be created and designed by the TAG to assess the long-term outlook for the timber trade. Yati Bun (CSAG) asked what could be done to address Africa's trade in the informal sector and Mr. Attah responded that engaging communities, creating awareness and designing a system for further stakeholder participation would help address this issue.

The delegate from Indonesia asked Mr. Tate to clarify his source of information that indicated 70% of logging in PNG is illegal. Mr. Tate said that it was from the authors of an NGO report, which picked up on isolated incidents. Japan asked for clarification on the underestimation of intra-regional trade and cross-boarder trade statistics.

The delegate of Guatemala noted that importers were requesting a greater amount of legal products and that more work should be done to create better perceptions of tropical timber. He also said there should be further work to determine the actual contribution of the forest sector to national accounts. Mexico highlighted the steps it was taking to promote the use of wood, including by encouraging the certification of wood products in Mexico and other steps to counteract the trends due to the recession. Malaysia also noted that further work needed to be done to promote tropical timber in the international market. The Congo said that although the issue of legality is difficult to explain, ITTO should continue to work with governments to improve their forestry governance and marketing. The delegate of Cameroon encouraged rebuilding organizations similar to the ATO to assist with timber issues in the region.

The EU explained that they hoped to harmonize the various definitions of legality and components of the FLEGT Voluntary Partnership Agreements. He said the EU was trying to create a level playing field on the minimum definition of legality. The delegate of the US hoped that the issue of intra-Africa trade would be an increasing focus in the ITTO. He also further explained the details of the Lacey Act, indicating that it is a trafficking statute that has a particular focus on trade in trees and wood products. He said it would not be in force until 15 April 2009 and that it is not meant to impose legality standards on importers or on traders.

APPENDIX B

TECHNICAL ASSESSMENT OF PROJECT AND PRE-PROJECT PROPOSALS IN THE AREAS OF ECONOMIC INFORMATION AND MARKET INTELLIGENCE AND FOREST INDUSTRY AND SUMMARY TABLE

Committee on Economic Information and Market Intelligence

- (i) PD 479/07 Rev.2 (M) Timbers of Tropical Africa Part 2: Group 7(2) within the PROTA Programme (Ghana)

The Committees noted the presentation made by the delegate of Ghana. The Committees further noted that the recommendations and comments made by the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended that the proposal be approved for immediate funding and implementation.

- (ii) PD 480/07 Rev.2 (M) Demand and Supply of Tropical Wood Products in China Towards 2020

The Committees noted the presentation made by the delegate of China. The Committees further noted that the recommendations and comments made by the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended that the proposal be approved for immediate funding and implementation.

- (iii) PD 473/07 Rev.1 (M,F) Developing and Integrating Community Compensation Payment Schemes in Forest Management in Ghana

The Committees noted the presentation made by the delegate of Ghana. The Committees further noted the comments and recommendations of the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals. The Committees recommended that this proposal should not be further considered by ITTO.

- (iv) PD 500/08 (M) Developing the National Forest Statistics Management System of Côte d'Ivoire

The Committees noted the presentation made by the delegate of Côte d'Ivoire. The Committees further noted the comments and recommendations of the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals. The Committees recommended that this proposal be reformulated, taking due account of the comments and recommendations made by the Expert Panel for submission to the Secretariat and for technical appraisal by the Expert Panel.

- (v) PPD 138/07 Rev.1 (M) Verifying the Legality of Timber Forest Products in Peru

The Committees further considered the following pre-project proposal appraised and commended to the Committees for consideration by the Expert Panel at its Thirty-fourth Meeting [document CEM, CRF, CFA (XLI)/1]. Its assessment by the Committees had been withheld previously as the submitting country did not meet the requirements specified in Decision 7(XXXIII), Annex 1, Part C, paragraph 2 regarding the Status of Arrearages in Contribution Affecting Eligibility to Submit Project Proposals. The Committees noted that the pre-project executing agency had made the recommended Expert Panel changes to the document and recommended the pre-project proposal be approved for immediate financing.

Committee on Forest Industry

- (i) PD 457/07 Rev.2 (I) Contribution to the Development of the Further Processing of Timber in Five Producer Countries of the Congo Basin (Gabon)

The Committees noted the presentation made by the delegate of Gabon, and the expressions of support given by the delegates of Malaysia and Cote d'Ivoire. The Committees further noted that the recommendations and comments made by the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended that the proposal be approved for immediate funding and implementation.

(ii) PD 506/08 Rev.1 (I) Reviving Forestry Education in Liberia

The Committees noted the presentation made by Dr. Jürgen Blaser in the absence of the delegation of Liberia, and the expressions of support given by the delegates of Ghana, Thailand and Cote d'Ivoire. The Committees further noted that the recommendations and comments made by the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended that the proposal be approved for immediate funding and implementation.

(iii) PD 513/08 Rev.1 (I) Enhancing the Capacity of the Wood Processing Sector to Improve Efficiency and Add Value in Guyana

The Committees noted the presentation made by the delegate of Guyana. The Committees further noted that the recommendations and comments made by the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended that the proposal be approved for immediate funding and implementation.

(iv) PD 518/08 Rev.1 (I) Energetic Valorization of Wood Residues by Compaction Process (Brazil)

The Committees noted the presentation made by the delegate of Brazil. The Committees further noted that the recommendations and comments made by the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended that the proposal be approved for immediate funding and implementation.

(v) PD 516/08 (I,M) Preparation of Three Works on the Trees of Gabon

The Committees noted the presentation made by the delegate of Gabon. The Committees further noted the comments and recommendations of the Thirty-sixth Expert Panel for Technical Appraisal of Project Proposals. The Committees recommended that this proposal should not be further considered by ITTO.

SUMMARY TABLE

TECHNICAL EVALUATION OF PROJECTS AND PRE-PROJECTS

PROJECT DOCUMENT	ITTA OBJECTIVES Article 1	ITTO BUDGET US\$	DURATION (MONTHS)	GEOGRAPHIC COVERAGE	RECOMMENDATION(*)
Committee on Economic Information and Market Intelligence					
PD 479/07 Rev.2 (M)	c, f, g	596,419	36	Ghana, Tropical African Countries	1
PD 480/07 Rev.2 (M)	a, h, l, n	263,520	24	China	1
PD 473/07 Rev.1 (M,F)	d, f, j	288,641	36	Ghana	5
PD 500/08 (M)	h, n	601,290	24	Côte d'Ivoire	2b
PPD 138/07 Rev.1 (M)	a, c, d, h, n	79,844	9	Peru	1
Committee on Forest Industry					
PD 457/07 Rev.2 (I)	c,e,f,i,p	1,007,672	36	Cameroon, Congo, Gabon, CAR, & DRC	1
PD 506/08 Rev.1 (I)	c,d,f,l	292,522	24	Liberia	1
PD 513/08 Rev.1 (I)	c,d,e,k	278,640	12	Guyana	1
PD 518/08 Rev.1 (I)	c,i,m	491,941	36	Brazil	1
PD 516/08 (I,M)	c,f,h	612,754	36	Gabon	5

- (*)
1. Recommend to the ITTC to approve the (amended) proposal for implementation by ITTO and recommend it for immediate financing.
 2. Recommend to the ITTC that the proposal be revised and resubmitted: (a) directly to the relevant Committee, or (b) to the Expert Panel.
 3. Recommend to the ITTC to approve the proposal for ITTO sponsorship for funding through other relevant financial institutions, in accordance with Article 20, (6) and (7), and Article 28, of the ITTA, 1994.
 4. Recommend to the ITTC that a decision on the proposal be deferred until the next session.
 5. Recommend to the ITTC that the proposal should not be further considered by ITTO.

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3 – 8 November 2008
Yokohama, Japan

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL FROM
THE FORTY-SECOND SESSION OF THE COMMITTEE ON
REFORESTATION AND FOREST MANAGEMENT**

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Report

**Appendix I Technical Evaluation of Project and Pre-Project Proposals
in the Field of Reforestation and Forest Management**

REPORT

Item 1 - Opening of the Session

The Forty-second Session of the Committees was opened on 3 November 2008 at the Joint Session of the Committee on Economic Information and Market Intelligence (CEM), the Committee on Reforestation and Forest Management (CRF), the Committee on Forest Industry (CFI), and the Committee on Finance and Administration (CFA), chaired by Ms. Michele Mire (U.S.A.), Chairperson of CEM. This Joint Session considered Agenda items 1-4. Joint Sessions of the Technical Committees were also convened under the chairmanship of Ms. Michele Mire (U.S.A.) to consider items 5 and 7 of the Agenda, respectively. The subsequent meetings of the CRF were chaired by Mr. Carlos Enrique Gonzalez (Mexico), assisted by Mr. Hideaki Takai (Japan), Vice-Chair of CRF. The list of participants is presented in document ITTC(XLIV)/Info.2.

Item 2 - Adoption of Agenda and Organization of Work

The Agenda for the Committees as contained in documents CEM-CFI(XLII)/1, CFA(XXIII)/1 and CRF(XLII)/1 was duly adopted.

Item 3 - Admission of Observers

The Committees admitted the observers listed in document ITTC(XLIV)/Info.3 Rev.1 as approved by the Council.

Item 4 - Report of the Expert Panel for Technical Appraisal of Project Proposals

The Committees noted the presentation made by Dr. Bipin Behari (India), Chairman of the Expert Panel for Technical Appraisal of Project Proposals at its Thirty-sixth Meeting held from 4 to 8 August 2008 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XLII)/1. In summary, the report of the Expert Panel indicated:

- (i) a total number of 43 proposals was evaluated, comprising 41 project proposals and 2 pre-project proposals
- (ii) a total number of 16 proposals (37% of proposals evaluated) comprising 15 projects and 1 pre-project were accorded category 1 rating, compared with 24% accorded at the previous Expert Panel meeting
- (iii) nine (9) out of the 16 proposals accorded category 1 rating were revised proposals
- (iv) eighteen (18) proposals were sent back to proponents for revision and nine (9) were recommended not to be approved by the Committees
- (v) all 41 projects and 2 pre-projects were assessed through the new appraisal system
- (vi) there was a significant improvement in the quality of project proposals

Dr. Behari presented the general comments made by the Expert Panel at its Thirty-sixth Meeting including:

- (xiii) the common weaknesses of many proposals already pointed out by previous Expert Panels.
- (xiv) lack of clear and comprehensive problem analysis in the problem tree.
- (xv) lack of focus of specific objectives.
- (xvi) inconsistency between logical framework matrix and key issues of the problem and its analysis.
- (xvii) inadequate risk analysis and failure to address risk mitigation measures.
- (xviii) sustainability of the projects not addressed.
- (xix) inadequate presentation of budget items and supporting terms of reference (TORs).
- (xx) inadequate involvement of stakeholders
- (xxi) in the framework of community participatory projects, methodologies for implementation were often insufficiently articulated.
- (xxii) project proposals submitted in phases often lack in specifying the vision for subsequent phases along with the overall strategy
- (xxiii) lack of reference to internal monitoring mechanism for successful implementation of the project
- (xxiv) pre-projects often lack focus on the preparation of a full project proposal.

He further highlighted the persistent problems in project formulation. For regional proposals presented by a single country, there was often the lack of evidence of support and commitment from partner countries

or organizations. The section on the origin of a proposal also suffered from missing, irrelevant or inadequate information such as country priorities, recommendations of ITTO missions as well as completion reports and ex-post evaluations of relevant projects.

On the experience of the Expert Panel in the application of the new (revised) ITTO system for technical appraisal of project and pre-project proposals, Dr Behari indicated that the scoring system added value to the evaluation process, assisting panel members to assess project proposals systematically, reducing subjectivity of the assessment, facilitating comparison between evaluators, helping prepare recommendations, and compelling evaluators to look closely at different aspects of a project's proposal. Dr Behari noted, however, that the scoring system also required careful attention to ensure that it was properly applied in the scoring table. The Expert Panel recommended that there was a need to come quickly to a final decision in relation to the format of the proposal in the 3rd edition of the manual, the manual and the scoring sheet needed to be finalised in close collaboration with a working group, and the flow chart for the decision in category may also be revised after the format and the scoring sheet is finalized.

The delegation of the Philippines commented on the need to harmonize and make consistent the tools for project and pre-project formulation and appraisal. The delegation also commented that the quantitative scoring assessment of the proposals should be conveyed to the proponents. Regarding the issue of providing quantitative and qualitative assessment of the proposals to the executing agencies, Dr Behari responded that the decisions made by the Expert Panel were based on a full assessment of proposal, whether or not the scoring sheet was conveyed to the proposer.

The delegation of Guatemala requested clarification on the criteria for countries resubmitting projects that had been approved but not funded. Dr Behari responded that this was not an issue which the Expert Panel was able to address.

The delegation of the United Kingdom noted that although similar issues were being raised by previous Expert Panels, project proposals were improving in quality as demonstrated by the statistics presented by Dr Behari. He noted that although the quantitative assessment was a useful guide, some subjectivity was always involved in proposal assessments.

Item 5 – ITTO Annual Market Discussion -2008

The Committees noted the summary of the ITTO Annual Market Discussion – 2008, held in the Joint Session of the Technical Committees on 5 November 2008, as contained in Appendix A of document CEM-CFI(XLII)/8. The theme of the Market Discussion was “Intra-Regional Trade in Challenging Times”. Ms. Michele Mire (Chairperson of CEM) chaired the meeting and Mr. Barney Chan (T-A-G Coordinator) served as the moderator of the Market Discussion.

The following feature presentations were made during the Market Discussion:

Mr. Brent McClendon (IWPA)	Intra-regional Trade in Challenging Times - A Global Overview
Mr. Alhassan Attah (Ghana Forestry Commission)	Perspectives on Intra-regional Trade in Africa
Mr. Bob Tate (PNG Forest Industries Association)	Perspectives on Intra-regional Trade in the Asia-Pacific Region

Item 6 - Report on Completed Projects and Pre-projects

The Secretariat informed the Committee that the completed projects and pre-projects are described in document CRF(XLII)/3, “Report on Completed Projects and Pre-projects in the Field of Reforestation and Forest Management”, and are divided into two groups (A) and (B).

Group (A) lists the projects and pre-projects where the field activities have been completed, and the final report and other technical documentation have been submitted to the Secretariat as well as the audited financial report of the project's and pre-project's accounts.

Group (B) lists the projects and pre-projects where the field activities have been completed, and the final report and other technical documentation have been submitted to the Secretariat but where the audited financial report of the project's and pre-project's accounts is still pending.

The Committee then proceeded to review the following completed projects and pre-projects:

6.1 Completed Projects

(A) **Completed Projects, Including Financial Audit**

- 1) **PD 53/97 Rev.2 (F) Regionalisation of the Volume Tables for Trees of Natural Forests and Plantations** (Côte d'Ivoire)

The Committee took note that the Executing Agency has submitted the Project Completion Report, several Technical Reports and acceptable Project Final Financial Audit Report. The Committee therefore decided to consider the project as completed.

- 2) **PD 51/98 Rev.1 (F) Forest Fire Management in Côte d'Ivoire on an Experimental Basis** (Côte d'Ivoire)

The Committee took note that the Executing Agency has submitted the Project Completion Report and a series of Technical Reports. The Secretariat also informed the Committee that an acceptable Project Final Financial Audit Report had been submitted by the Executing Agency. The Committee therefore decided to consider the project as completed.

- 3) **PD 17/99 Rev.3 (F) National Forest Inventory and Forest Resources Monitoring Program in Bolivia (INFOBOL-2001)** (Bolivia)

The Committee took note that the Executing Agency in Bolivia had reported this project as completed in March 2005, and that at the Committee's Fortieth Session, the Secretariat reported that while the completion report and several technical documents and manuals had been submitted to the Secretariat, other means of verification such as the updated forest map of Bolivia and the reports on growth and yield, standing tree volumes and sustainable timber stock available from Bolivia's forest concessions had not been forwarded.

The Committee therefore decided not to report this project as completed at its previous session, and requested the Secretariat to follow up on the pending matters. The Secretariat further contacted the ITTO's Official Contact Point in Bolivia, the Ministry of Rural and Agricultural Development and Environment, in this regard. The Ministry responded that, as the ministry had been completely restructured, several components of the project had been transferred to Bolivia's Superintendancy of Forests for follow-up, and that they had additionally taken legal action against the former project coordinator to comply with submitting the project's final technical reports and forest map.

The Committee at its previous Session further recommended the Secretariat consider the possibility of carrying out a fact finding mission to Bolivia and, based on the outcomes of this mission, further report the project as either satisfactorily or unsatisfactorily completed to the Committee at this session. However, as a fact-finding mission was extremely difficult to schedule during 2008 due to political strife and civil unrest in Bolivia, the Secretariat decided to forfeit the mission.

In this light, the Committee took note that the Executing Agency has submitted the Project Completion Report, several technical reports and the Final Audited Report, pending an updated map and some other products. As such, the Committee therefore decided to consider the project as unsatisfactorily completed.

- 4) **PD 57/99 Rev.2 (F) Sustainable Management of Production Forests at the Commercial Scale in the Brazilian Amazon - Phase I** (Brazil)

The Committee took note that the Executing Agency has submitted the Completion Report and a series of Technical Reports and software applications. The Secretariat also informed the Committee that an adequate Final Financial Audit Report had recently been submitted by the Executing Agency. The Committee noted and further commended the presentation given on the project achievements. The Committee therefore decided to consider the project as completed.

- 5) **PD 5/00 Rev.4 (F) Training and Application of ITTO Criteria and Indicators for Sustainable Forest Management at the Forest Management Unit Level in Natural Production Forests of Ecuador** (Ecuador)

The Committee took note that the Executing Agency has submitted the project Completion Report, several technical reports and Final Financial Audit Report. The Committee therefore decided to consider the project as completed.

6) PD 14/00 Rev.5 (F) Integrated Plan for the Consolidation of the Bagre Highlands Biological Corridor, Province of Darien (Panama)

The Committee took note that the Executing Agency has submitted the Completion Report and a series of Technical Reports. The Secretariat also informed the Committee that an adequate Final Financial Audit Report had recently been submitted by the Executing Agency. The Committee further commended the presentation given on the project achievements. The Committee therefore decided to consider the project as completed.

7) PD 167/02 Rev.2 (F) Integration of Forest Management Units (FMU) into Sustainable Development Units (SDU) through Collaborative Forest Management in Surigao del Sur, The Philippines (Philippines)

The delegate of the Philippines reported on the implementation of the project. The Committee took note that the Executing Agency has submitted the Completion Report, a series of Technical Reports and Final Financial Audit Report in accordance with the project agreement. The Committee therefore decided to consider the project as completed.

8) PD 210/03 Rev.3 (F) Participatory Establishment of Collaborative Sustainable Forest Management in Dusun Aro, Jambi (Indonesia)

The delegate of Indonesia reported on the implementation of the project. The Committee took note that the Executing Agency has submitted the Completion Report, a series of Technical Reports and Final Financial Audit Report in accordance with the project agreement. The Committee therefore decided to consider the project as completed.

9) PD 271/04 Rev.3 (F) Rehabilitation of Degraded Forest Land Involving Local Communities in West Java, Indonesia (Indonesia)

The delegate of Indonesia reported on the implementation of the project. The Committee took note that the Executing Agency has submitted the Completion Report, a series of Technical Reports and Final Financial Audit Report in accordance with the project agreement. The Committee therefore decided to consider the project as completed.

10) PD 294/04 Rev.4 (F) The Study and Demonstration of the Management of Secondary Forests in Tropical Regions for the Purpose of Enhancing Economic and Ecological Benefits – Phase I (completed), Phase II (pending financing) (China)

The delegate of China reported on the implementation of Phase I of the project. The Committee took note that the Executing Agency has submitted the Completion Report, Technical Report and Final Financial Audit Report in accordance with the project agreement. The Committee therefore decided to consider Phase I of the project as completed.

(B) Completed Projects, Pending Financial Audit

1) PD 224/03 Rev.1 (F) Transboundary Biodiversity Conservation: The Pulong Tau National Park, Sarawak State, Malaysia (Malaysia)

The delegate of Malaysia reported on the implementation of the project. The delegate of Switzerland expressed concern over cooperation with Kayan Mentarang National Park (KMNP) in Indonesia in implementing the project. In this respect, the Committee was informed by the delegate of Malaysia that a joint task between the two parks was formed to facilitate cooperation and that due attention has been given to this issue in implementing PD 451/07 Rev.1 (F), which is the second phase of this project. The Committee took note that the Executing Agency has submitted the Completion Report and a series of Technical Reports. The Committee also took note that the Executing Agency has arranged Final Financial Audit Report after returning the amount of US\$14,000 to PD 288/04 Rev.2 (F) which was advanced to this project in 2007. The Committee therefore decided to consider the project as completed upon the reception of a satisfactory

Final Financial Audit Report by the Secretariat, and requested the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat at the earliest opportunity.

- 2) **PD 337/05 Rev.2 (F) An International Workshop on Clean Development Mechanism – Opportunities and Challenges for the Forest Industry Sector in Sub-Saharan Tropical African (Ghana)**

The Committee took note that the Executing Agency has submitted the Completion Report, Technical Report and a copy of the Final Financial Audit Report in accordance with the project agreement. The delegate of Ghana informed the Committee that the original Final Financial Audit Report was delivered to the Secretariat during the current Session of the Committee. The Committee therefore decided to consider the project as completed.

6.2 Completed Pre-projects

(A) **Completed Pre-projects, Including Financial Audit**

- 1) **PPD 111/05 Rev.1 (F) Sustainable and Multipurpose Forestry to Settle the Tribal Shifting Cultivators of Tripura State in India by Providing Viable Economic Activities (India)**

The Committee took note that the Executing Agency has submitted the Completion Report, Technical Report and Final Financial Audit Report in accordance with the pre-project agreement. The Committee therefore decided to consider the pre-project as completed.

- 2) **PPD 128/06 Rev.1 (F) Strengthening Capacity of Forest Law Enforcement and Governance in Cambodia (Cambodia)**

The delegate of Cambodia reported on the implementation of the pre-project. The Committee took note that the Executing Agency has submitted the Completion Report and Technical Report. The Secretariat also informed the Committee that an adequate Final Financial Audit Report has recently been submitted by the Executing Agency. The Committee therefore decided to consider the pre-project as completed.

(B) **Completed Pre-projects, Pending Financial Audit**

- 1) **PPD 59/02 Rev.2 (F) Pre-project for the Conservation and Management of Genetic Resources in the Natural Tropical Forests of Ecuador (Ecuador)**

In light of the events surrounding project PD 152/02 Rev.3 (F), which was also implemented by CORMADERA, the Secretariat decided to review and assess the pre-project's final report and main outputs during the visit to Ecuador that the special ITTO monitoring and evaluation mission on PD 152/02 Rev.3 (F) carried out in June 2007. The Regional Officer's report assessing the completion report and the feasibility study basically corroborated what the Secretariat had stated to the Committee at its fortieth session, namely that the pre-project's main output, the feasibility study to establish a seed center in Ecuador, lacked many of the essential components of a feasibility study.

Moreover, the Committee took note that the Completion Report, a Feasibility Study of substandard quality and several Technical Reports had been submitted by the Executing Agency, pending the Final Financial Audit Report. The Committee therefore decided to consider the pre-project as unsatisfactorily completed, pending receipt of an acceptable Final Financial Audit Report by the Secretariat.

The Ecuadorian delegation reiterated that the Ministry of Environment will continue to monitor closely the developments as regards the pre-project and the executing agency, CORMADERA.

The Committee further restated that pre-projects should be exclusively geared towards the formulation of project proposals and that small projects should not be submitted to ITTO as pre-project proposals.

- 2) **PPD 130/06 Rev.1 (F) Identification of a Project for the Regeneration and Management of Mangrove Forests Surrounding the Douala/Edea Reserve, Department of Sanaga Maritime, Cameroon (Cameroon)**

The Committee took note that the Executing Agency has submitted the Completion Report and a series of Technical Report but the Final Financial Audit Report is still pending. The Committee therefore

decided to consider the pre-project as completed upon receipt of an acceptable Final Financial Audit Report, prior to the next Council Session.

Item 7 - Ex-post Evaluation

(A) Reports on Ex-post Evaluation of Projects

The Committee was informed that the ex-post evaluation of the five projects grouped under the theme of forest Rehabilitation, selected by the Committee at its Forty-first Session, had been completed:

Thematic Group Evaluation: Forest Rehabilitation

PD 30/97 Rev.6 (F)	Rehabilitating Degraded Forest through Collaboration with Local Communities (Ghana)
PD 14/98 Rev.1 (F)	Sustainable Use and Reforestation of Amazon Forests by Indigenous Communities (Peru)
PD 49/99 Rev.2 (F)	Pilot Plan for the Sustainable Management of 10,000 hectares of Secondary Forest in San Lorenzo, Esmeraldas (Ecuador)
PD 51/99 Rev.2 (F)	Support to Grassroot Forestry Promotion Initiatives in the Yoto Area (Togo)
PD 122/01 Rev.1 (F)	Support for the Establishment of a Cuttings Propagation Unit for the Production of Samba and other Local Species (Togo)

The Committee took note of the presentation of the synthesis of the ex-post evaluation as contained in document CRF(XLII)/6 by the Team Leader of the evaluation team, Mr. Jorge Malleux, during the Joint Session of the Committees.

The Committee requested the Secretariat to ensure that the ex-post evaluation findings be taken into account in the formulation and implementation of new projects in the area of forest rehabilitation. The Committee commended the report presented by the consultant and also requested the Secretariat to ensure its dissemination.

The Committee was further informed that the ex-post evaluation of the second batch of seven projects grouped under the theme of forest Management/Inventory, also selected by the Committee at its Forty-first Session, is underway.

Thematic Group Evaluation: Forest Management/Inventory

PD 68/89 Rev.1 (F)	Management of the Tapajós National Forest for Sustainable Production of Industrial Timber (Brazil)
PD 185/91 Rev.2 (F)	Sustainable Forest Management and Development in Peninsular Malaysia – Phase II (Malaysia)
PD 2/93 Rev.1 (F)	Integrated Pilot Management of the Ngoua II Forest North - Phase I: The Preparation of a Management Plan (Republic of Congo)
PD 8/98 Rev.4 (F)	Development of a Demonstration Area in the Sustainable Management of Gabonese Forests (Gabon)
PD 23/00 Rev.4 (F)	Promotion and Transfer of Knowledge on Sustainable Forest Management Models to Timber Producers (Peru)
PD 39/00 Rev.3 (F)	Sustainable Collaborative Forest Management: Meeting the Challenges of Decentralization in the Bulungan Model Forest (Indonesia)
PD 178/02 Rev.1 (F)	Information and Training Programme for Sustainable Forest Management in the Peruvian Amazon Region (Peru)

The Secretariat to date has drafted the detailed terms of reference for this thematic group evaluation on forest Management/Inventory and is currently in the process of selecting the required consultants.

(B) Selection of Projects for Ex-post Evaluation

The Committee further requested the Secretariat to finalize the necessary arrangements for the conduct of the aforementioned ex-post evaluations before the Committee Session in November 2009, and also prepare an updated "Shortlist of Completed Projects Relevant for Ex-post Evaluation in the Field of Reforestation and Forest Management" for the November 2009 Session, which should include all completed projects since 2006 not previously selected for ex-post evaluation.

Item 8 - Review of Implementation of Approved Projects and Pre-projects

8.1 Project Work in Progress

The Committee took note of a status report [document CRF(XLII)/4] by the Secretariat on the 92 projects, in the field of Reforestation and Forest Management, that have been approved by the Council, and which are either: A) in the process of implementation (69), B) awaiting the signing of an Agreement (6), C) projects awaiting financing (18), or D) falling under the sunset provision since the last Session (9).

The Committee noted the reports on the progress of these projects in the above document. In view of the desire of the Committee to further streamline its work in accordance with Council Decision 4(XXV) Annex A, Section VI.1, the Committee requested the Secretariat and Members to limit the reporting and discussion during the Session to those projects that are:

- having implementation problems;
- requiring additional funds;
- requesting extension in time of more than 6 months beyond the original duration of the project; or
- requesting essential major modifications of the work plan and budget.

The Committee then proceeded to discuss the issues associated with a number of projects. Details of these discussions are as follows:

(A) Projects under implementation

1) PD 21/98 Rev.2 (F) Forest Management, Community Involvement and Sustainable Use of Si-Kop Forest Area (Coastal Province, Cameroon) (Phase II) (Cameroon)

The Committee was informed that the project suspension was lifted by the ITTO Secretariat on 7 October 2008, as the Government of Cameroon has complied with conditions for further ITTO support in accordance with the requirements of the ITTO special monitoring missions of October 2003 and August 2004. The Delegation from Cameroon thanked the ITTO Secretariat and informed the Committee that the Executing Agency was ready to collaborate with an international consultant for the mid-term evaluation recommended by the Committee at its Forty-first Session in November 2007. The Committee took note of the information regarding the lifting of the project suspension and asked the Secretariat to make the necessary arrangements for an independent mid-term evaluation to be conducted, as soon as possible, prior to the resuming of project activities.

2) PD 24/98 Rev.2 (F) Intensification of Teak Forestry (Côte d'Ivoire)

The Delegation from Cote d'Ivoire informed the Committee that most project activities have been completed and the project final technical report and completion report were to be finalized and submitted to the ITTO Secretariat shortly. The Committee took note of that information and asked the Executing Agency to submit those reports as soon as possible in order to allow the Secretariat to report this project as completed during the next Committee Session.

3) PD 55/98 Rev.3 (F) Evaluation of Mangrove Forests in the North-east of the Orinoco Delta Region in Venezuela with a View to Sustainable Forest Utilization (Venezuela)

The Committee took note of the Regional Officer's fact-finding mission which further confirmed that the Executing Agency continued to face serious administrative and management constraints that were impeding the successful completion of this project. It further observed that the Secretariat, at that meeting, reiterated

its request to the Implementing Agency to resolve its limitations and prepare, within a prudential 6-month timeframe, a formal request for an extension in time, together with the required modified work plan and budget amendments and the no-objection requests for the new project personnel, in order to reinitiate the project's activities as soon as possible. As to date the Executing Agency had not submitted any of the required documents except for an updated technical report. In this light, the Committee decided to give the Executing Agency a prudential period of four months until the end of March 2009 to regularize the project's situation. In addition, the Committee recommended the Secretariat to look into the possibility of carrying out an independent mid-term evaluation of the project with a view towards seeking other alternatives available for the successful completion of this project.

4) PD 20/99 Rev.2 (F) Establishment and Management of Production-Protection Community Forests in Lower and Middle Atrato, Department of Choco, Colombia (Colombia)

The Committee recalled that in January 2004 the Secretariat decided to officially suspend the project and requested ITTO procedures be followed in order to properly close SINERGIA's participation as EA in this project, as follows:

1. Final audit of all funds transferred to SINERGIA;
2. Return of all unspent funds to ITTO;
3. Final technical report from SINERGIA describing the progress in the implementation of project activities and items that still remained pending; and
4. Transfer of capital goods to the Ministry of Environment for safe custody.

The Committee further recalled that at its XXXIX Session the Ministry of Environment informed it that it had every intention of resolving the aforementioned issues, submitting the required documentation, and reinitiating the project as soon as possible in order to successfully achieve its objectives, and noted that, in accordance with the recently submitted progress report and other documents and an ITTO monitoring mission held in July 2008, current project developments could be summarized as follows:

- ✓ All of SINERGIA's expenditures were audited, and satisfactorily reviewed by ITTO;
- ✓ The final technical report covering SINERGIA's involvement in the project was satisfactorily submitted to the Secretariat;
- ✓ Legal proceedings against the former head of SINERGIA-COLOMBIA have been initiated by the Colombian Government;
- ✓ The Colombian Government designated the Corporation for the Sustainable Development of Choco (CODECHOCO), to continue with the implementation of the project's remaining activities in 2005 and simultaneously allocated approximately US\$ 42,836 to the new executing agency from the Ministry's Environmental Compensation Fund (FCA) to cover the loss attributed to SINERGIA. In addition, FCA further allocated another US\$ 646,715 in counterpart funds to continue with the project's interim activities during the period 2006-2008;
- ✓ While the project initially did not purchase any capital goods, in 2008 the Government of Colombia provided CODECHOCO with funds to acquire any capital goods the project may have been requiring at that time; and
- ✓ CODECHOCO has periodically submitted updated YPOs and progress reports indicating the project's interim achievements, which have been financed solely by Colombia.

Moreover, the Committee took note that the Secretariat, in light of the aforementioned developments and after a careful review of the pending conditions, lifted the suspension in September 2008 and is currently expediting an alternative agreement between the Government of Colombia, CODECHOCO and ITTO so as to resume the project in its entirety as soon as possible. The Committee sanctioned the aforementioned action.

5) PD 23/99 Rev.2 (F) Testing of ITTO Revised Criteria and Indicators and Dissemination of Results Applying to Cameroon (Cameroon)

The Delegation from Cameroon informed the Committee that the project final technical report and completion report have just been submitted the ITTO Secretariat. The Committee took note of that information and asked the Secretariat to report this project as completed during its next Session.

6) PD 27/99 Rev.2 (F) Pilot Project for the Sustained Management of the So'o Lala Forest - Phase II (Cameroon)

The Committee took note that project implementation appeared to be slower than initially projected as some activities continue to suffer delays, particularly those related to the elaboration of the forest management plan, due mainly to the non-disbursement of the national counterpart funds by the Government of Cameroon. In this light, the Executing Agency has applied for an additional extension in time until July 2009 without additional funds, in order to successfully complete the project, and its request was justified by appropriate supporting documents (detailed plan of operation describing the activities still needed, and their implementation and budgetary scheduling). In this light, the Committee endorsed an extension of the project until the end of July 2009, without additional funds, as per the written request and justification submitted by the Executing Agency.

7) PD 32/99 Rev.2 (F) Productive Forest Management for the Rural Reserve Area of Guaviare (Colombia)

The Committee recalled that in January 2004 the Secretariat decided to officially suspend the project and requested ITTO procedures be followed in order to properly close SINERGIA's participation as EA in this project, as follows:

1. Final audit of all funds transferred to SINERGIA;
2. Return of all unspent funds to ITTO;
3. Final technical report from SINERGIA describing the progress in the implementation of project activities and items that still remained pending; and
4. Transfer of capital goods to the Ministry of Environment for safe custody.

The Committee further recalled that at its XXXIX Session the Ministry of Environment informed it that it had every intention of resolving the aforementioned issues, submitting the required documentation, and reinitiating the project as soon as possible in order to successfully achieve its objectives, and noted that, in accordance with the recently submitted progress report and other documents and an ITTO monitoring mission held in July 2008, current project developments could be summarized as follows:

- ✓ All of SINERGIA's expenditures were audited, and satisfactorily reviewed by ITTO;
- ✓ The final technical report covering SINERGIA's involvement in the project was satisfactorily submitted to the Secretariat;
- ✓ Legal proceedings against the former head of SINERGIA-COLOMBIA have been initiated by the Colombian Government;
- ✓ The Colombian Government designated the Corporation for the Sustainable Development of the Northern and Oriental Amazon (CDA), to continue with the implementation of the project's remaining activities in 2005 and simultaneously allocated approximately US\$ 152,826 to the new executing agency from the Ministry's Environmental Compensation Fund (FCA) to cover the loss attributed to SINERGIA. In addition, FCA further allocated another US\$ 650,155 in counterpart funds to continue with the project's interim activities during the period 2006-2008;
- ✓ In 2008 the Government of Colombia further provided the CDA with additional funds to replace all capital goods initially purchased by the project but already deemed as obsolete; and
- ✓ CDA has periodically submitted updated YPOs and progress reports indicating the project's interim achievements, which have been financed solely by Colombia.

Moreover, the Committee took note that the Secretariat, in light of the aforementioned developments and after a careful review of the pending conditions, lifted the suspension in September 2008 and is currently expediting an alternative agreement between the Government of Colombia, CDA and ITTO so as to resume the project in its entirety as soon as possible. The Committee sanctioned the aforementioned action.

8) PD 54/99 Rev.2 (F) Alternative Financing Model for Sustainable Forest Management in San Nicolas, Colombia (Colombia)

The Committee previously noted that all of the project's activities had been satisfactorily completed, except for the Clean Development Mechanism (CDM) provisions and validation process within the UNFCCC. It further observed that, while the new methodology and monitoring baseline developed by the project was approved by the Forestry and Reforestation Working Group of the CDM Executive Commission of the UNFCCC, the validation process of the methodology itself would still require some additional months to be carried out. As such, the Executing Agency considered requesting another extension in time until June 2009 without additional funds, to finalize this activity. It also noted that the Secretariat considered the extension to be justified. In this light, the Committee endorsed an extension of the project until the end of June 2009, without additional funds.

The Committee further commended the presentation given on the project achievements to date.

The Swiss and Philippine delegations further noted that the completion of the pending activity was beyond the control of the Executing Agency and more in the hands of the UNFCCC, and therefore urged the Executing Agency to report the project as completed prior to the Committee's next session.

9) PD 62/99 Rev.3 (F) Reforestation Pilot Project for the Recovery of Degraded Areas in the Medium Doce River Region, State of Minas Gerais, Brazil (Brazil)

The Committee took note that at its previous Session it had observed that progress in the implementation of this 4-year project appeared to be far slower than programmed and that, in this light, it recommended the Project Steering Committee discuss the possibility of carrying an independent mid-term evaluation of the project at its meeting scheduled in December 2007. However, during that meeting it was noted that funds to carry out this mid-term evaluation were not readily available. In addition, it also took note that the project's steering committee during its meeting in December 2007, observed that most of the project's activities were delayed, and also that the Executing Agency had difficulties in adhering to ITTO's rules of procedure for the implementation of projects, particularly as regards the submission of no-objection requests.

The Committee recommended special attention to the next Project Steering Committee, slated for March, 2009, to carefully assess the project's current situation, its current compliance with ITTO rules for project implementation, and also review the updated YPO in order to successfully achieve its objectives. Alternatively, the Committee recommends the Secretariat look into the possibility of carrying out an independent mid-term evaluation of the project with a view towards seeking other alternatives available for the successful completion of this project.

10) PD 28/00 Rev.2 (F) Integrated Management of Community Forests in the Valley of Mefou and Afamba (Central Province of Cameroon) (Cameroon)

The Committee was informed by the Delegation from Cameroon that four additional communities selected in the Mfou and Soa Districts have been supported by the project for the elaboration of the simplified management plan of their community forests during the project extension period until November 2008. The Committee took note of that information regarding the support provided to those communities.

11) PD 53/00 Rev.3 (F) Implementation of a Permanent Network of Stands Dynamics Monitoring Plots for the Gazetted Forests of Côte d'Ivoire (Côte d'Ivoire)

The Delegation from Cote d'Ivoire informed the Committee that most project activities have been completed and the project final technical report and completion report were to be finalized and submitted to the ITTO Secretariat shortly. The Committee took note of that information and asked the Executing Agency to submit those reports as soon as possible in order to allow the Secretariat to report this project as completed during the next Committee Session.

12) PD 63/01 Rev.2 (F) Assessment and Management of Mangrove Forests in Egypt for Sustainable Utilization and Development (Egypt)

The Committee was informed that most project activities have been completed, and the project final technical report compiling the results and findings of several consultant reports was submitted to the ITTO Secretariat. However, the completion report was to be finalized and submitted to the ITTO Secretariat along

with the report of the national workshop for the dissemination of the main project results and findings. The Committee took note of that information and asked the Executing Agency to submit those reports as soon as possible in order to allow the Secretariat to report this project as completed during the next Committee Session.

13) PD 66/01 Rev.1 (F) Establishment of the Mengamé-Minkébé Transboundary Gorilla Sanctuary (MMGS) at the Cameroon-Gabon Border (Cameroon)

The Committee was informed that most project activities have been completed, and the project final technical report and completion report were to be finalized and submitted to the ITTO Secretariat shortly. The Committee took note of that information and asked the Executing Agency to submit those reports as soon as possible in order to allow the Secretariat to report this project as completed during the next Committee Session.

14) PD 138/02 Rev.2 (F) Integrated Evaluation and Strategy for the Sustainable Management of Secondary Forests in the Central Forest Region of Peru (Peru)

The Committee noted that the project will complete all its field activities by year-end and further submit the completion report and other relevant technical documents to the Secretariat soon thereafter.

15) PD 142/02 Rev.2 (F) Sustainable Production of National Forests under the “Regime of Forest Concessions” (Brazil)

The Committee took note that project implementation appeared to be slower than initially projected as some activities continue to suffer delays, particularly those related to policy development and the elaboration of the management plans, due mainly to the political and participatory nature of these processes. In this light, the Executing Agency has applied for an additional extension in time until December 2009 without additional funds, in order to successfully complete the project, and further submitted to the Secretariat a formal request and a justification for the aforementioned extension in time. The Secretariat has reviewed the corresponding documents, and considered these to be justified, pending the submission of an appropriately updated YPO describing the activities still needed, and their implementation and budgetary scheduling. In this light, the Committee endorsed an extension of the project until the end of December 2009, without additional funds, as per the written request and justification submitted by the Executing Agency.

The committee further observed that the next Project Steering committee meeting, slated for November 2008, will assess the project's current situation, review and approve the updated work plan for 2009 in order to successfully achieve the project's objectives, and further seek to regularize the no-objections for authorizing the required sub-contracts and the purchase of a vehicle.

16) PD 156/02 Rev.3 (F) Conservation and Reforestation of Threatened Mangrove Forest Areas along the Pacific Coast of Panama – Phase I (completed), Phase II (Operational) (Panama)

The Committee took note of the Executing Agency's request for budgetary reallocations, based on cost fluctuations and the project dynamics itself, in order to successfully complete the project's activities. In this light, the Committee endorsed these budgetary changes, as per the written request and justification for the budgetary modifications, as submitted by the Executing Agency.

17) PD 197/03 Rev.2 (F) Support for the Implementation of a Sustainable Forest Development Master Plan in Eco-Floristic Area IV, Togo (Togo)

The Committee was informed that most project activities have been completed, and the project completion report was to be finalized and submitted to the ITTO Secretariat along with the report of a national workshop for the sharing and dissemination of the main project results and findings. The Committee took note of that information and asked the Executing Agency to submit those reports as soon as possible in order to allow the Secretariat to report this project as completed during the next Committee Session.

18) PD 217/03 Rev.2 (F) Establishing a Cooperative Framework Between ODEF and the Communities Living in the Eto-Lilicope Forest Complex for the Sustainable Participatory Management of this Complex (Togo)

The Committee was informed that most project activities have been completed, and the project completion report was to be finalized and submitted to the ITTO Secretariat along with the report of a

national workshop for the formalization of the framework of cooperation between ODEF and Communities living around the Eto-Lilicope Forest Complex. The Committee took note of that information and asked the Executing Agency to submit those reports as soon as possible in order to allow the Secretariat to report this project as completed during the next Committee Session.

19) PD 238/03 Rev.4 (F) Binational Conservation and Peace in the Condor Range Region, Ecuador-Peru (Ecuadorian Component), Phase II (Ecuador)

The Committee took note that project implementation required some additional time than that initially allocated, as some activities have suffered delays, particularly those related to the bi-national activities, due mainly to the delayed start-up of the Peruvian component of the project (PD 237/03 Rev.4 (F)). As such, the Executing Agency has applied for an additional extension in time until June 2009 without additional funds, in order to successfully complete the bi-national aspects of the project, and further submitted to the Secretariat a formal request and a justification for the aforementioned extension in time, including budgetary modifications. Moreover, the Secretariat reviewed the corresponding documents and considered these to be justified. In this light, the Committee endorsed an extension of the project until the end of June 2009, without additional funds, as per the written request and justification submitted by the Executing Agency.

20) PD 240/03 Rev.1 (F) Alternative Financing Model for Sustainable Forest Management in San Nicolás – Second Phase: Non-Kyoto Rehabilitation Areas (Colombia)

The Committee took note that while most of the project's activities are progressing satisfactorily, some have suffered delays, particularly those related to the development of a legal framework, due mainly to the unforeseen difficulties stemming from the unconstitutionality of the new Forestry Law 1021. As such, the Executing Agency has applied for an extension in time until July 2009 without additional funds, in order to successfully complete the project and further submitted a formal request and a justification for the aforementioned extension in time, together with the required budget amendments and an updated Yearly Plan of operations in order to successfully complete the project's activities, to the Secretariat. The Secretariat reviewed the corresponding documents and considered these to be justified. In this light, the Committee endorsed an extension of the project until the end of July 2009, without additional funds, as per the written request and justification, including an updated YPO and budgetary modifications, submitted by the Executing Agency.

In addition, the Committee further took note of the Executing Agency detailed account of the project's accomplishments to date at this Session of the CRF.

21) PD 248/03 Rev.4 (F) Antimary Forest Management Regional Training Centre (Brazil)

The Committee took note that ITTO's Regional Officer for Latin America, during his monitoring mission in November 2007, observed that most of the project's activities had been delayed and that the Executing Agency was having serious difficulties in adhering to ITTO's rules of procedure for the implementation of projects, particularly as regards the submission of no-objection requests for the purchase of capital goods and selection of project personnel to be covered with ITTO funds, updated Yearly Plans of Operation, and Annual Audits, among others. It further noted that ITTO's Regional Officer for Latin America was currently providing the Executing Agency with required guidance so as to regularize the project's administrative situation. In this light, the Committee recommended ITTO's Regional Officer for Latin America continue providing the Executing Agency with on-the-spot guidance so as to regularize the project's administrative situation before the Secretariat and also closely monitor the project with a view to seeing it get back on track. Moreover, it also recommended the Executing Agency immediately apply for an extension, without additional funds, in order to successfully complete the project and further submit a formal request with a justification to the Secretariat for the aforementioned extension in time, together with any required budget amendments and an updated detailed Work Plan and Yearly Plan of operations in order to successfully complete the project's activities.

The committee further observed that the next Project Steering committee meeting, slated for December 2008, will assess the project's current situation, its current compliance with ITTO rules of procedure for project implementation, and also review the updated Yearly Plan of Operations in order to successfully achieve the project's objectives.

22) PD 251/03 Rev.3 (F) Evaluation of Commercial Stocks and Strategy for the Sustainable Management of Mahogany (Swietenia macrophylla) in Peru (Peru)

The Committee noted that the project had completed all its field activities in relation to the Mahogany component and that the Executing Agency would shortly submit the relevant technical documents to the Secretariat for dissemination. In addition, the Executing Agency provided a formal presentation of the project's accomplishments to date.

23) PD 276/04 Rev.2 (F) Revised World Atlas of Mangrove for Conservation and Restoration of Mangrove Ecosystems (Global-Japan)

The Secretariat informed the Committee that the project had been delayed and been granted two extensions due to partner delays in completing mapping activities. However, all maps and text for the Atlas were now almost complete and the English version would be published and available at the next session of the Committee. A request for a final budget-neutral extension was expected soon from the implementing agency in order to allow for production of the Spanish and French versions.

24) PD 284/04 Rev.2 (F) Fire Management and Post-fire Restoration with Local Community Collaboration in Ghana (Ghana)

The Committee took note that while most of the project's activities have been progressing satisfactorily, some have suffered delays, particularly those related to the identification and dissemination of gaps existing in the legislation on community-based fire management and the promotion of legislation reforms. The delays were due to difficulties in the identification and recruitment of two international consultants. In this light, the Fourth Project Steering Committee meeting (held on 13 October 2008) recommended a project extension, for twelve months, in order to successfully complete the project. As this is a 12-month project extension, the Committee authorized the Secretariat to grant it upon receipt of appropriate supporting documents justifying the request of the project extension.

25) PD 288/04 Rev.2 (F) Development of Lanjak Entimau Wildlife Sanctuary as a Totally Protected Area, Phase IV (Final Phase) (Malaysia)

The Committee took note of the information by the Secretariat that the amount of US\$14,000 of project funds which was advanced into PD 224/03 Rev.1 (F) in 2007 and that this advancement was returned accordingly.

26) PD 297/04 Rev.3 (F) Implementation of the Sustainable Forest Management Programme of the Iwokrama International Centre (Guyana)

The Committee noted that the project has completed all its field activities and will further submit the completion report and other relevant technical documents to the Secretariat shortly.

27) PD 310/04 Rev.2 (F) Biodiversity Management and Conservation in Forest Concessions Adjacent to Totally Protected Area (Nouabale-Ndoki National Park), Northern Republic of Congo – Phase II (Congo)

The Committee was informed about the need to hold a special project steering committee meeting in December 2008 in order to assess the problem of cooperation among project stakeholders (Government, private sector, NGO and local communities). The Committee took note of that information regarding the holding of a special project steering committee meeting.

28) PD 319/04 Rev.2 (F) Modular System of Forest Management in the Brazilian Amazon (Brazil)

The Committee took note that while most of the project's activities were progressing satisfactorily, some have suffered delays, particularly those related to the selection of partner enterprises and the field validation of the methodology, due mainly to the difficulties in finding forest enterprises with valid management plans and also to the short duration of the dry season during which the field validations can be carried out. As such, the Executing Agency applied for an extension in time until March 2009 without additional funds, in order to successfully complete the project and further submitted to the Secretariat a formal request and a justification for the aforementioned extension in time, together with the required budget amendments and an updated Yearly Plan of operations, in order to successfully complete the project's activities. The Secretariat reviewed the corresponding documents and considered these to be justified. In this light, the Committee endorsed an extension of the project until the end of March 2009, without additional

funds, as per the written request and justification, including an updated YPO and budgetary modifications, submitted by the Executing Agency.

29) PD 359/05 Rev.1 (F) Building Capacity to Develop and Implement Afforestation and Reforestation Projects under Clean Development Mechanism (AR-CDM) of the Kyoto Protocol in Tropical Forestry Sector (Global-Japan)

The Secretariat reported on the delay in the implementation of this project which has been resulted from the difficulty in the development of AR-CDM project design documents and the organization of capacity building regional workshops for AR-CDM projects development. The Committee took note of the Secretariat's request for an extension in order to successfully complete the project's activities. In this light, the Committee endorsed an extension of the project until the end of December 2009, without additional funds.

30) PD 383/05 Rev.2 (F) Community Forest Development in Gabon (Gabon)

The Committee was informed that the project could come under sunset provisions after January 2009 (26 months after its full financing was pledged) if the project implementation has not begun by that time. As clarification to the concern expressed by the Japanese delegation, the Delegation from Gabon informed the Committee that a Forest Community Unit was established within the General Directorate of Forest Economy of Gabon for the implementation of this project, a bank account was opened and the yearly plan of operation was to be finalized and submitted shortly. The Committee took note of that information and urged the Executing Agency to comply without delay with the requirements of the Project Agreement regarding the commencement of the project implementation.

(B) Projects awaiting implementation agreement

1) PD 424/06 Rev.2 (F) Conservation and Utilization of Medicinal Plants in Ghanaian Forests Fringe Communities (Ghana)

The Committee took note of the information by the Secretariat that the Project Agreement was duly signed on 1 October 2008.

2) PD 493/07 Rev.1 (F) Strengthening Capacity of Forest Law Enforcement and Governance in Cambodia (Cambodia)

The Committee took note of the information by the Secretariat that the Project Agreement was duly signed in October 2008 and that the Executing Agency has prepared a detailed yearly plan of operation to commence operation in December 2008.

(C) Projects awaiting financing

The Committee noted that seventeen (17) projects approved at earlier Sessions are still awaiting funding, out of which five (6) will be sunset if funding is not secured before the next Session.

- 1) PD 294/04 Rev.4 (F) The Study and Demonstration of the Management of Secondary Forests in Tropical Regions for the Purpose of Enhancing Economic and Ecological Benefits – Phase I (completed); Phase II (pending financing) (China)
- 2) *PD 308/04 Rev.3 (F) Management of Secondary and Degraded Forests in the Peruvian Amazon Region by Indigenous Communities (Peru)
- 3) *PD 341/05 Rev.3 (F) Restoration and Sustainable Management of Mangrove Forests in the Tumbes Region, Peru (Peru)
- 4) PD 404/06 Rev.3 (F) Conservation and Development in the Natural Protected Areas Complex of Tambopata (Peru) – Madidi (Bolivia) – Phase II (Peru and Bolivia)
- 5) *PD 420/06 Rev.2 (F) Developing and Strengthening Institutions for the Implementation of the Philippine Criteria and Indicators (C & I) for SFM and Auditing System (The Philippines)
- 6) *PD 428/06 Rev.2 (F) Promoting the Rehabilitation, Management and Sustainable Use of Tropical Bamboo Forests in the North-Western Region of Peru (Peru)

- 7) *PD 436/06 Rev.1 (F) Forestry Partnership Pinhão Manso – Biodiesel Plant (Brazil)
- 8) PD 441/07 Rev.2 (F) Institutional Strengthening of ANAM for Integrated Fire Management in the Forests of Panama (Panama)
- 9) PD 445/07 Rev.2 (F) Integrated Sustainable Forest Management Project for Forest Areas in the Lower Catatumbo River Watershed, North Santander Colombia (Colombia)
- 10) PD 452/07 Rev.2 (F) Sustainable Management of Production Forests at the Commercial Scale in the Brazilian Amazon – Phase II (Brazil)
- 11) PD 454/07 Rev.2 (F) Community Forest Management: A Sustainable Alternative for the Maues State Forest, Amazonas State (Brazil)
- 12) **PD 456/07 Rev.1 (F) Building the Capacities of Forestry Training Institutions Members of the Network of Central African Forestry and Environmental Training Institutions (RIFFEAC) for Providing SFM Training for Forest Concessions (ITTO)

The Committee took note of the information, by the Secretariat, that the Project was partially funded with the first contribution of US\$ 118,000.00 from Belgium out of a total budget of US\$ 1,080,741.00.

- 13) PD 459/07 Rev.1 (F) Improving the Enabling Conditions for Sustainable Management of Sandalwood Forest Resources in East Nusa Tenggara Province, Indonesia (Indonesia)
- 14) PD 460/07 Rev.1 (F) Achieving Sustainable Management of Mangrove Forests in China through Local Capacity Building and Community Development (China)

The delegate of China informed the Committee that the project activities and budget have been divided into two Phases in order to facilitate the immediate implementation of the project. The Committee endorsed and approved the proposed revision to the project (Phase I: US\$277,333 and Phase II: US\$155,585).

- 15) PD 470/07 Rev.1 (F) Development and Implementation of Criteria and Indicators for Sustainable Management of Planted Forests and Community Forests (Thailand)
- 16) PD 474/07 Rev.1 (F) Strengthening Collaborative Forest Management among indigenous Cultural Communities (ICC's) and other Stakeholders in the East Diwata Sustainable Development Unit (SDU) in Mindanao, Philippines (The Philippines)
- 17) PD 475/07 Rev.1 (F) Restoring the Ecosystem Functions of the Jambi Grand Forest Park Through Promotion of Multiple-Use Function of Forest Resources in Collaboration with Local Stakeholders (Indonesia)

*Those projects with asterisk (approved but not funded within 20 months) will be sunset at the next Session.

**This project is partially financed.

(D) Projects coming under the sunset provisions since the last Session

The Committee noted that six (6) projects have become sunset since its last Session.

- 1) PD 234/03 Rev.3 (F) Building a Framework and Strategy for Sustainable Forest Management in Trinidad and Tobago

The Committee noted that the project was approved and fully financed by the Council at its Thirty-eighth Session in June 2005 and that the Agreement regulating the implementation of the project was forwarded to the Government of Trinidad and Tobago in July 2005, and twice more thereafter. Moreover, even though several reminders had also been sent, to date the Secretariat had not received the agreement ratified by the country's authorities and the Executing Agency. The Committee further noted that, in this light, the Secretariat had no other alternative than to invoke the "Sunset Provision" under Decision 2(X), which calls for approved projects for which funds have been committed, but for which implementation has not yet

begun, to be "Sunset" after 26 months from the date the project was financed and, as such, endorsed the decision.

- 2) PD 327/05 Rev.3 (F) Rehabilitation and Management of the Degraded Tropical Forest Reserves in Ogun, Osun and Edo States of the Federal Republic of Nigeria through Community Participation (Nigeria)
- 3) PD 387/05 Rev.2 (F) Promotion of Community-based Forest Plantations in Tanah Laut, South Kalimantan, Indonesia (Indonesia)
- 4) PD 395/06 Rev.1 (F) Implementation of a Model of Local Community Stewardship for Rehabilitation and Sustainable Use of Mangroves in North Sumatra Province (Indonesia)
- 5) PD 399/06 Rev.1 (F) Expansion of Application of Forest Resources Monitoring System (FORMS) in Timber Corridor Areas of the Philippines by Utilizing the Forest Canopy Density (FCD) Software (The Philippines)
- 6) PD 407/06 Rev.1 (F) Support to the Implementation of the Action Plan for the Sustainable Management of the Assoukoko Gazetted Forest (Togo)

8.2 Pre-project Work in Progress

Ten (10) pre-projects have been approved by the Committee and are either: A) under implementation (9), B) awaiting the signing of an Agreement (1), C) awaiting financing (2) or D) falling under the sunset provision since the last Session (2). The Committee took note of a status report of these pre-projects submitted by the Secretariat in document CRF(XLII)/4.

The Committee discussed the issues associated with a number of pre-projects. Details of these discussions are as follows:

(A) Pre-projects under implementation

- 1) **PPD 135/07 Rev.1 (F) Community-based Forest Management of Sungai Medihit Watershed (Malaysia)**

The delegate of Japan requested information on the current status of the implementation of pre-project. The Committee was informed by the Secretariat that the first and last installment of funds to the pre-project was made in early October 2008 and that the Executing Agency is in the processing of hiring five consultants for the implementation of the pre-project.

(B) Pre-projects awaiting implementation agreement

- 1) **PPD 136/07 Rev.1 (F) Study for the Conservation, Land Management and Sustainable Mountain Biodiversity Management in the Centre North Region of Togo (Togo)**

The Committee took note of the information by the Secretariat that the Pre-project Agreement has been duly signed on 29 October 2008.

(C) Pre-projects awaiting financing

The Committee noted that there was no pre-projects awaiting financing.

(D) Pre-projects coming under the sunset provisions since the last Session

The Committee noted that one (1) pre-project has become sunset since its last Session.

- 1) **PPD 131/06 Rev.2 (F) Restoration of Forest Landscape in Local Communities in Ghana (Ghana)**

Item 9 - Consideration of Project and Pre-project Proposals

The Committee analysed the Projects and Pre-projects proposed from the 36th Expert Panel for its consideration. Fourteen (14) project proposals and one (1) pre-project proposal were considered.

• **CATEGORY ONE PROJECT PROPOSALS**

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 450/07 Rev.2 (F,I)	Capacity Building for CDM Forestry in the Framework of SFM Emphasizing Community Forests and Poverty Alleviation in Ghana	Ghana
PD 467/07 Rev.3 (F)	Generating an Ongoing Information System on the Status of Mahogany (<i>Swietenia Macrophylla</i>) and Cedar (<i>Cedrela Odorata</i>) Populations in Support of Cites Scientific Authority in Peru	Peru
PD 471/07 Rev.2 (F)	The Potential Impact of Environmental Fluctuations and Climate Change on Forest Plantation Pests in Ghana: Improving Pest Management Strategies through Research, Training and Extension	Ghana
PD 476/07 Rev.2 (F)	Clonal Test of Superior Progeny of Shorea Leprosula for Enrichment Planting Program	Indonesia
PD 482/07 Rev.2 (F)	Sustainable Forest Production and Conservation with Community Participation in the Chepigana Forest Reserve of Darien, Panama	Panama
PD 490/07 Rev.2 (F)	Project to Build the Institutional Capacities of the CITES Scientific Authority for Plants in Cameroon to ensure the Conservation and Sustainable Management of Prunus Africana	Cameroon
PD 501/08 Rev.1 (F)	Promoting Household Reforestation in Tropical Zone of Southwestern China through Development and Extension of Household-Oriented Techniques	China
PD 507/08 Rev.1 (F)	Development of the National Reforestation Policy and Afforestation Strategy Consistent with Liberia 3C-Approach	Liberia
PD 515/08 Rev.1 (F)	Monitoring Deforestation, Logging and Land Use Change in the Pan Amazonian Forest	Brazil

• **CATEGORY FOUR (New System) PROJECT PROPOSALS**

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 455/07 Rev.2 (F)	Local Sustainable Initiative for Conservation and Development for Tropical Forests through the Management of the Forest Timber Communities Promotion in Acre	Brazil
PD 483/07 Rev.1 (F)	Community Based Secondary Forest Management in Ghana	Ghana
PD 491/07 Rev.1 (F)	Sustainable and Participatory Management of Forest Resources in the Missahoé Gazetted Forest and Surrounding Village Communities for an Optimal Timber Production – Phase 2	Togo

PD 494/08 (F)	Development of Non-Timber Forest Products (NTFP) Sector In Central African Republic (CAR)	CAR
PD 511/08 (F)	Reduction of CO2 Emissions by Promoting Investment Diversification for Conservation and Reduced Deforestation in Peru	Peru

• **CATEGORY ONE PRE- PROJECT PROPOSAL**

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PPD 142/08 Rev.1 (F)	Assessing the Policy and International Framework to Facilitate the Development of an Integrated Grazing Policy for Sustainable Management of Tropical Forest Resources in India	India

Details of the technical evaluation of these proposals are presented in Appendix I, Table A of this report. The categories utilized for classification of project proposals are described in Appendix I, Table B. The Committee's recommendations regarding approval of these proposals are presented in Item 14 below.

Item 10 - Policy Work

The Committee considered the following policy-related matters which are also included in the 2008-2009 ITTO Work Programme:

(i) Review and promote the use of the revised ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests (1993)

Related to ITTC Decision 4(XLIII)/17, this item was introduced as agenda item 15 of the 44th ITTC, and was presented by the lead IUCN consultant, Mr. Jeffrey Sayer at the Council session, which approved the document ITTC(XLIV)/9 with recommendations as per Council report.

(ii) Contribute appropriately to national and international efforts in the area of prevention and management of fire in relation to tropical timber-producing forests

The Committee recalled that the Government of Guyana had requested ITTO's assistance under Decision 6(XXXIII) for the development of a comprehensive strategy for Guyana to prevent, manage and monitor forest fires nationwide. This strategy was developed in early 2008 through the joint collaboration of an international expert, Mr. Paul J. Schmidtke of the US Forest Service and the Guyana Forestry Commission (GFC). Mr. James Singh, Commissioner of the Guyana Forestry Commission provided a presentation on the developed strategy and further detailed the implementation steps of the aforesaid strategy currently being executed by the Guyana Forestry Commission, as follows: i) the incorporation of fire management formally into the national policy and organizational framework; ii) the development of a national Fire Prevention Advertising campaign in Guyana; iii) enhanced enforcement of national legal framework regarding unauthorized use of fire; iv) the establishment of a wildfire statistics and fire weather database along with a fire danger rating system; v) the conduct of a national level risk analysis; vi) the development of a National Wildfire Emergency Response Plan; and vii) providing assistance to priority communities in development of Community Wildfire Action Plans. Copies of the strategy are available upon request from the Secretariat.

The Committee further took note that the Government of Nepal also recently officially submitted a request for ITTO's assistance under Decision 6(XXXIII) for the development of a Nepalese policy, strategy and capacity building in local, national and transboundary forest fire management. This study will be jointly carried out next year by an international expert from the Global Fire Monitoring Center (GFMC) in Freiburg, Germany and the Nepalese Ministry of Forests and Soil Conservation.

The Committee additionally noted that in October 2008 ITTO became a Core Member of the United Nations International Strategy for Disaster Reduction (UNISDR) Global Wildland Advisory Group, and the related Global Wildland Fire Network (GWFN) and the Global Fire Monitoring Center (GFMC) The Wildland Fire Advisory Group is a successor arrangement of the Working Group on Wildland Fire, UN-ISDR Inter-Agency Task Force for Disaster Reduction. Together with the ISDR Global Wildland Fire Network the Advisory Group is serving as an advisory body to the UN in all matters related to wildland fires.

(iii) Promote 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 informed the Committee on the advances in implementing activity xxvi of Decision 2(XLIII) – ITTO Biennial Work Programme for the Years 2008-2009. The following actions were developed in 2008: a) Two side events have been co-organized by ITTO and IUCN/GPFLR during the World Conservation Congress (Barcelona, October 2008) to disseminate the ITTO Guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land; b) The Guidelines have been presented and discussed in the regional workshop on forest landscape restoration organized by SPC in Fiji in October 2008 to promote forest landscape restoration in the South Pacific countries; c) A Memorandum of Understanding has been signed with IUCN (GPFLR) for development of 3 country-specific training workshops and 3 country or context-specific manuals to advance the guidelines implementation in Africa, Asia and Latin America.

The Delegation of the USA requested information on cost sharing of this activity with other partners. The Secretariat informed that, in the implementation of the Memorandum of Understanding with IUCN, it is expected that about 50% of the costs are to be covered by ITTO, while the other share is to be covered by the other partner institutions of GPFLR. Further report on these activities will be presented in the 43rd CRF session in 2009.

(iv) Monitoring the progress in the application of criteria and indicators for sustainable forest management.

The Secretariat informed the Committee that national training workshops on criteria and indicators (C&I) had been convened in 24 producer member countries since 2002 with more than 1200 forest management stakeholders (concessionaires, forest authorities, NGOs, community representatives, etc.) trained to date. The latest workshop was held in June 2008 in Guyana, with active participation of 40 forest management stakeholders and a field trip to an active forest management unit for an exercise in applying the C&I. The next workshop is scheduled to be held in Thailand in early 2009. The 2008-09 Work Program provides for up to 3 additional workshops in 2009 and members who had not yet requested such a workshop were urged to do so. The Representative of Guyana reiterated the importance his country placed on the recent C&I workshop, as evidenced by the participation of the Minister responsible for forestry in the closing ceremony. He thanked ITTO for its support.

The Secretariat also informed the Committee that member countries had been requested to provide updated information on their progress towards sustainable forest management using the ITTO C&I Reporting Format for use in compiling the Status of Tropical Forest Management -2010 (SFM Tropics-2010) report under the 2008-09 Work Program. In response to queries from the representative of the Philippines, the Secretariat affirmed that the SFM Tropics-2010 report would focus on changes in countries' forest management since the first such report in 2005, and that any further revisions of the ITTO C&I and Reporting Format would occur after the publication of SFM Tropics-2010, taking into account experiences in country reporting during its production.

(v) Multipurpose forest inventory as a tool for sustainable forest management [Decision 3 (XLII)]

The Secretariat recalled that Decision 3 (XLII), which was adopted at the Forty-second Session of the ITTC in Papua New Guinea, requested Executive Director to engage two consultants to review and synthesize relevant international experience on and latest practices for multipurpose forest inventory (inter alia, timber, NTFPs, carbon, socio-economic and livelihood issues), including utilizing the situation in Papua New Guinea as a case study. The Secretariat further recalled the study as presented under document CRF(XLII)/5.

The study was presented by the lead consultant, Mr. Jorge Malleux. He reported that the study produced three volumes of the report: Volume I - Proceedings of the National Workshop on Multipurpose National Forest Inventory in Papua New Guinea; Volume II - Information Needs of Policymakers and Stakeholders, Implications for Multipurpose National Forest Inventory Design and Implementation – Review of National and International Experiences; and Volume III - Papua New Guinea – A Case Study. He noted that, given the complexity and multiplicity of tropical forest goods and services, a multipurpose national forest inventory (MNFI) must become an integral part of the elaboration and implementation of a national forest development plan. He also noted that there is a clear and urgent need for a MNFI in PNG

to provide updated information on the various aspects of its natural and planted forests such as wood, NTFPs, plant and animal biodiversity, biomass, carbon stocks, and socio-economic indicators related to people living in or near the forest.

Following the presentation, the delegate of the Philippines pointed out that the multipurpose forest inventory is requiring a high cost due to various surveys and stressed the importance of conducting a pilot case study in selected areas in PNG. The delegate of PNG thanked the consultant for his excellent presentation and supported to give due consideration on the implementation of an action plan for Multipurpose National Forest Inventory (MNFI) in PNG.

Item 11 - Election of Chairperson and Vice-Chairperson for 2009

Mr. Hideaki Takai of Japan was elected as Chairperson for 2009. Mr. John T. Woods of Liberia was elected as Vice-Chairperson for 2009.

Item 12 - Dates and Venues of the Forty-third and Forty-fourth Sessions of the Committee

The Forty-third Session of the Committee would be held in conjunction with the Forty-five Session of the International Tropical Timber Council.

The Forty-fourth Session of the Committee would be held in conjunction with the Forty-six Session of the International Tropical Timber Council.

Item 13 - Other Business

The CRF Committee appreciated the fact that the pooled sub-account for ex-post evaluation is distributed amongst the three technical divisions of ITTO. Considering the prospective ex-post evaluations under Reforestation and Forest Management, the CRF Committee concurs with the proposal of the other Committees to share funds available under Reforestation and Forest Management, if the total requests do not exceed US\$ 100,000.

The CRF also recommends the Council to consider authorizing the use of these resources for mid-term evaluations, in those special cases where the Executive Director will recommend selected projects that requires guidance due to serious implementation challenges.

The Committee recommended its members to dedicate special attention to the item 10.3 of the document ITTC(XLIV)/13 - Draft New Action Plan 2008-2013, which describes priority actions for Reforestation and Forest Management, and invited members to provide further comments, if any, directly to the Ad-Hoc Working Group on Action Plan.

Item 14 - Recommendations to the International Tropical Timber Council

(A) The Committee recommended that funding be made immediately available for the following projects and pre-projects approved at this Session:

Projects

- | | |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PD 450/07 Rev.2 (F,I) | Capacity Building for CDM Forestry in the Framework of SFM Emphasizing Community Forests and Poverty Alleviation in Ghana [US\$ 402,516] |
| PD 467/07 Rev.3 (F) | Generating an Ongoing Information System on the Status of Mahogany (<i>Swietenia Macrophylla</i>) and Cedar (<i>Cedrela Odorata</i>) Populations in Support of Cites Scientific Authority in Peru [US\$ 896,724] |
| PD 471/07 Rev.2 (F) | The Potential Impact of Environmental Fluctuations and Climate Change on Forest Plantation Pests in Ghana: Improving Pest Management Strategies through Research, Training and Extension [US\$ 276,588] |
| PD 476/07 Rev.2 (F) | Clonal Test of Superior Progeny of Shorea Leprosula for Enrichment Planting Program [US\$ 414,072] |

- PD 482/07 Rev.2 (F) Sustainable Forest Production and Conservation with Community Participation in the Chepigana Forest Reserve of Darien, Panama [US\$ 470,108]
- PD 490/07 Rev.2 (F) Project to Build the Institutional Capacities of the CITES Scientific Authority for Plants in Cameroon to ensure the Conservation and Sustainable Management of Prunus Africana [US\$ 603,288]
- PD 501/08 Rev.1 (F) Promoting Household Reforestation in Tropical Zone of Southwestern China through Development and Extension of Household-Oriented Techniques [US\$ 353,435]
- PD 507/08 Rev.1 (F) Development of the National Reforestation Policy and Afforestation Strategy Consistent with Liberia 3C-Approach [US\$ 396,310]
- PD 515/08 Rev.1 (F) Monitoring Deforestation, Logging and Land Use Change in the Pan Amazonian Forest [US\$ 1,490,206]

Pre-projects

- PPD 142/08 Rev.1 (F) Assessing the Policy and International Framework to Facilitate the Development of an Integrated Grazing Policy for Sustainable Management of Tropical Forest Resources in India [US\$ 79,969]

B) The Committee recommended that funding be made immediately available for the following project approved at the previous Session but revised at this Session:

- PD 460/07 Rev.2 (F) Achieving Sustainable Management of Mangrove Forests in China through Local Capacity Building and Community Development (China) [Phase I;US\$277,333 and Phase II;US\$155,585]

Item 15 - Report of the Session

The Committee accepted this Report for submission to the Council.

Appendix I

Technical Assessment of Project and Pre-project Proposals in the Field of Reforestation and Forest Management

(A) CATEGORY ONE PROJECT PROPOSALS

1. PD 450/07 Rev.2 (F,I) **Capacity Building for CDM Forestry in the Framework of SFM Emphasizing Community Forests and Poverty Alleviation in Ghana (Ghana)**

Conclusion of the Forty-second Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 450/07 Rev.2 (F,I) and recommended the Council to allocate US\$ 402,516 for its immediate implementation.

2. PD 467/07 Rev.3 (F) **Generating an Ongoing Information System on the Status of Mahogany (*Swietenia Macrophylla*) and Cedar (*Cedrela Odorata*) Populations in Support of Cites Scientific Authority in Peru (Peru)**

Conclusion of the Forty-second Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 467/07 Rev.3 (F) and recommended the Council to allocate US\$ 896,724 for its immediate implementation.

3. PD 471/07 Rev.2 (F) **The Potential Impact of Environmental Fluctuations and Climate Change on Forest Plantation Pests in Ghana: Improving Pest Management Strategies through Research, Training and Extension (Ghana)**

Conclusion of the Forty-second Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 471/07 Rev.2 (F) and recommended the Council to allocate US\$ 276,588 for its immediate implementation.

4. PD 476/07 Rev.2 (F) **Clonal Test of Superior Progeny of *Shorea Leprosula* for Enrichment Planting Program (Indonesia)**

Conclusion of the Forty-second Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 476/07 Rev.2 (F) and recommended the Council to allocate US\$ 414,072 for its immediate implementation.

5. PD 482/07 Rev.2 (F) **Sustainable Forest Production and Conservation with Community Participation in the Chepigana Forest Reserve of Darien, Panama (Panama)**

Conclusion of the Forty-second Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 482/07 Rev.2 (F) and recommended the Council to allocate US\$ 470,108 for its immediate implementation.

6. PD 490/07 Rev.2 (F) **Project to Build the Institutional Capacities of the CITES Scientific Authority for Plants in Cameroon to ensure the Conservation and Sustainable Management of *Prunus Africana* (Cameroon)**

Conclusion of the Forty-second Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 490/07 Rev.2 (F) and recommended the Council to allocate US\$ 603,288 for its immediate implementation.

- 7. PD 501/08 Rev.1 (F) Promoting Household Reforestation in Tropical Zone of Southwestern China through Development and Extension of Household-Oriented Techniques (China)**

Conclusion of the Forty-second Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 501/08 Rev.1 (F) and recommended the Council to allocate US\$ 353,435 for its immediate implementation.

- 8. PD 507/08 Rev.1 (F) Development of the National Reforestation Policy and Afforestation Strategy Consistent with Liberia 3C-Approach (Liberia)**

Conclusion of the Forty-second Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 507/08 Rev.1 (F) and recommended the Council to allocate US\$ 396,310 for its immediate implementation.

- 9. PD 515/08 Rev.1 (F) Monitoring Deforestation, Logging and Land Use Change in the Pan Amazonian Forest (Brazil)**

Conclusion of the Forty-second Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 515/08 Rev.1 (F) and recommended the Council to allocate US\$ 1,490,206 for its immediate implementation.

(B) CATEGORY FOUR (New System) PROJECT PROPOSALS

- 1. PD 455/07 Rev.2 (F) Local Sustainable Initiative for Conservation and Development for Tropical Forests through the Management of the Forest Timber Communities Promotion in Acre (Brazil)**

Conclusion of the Forty-second Committee

The Committee noted that the 36th Expert Panel could not commend the revised project proposal and submitted it to the Committee for final appraisal. The Committee decided to endorse the decision of the Expert Panel and not to consider this proposal any further.

- 2. PD 483/07 Rev.1 (F) Community Based Secondary Forest Management in Ghana (Ghana)**

Conclusion of the Forty-second Committee

The Committee noted that the 36th Expert Panel submitted the project proposal to the Committee with the recommendation not to approve. The Committee decided to endorse the decision of the Expert Panel and not to consider this proposal any further.

- 3. PD 491/07 Rev.1 (F) Sustainable and Participatory Management of Forest Resources in the Missahoé Gazetted Forest and Surrounding Village Communities for an Optimal Timber Production – Phase 2 (Togo)**

Conclusion of the Forty-second Committee

The Committee noted that the 36th Expert Panel submitted the project proposal to the Committee with the recommendation not to approve. The Committee decided to endorse the decision of the Expert Panel and not to consider this proposal any further.

4. PD 494/08 (F) Development of Non-Timber Forest Products (NTFP) Sector In Central African Republic (CAR)

Conclusion of the Forty-second Committee

The Committee noted that the 36th Expert Panel submitted the project proposal to the Committee with the recommendation not to approve. The Committee decided to endorse the decision of the Expert Panel and not to consider this proposal any further.

5. PD 511/08 (F) Reduction of CO2 Emissions by Promoting Investment Diversification for Conservation and Reduced Deforestation in Peru (Peru)

Conclusion of the Forty-second Committee

The Committee noted that the 36th Expert Panel submitted the project proposal to the Committee with the recommendation not to approve. The Committee decided to endorse the decision of the Expert Panel and not to consider this proposal any further

TECHNICAL ASSESSMENT OF PRE-PROJECT PROPOSALS

(A) CATEGORY ONE PRE-PROJECT PROPOSALS

1. PPD 142/08 Rev.1 (F) Assessing the Policy and International Framework to Facilitate the Development of an Integrated Grazing Policy for Sustainable Management of Tropical Forest Resources in India (India)

Conclusion of the Forty-second Committee

The Committee noted that the revised pre-project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the pre-project PPD 142/08 Rev.1 (F) and recommended the Council to allocate US\$ 79,969 for its immediate implementation.

TABLE A
TECHNICAL ASSESSMENT OF PROJECT AND PRE-PROJECT PROPOSALS
IN THE FIELD OF REFORESTATION AND FOREST MANAGEMENT
CONSIDERED DURING THE FORTY-SECOND SESSION OF THE COMMITTEE

PROJECT DOCUMENT	BUDGET ITTO CONTRIBUTION (US\$)	GEOGRAPHICAL COVERAGE	DURATION (months)	RECOMMENDATION*	
				36th EP	42 nd CRF
PD 450/07 Rev.2 (F,I)	402,516	Ghana	36	1	1
PD 467/07 Rev.3 (F)	896,724	Peru	24	1	1
PD 471/07 Rev.2 (F)	276,588	Ghana	36	1	1
PD 476/07 Rev.2 (F)	414,072	Indonesia	36	1	1
PD 482/07 Rev.2 (F)	470,108	Panama	24	1	1
PD 490/07 Rev.2 (F)	603,288	Cameroon	24	1	1
PD 501/08 Rev.1 (F)	353,435	China	36	1	1
PD 507/08 Rev.1 (F)	396,310	Liberia	30	1	1
PD 515/08 Rev.1 (F)	1,490,206	Brazil	36	1	1
PD 455/07 Rev.2 (F)	500,000	Brazil	24	4	5
PD 483/07 Rev.1 (F)	587,718	Ghana	48	4	5
PD 491/07 Rev.1 (F)	330,000	Togo	36	4	5
PD 494/08 (F)	429,851	CAR	36	4	5
PD 511/08 (F)	566,079	Peru	24	4	5
PPD 142/08 Rev.1 (F)	79,969	India	12	1	1

* For Categories of Recommendation see Table B.

TABLE B

Categories of Decision for 36th Expert Panel	Categories of Decision from 42 nd CRF to the Council
<p>Rating schedule of the revised ITTO System for Technical Appraisal of Project and Pre-project Proposals [doc.ITTC(XL)/5] of 13 April 2006</p> <p>Rating schedule for Project proposals</p> <p>Category 1: The Panel concluded that the proposal could be commended to the Committee with incorporation of amendments.</p> <p>Category 2: The Panel concluded that the proposal requires essential modifications and will be returned to the proponent. The Panel will need to assess the revised proposal before it can commend it to the Committee.</p> <p>Category 3: The Panel concluded that the proposal is not accepted because a pre-project proposal is required. According to the indication of the Panel the pre-project shall (a) be submitted to the Expert Panel for appraisal or (b) could be directly submitted to the Committee for appraisal.</p> <p>Category 4: The Panel concluded that the proposal is not commended to the Committee; the proposal is submitted with the recommendation not to approve the project proposal. Justification should be given to the proponent and the Committee (e.g. not passing thresholds; in case of rev.2 project proposals; project not relevant; project with insufficient information, etc.)</p> <p>Rating schedule for Pre-project proposals</p> <p>Category 1: The Panel concluded that the proposal could be commended to the Committee with the incorporation of amendments.</p> <p>Category 2: The Panel concluded that the proposal requires essential modifications and will be returned to the proponent. The Panel will need to assess the revised proposal before it can commend it to the Committee.</p> <p>Category 3: The Panel concluded that the pre-project proposal is not commended to the Committee. The proposal is submitted with the recommendation not to approve the pre-project proposal.</p>	<ol style="list-style-type: none"> 1. Recommend to the ITTC to approve the (amended) proposal for implementation by ITTO and recommend it for immediate financing. 2. Recommend to the ITTC that the proposal be revised and resubmitted: <ol style="list-style-type: none"> a) directly to the relevant Committee, or b) to the Expert Panel. 3. Recommend to the ITTC to approve the proposal for ITTO sponsorship for funding through other relevant financial institutions, in accordance with Article 20, (6) and (7), and Article 28, of the ITTA, 1994. 4. Recommend to the ITTC that a decision on the proposal be deferred until the next session. 5. Recommend to the ITTC that the proposal should not be further considered by ITTO.

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3 – 8 November 2008
Yokohama, Japan

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

**TWENTY-THIRD SESSION OF THE
COMMITTEE ON FINANCE AND ADMINISTRATION**

(3-8 November 2008, Yokohama, Japan)

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

TWENTY-THIRD SESSION OF THE COMMITTEE ON FINANCE AND ADMINISTRATION

Item 1: Opening of the Session

1. The Chairperson, Mr. Marcel Vernooij of The Netherlands, welcomed all delegates to the Twenty-third Session of the Committee.

Item 2: Adoption of Agenda and Organization of Work

2. The Chairperson suggested that the Committee takes up discussions agenda item by item in the order listed in document CFA(XXIII)/1. The Vice-Chairperson of the Committee, Mr. Schadrack Ondoua Ekotto of Cameroon was requested by the Chairperson to address a number of the agenda items.

3. The Chairperson drew the attention of the Committee to the work of the Panel on Sub-Account B of the Bali Partnership Fund (BPF) for the allocation of funds under Sub-Account B of the BPF, created under Council Decision 4(XXX). The Panel will be chaired by the Chairperson of the Committee and will report directly to the Council. It will convene its first meeting on Thursday, 6 November 2008. He informed that the selection of the members of the Panel is to be finalized shortly with a view to commence its work.

Item 3: Admission of Observers

4. The Chairperson advised the Committee that the Council had admitted all applicants as shown on document ITTTC(XLIV)/Info.3 which listed states, inter-governmental and non-governmental organizations applying for Observer status. The Committee concurred with the decision of the Council in this matter.

Item 4: Report of the Expert Panel for Technical Appraisal of Project Proposals

5. The Chairperson advised the Committee that the Report of the Thirty-sixth Meeting of the Expert Panel for Technical Appraisal of Project Proposals [Document CEM,CRF,CFI,CFA(XLII)/1] were deliberated and concluded in the joint Session of the Committees on 3 November 2008. The joint Session had not requested the CFA for any follow-up.

Item 5: Administrative Budget for 2009

6. The Secretariat introduced document CFA(XXIII)/2, which had been distributed to Members in September 2008 in accordance with Rule 3 of the ITTO's Financial Rules and Rules Relating to Projects that was amended by the Council at its Thirty-fourth Session in May 2003 [Decision 9(XXXIV)], for the preparation of the draft administrative budget for a biennial period, instead of an annual period. Following the instructions made by the Committee that the proposed budgets "should always be constructed using the current official U.N. exchange rate for the month when the budget was prepared (normally in August or September) and not to be further revised using the exchange rate for the month of the Session in which it was considering the budget proposals". The Secretariat revised the Indicative Administrative Budget for the year 2009 in document CFA(XXIII)/2, dated 26 September 2008, applying the exchange rate of 106 Yen to US\$1.00 (for the month of September 2008) against the rate of 118 Yen to US\$1.00 which was used in the approved Biennial Administrative Budget for the Financial Years 2008-2009.

7. The Secretariat explained that the revised Indicative Administrative Budget for 2009 amounts to US\$5,878,078 comparing with the earlier approved budget amount of US\$5,368,504 (representing an increase of US\$509,574 or 9.5%). The Secretariat pointed out that all expenditures in the proposed budget for 2009 have been kept at the same level as those for 2008, and that the increase was due primarily to decrease in the dollar/Yen exchange rate, though there was a real increase to take into account of the compulsory annual salary increment of staff in accordance with the U.N. salary scale and benefits.

8. The Secretariat also informed the Committee that the staff establishment included a new senior position of "Assistant Director for Planning, Monitoring and Evaluation" at D-1 level and one post of Secretary

at GS-4/GS-5 level, to be financed through the Programme Support Fund. The importance of this senior position was discussed at the Thirty-second Session of the Committee on Finance and Administration held in November 2007, and it was recognized that this will assist the Organization to further strengthen its ability to plan, improve the implementation of and assess the impact of its activities.

9. The representative from Japan enquired regarding the: (a) procedures of the Organization to cope with drastic fluctuations in exchange rates since the budget and the assessment is in US dollars; (b) basis for the selection of the exchange rate; (c) basis for the mid-year review; (d) the status of the vacant position of Assistant Director of Forest Industry; and (e) budget on the installation cost.

10. The Secretariat responded that: (a) the exchange rate is only set at the time when the budget is approved and the indicative budget for the second year is to be revised for the review of the Committee at the Session prior to the commencement of the second year's budget; (b) the exchange rate used for preparing the budget is that of the month when the budget is prepared or revised. This rate is set by the United Nations on a monthly basis; (c) there is no legal basis for the mid-year review, but it is the practice that the review be carried out to assist the Committee in determining if there is a need for the use of the Working Capital Account (WCA) to carry out the work programme of the Organization due to insufficient receipt of contributions. It may be recalled that the Council through Decision 2(XXXIV) requested the Executive Director to report to Council should the balance of the WCA fall below US\$2,500,000 at any time; (d) the position has been vacant until the day of this discussion. However, the plan of the Executive Director is to fill the position before the end of 2008; and (e) the installation costs could vary due to the rotation of staff. However, the Committee had agreed in the past that allocations are to be made annually for the separation of one staff in the professional level and the recruitment of a replacement to the same position.

11. The representative of Malaysia expressed concern that in view of the ongoing global financial crisis, all members are facing difficulties. However, increases in the budget should be avoided and any increases should be more conservative.

12. The representative from Germany enquired regarding: (a) the currency components budgeted and suggested the use also of the Japanese Yen in preparing the budget of the Organization; (b) method for coping with the fluctuations in the budget in the absence of a mid-year Session; (c) in other factor influencing the increase in the budget other than the exchange rate variation; and (d) actions taken to tackle the issue of the arrearages in contributions.

13. The representative from Germany further confirmed her agreement that the position of Assistant Director (Planning, Monitoring and Evaluation) is to be recruited at P-4/P-5 level and could be financed from the Programme Support Fund, but the overarching responsibility for evaluation should be with the staff of the Administrative Budget to avoid a conflict of interest.

14. The Secretariat informed that: (a) about 65% of the budget are related to the Japanese Yen therefore the budget would vary with the changes in the exchange rate between the U.S. dollar and the Yen. However, the Financial Rules of the Organization stipulate that "the administrative budget shall be established in United States dollars". The Committee had discussed the same matter in the past and decided to continue with the stipulations in the Financial Rules. It was recognized that Members may have greater difficulties in obtaining Japanese Yen for payment of their assessed contributions to the budget; (b) normally the resources and expenditures of the administrative budget are reviewed by the Committee at the mid-year Session and should there be an expected shortfall in contributions received to meet expenditures, the Committee recommends to the Council to utilize the resources of the Working Capital Account to offset such shortfalls. The Council through Decision 2(XXXIV), had authorized the Executive Director to utilize an amount not exceeding US\$300,000 from the WCA to finance the expenditures in the administrative in case there is a shortfall in contributions received and should the shortfall is expected to be larger than this amount, the Council may decide to authorize the use of a larger amount. In the absence of a mid-year review, it may be advisable to request the Council to extend the previously set limit (of US\$300,000) and authorize the Executive Director to use an amount US\$500,000 or US\$600,000 from the WCA in the event that contributions received are not sufficient to finance the administrative budget; (c) arrearages in contributions to the Administrative Budgets are discussed under item 6 of the Agenda of the Committee at this Session.

15. The representative from the United States of America enquired about the consequences on the management of the Administrative Budget on the basis of annual Session of the Council, and the explanations from the Secretariat are as described in paragraph 13(b) above.

16. The representative from Japan noted that the Secretariat was able to manage the administrative budget for 2008 which was approved at the exchange rate of US\$1 = JPY.118 while during this year the exchange rate is averaged at about US\$1 = JPY.106, and still managed to have savings in the budget. Therefore, he suggested that the indicative administrative budget for 2009 be kept at the same level as when it was approved (in November 2007 at exchange rate of US\$1 = JPY.118). The Secretariat advised that the estimated savings as indicated are due to the fact that two positions in the Professional level have been kept vacant in 2008, as well as other cost saving measures exercised by the Executive Director. Furthermore, these estimated savings may not be achieved should the expected contributions to be received during November and December 2008 are not realized. The Chairperson added that the value of the U.S. dollar against the Japanese Yen has continued to decline. In order to enhance stability of the budget in times of substantive financial turbulence internationally, the Chairperson recommended to follow the proposal by the Secretariat to use the revised exchange rate. The representative from Japan expressed his dissatisfaction with the rush in decision making due to time constraints.

17. The representative from the European Community stated that while zero growth was not advocated, nevertheless, it was difficult to cope with sudden high increase and accordingly. Budget estimates should be prepared on a realistic basis, avoiding high fluctuations and maintaining steady trend in the assessed contributions.

18. The representative from Germany suggested that the resources of the Working Capital Account could be used to offset the increase in the budget for 2009 due to the effect of the exchange rates. The representative noted further that the amount of US\$190,000 from the WCA was used to finance the expenses of the two meetings per year of the Expert Panel for Appraisal of Project Proposals, and suggested that such expenditures could be more correctly be from the resources such as the Programme Support in the Special Account. The representative agreed that this could be expended from the WCA for 2009, as the allocation of expenditures for this has already been made in relation to the Biennial Work Programme for 2008-2009, but not in future years.

19. The representative from Norway suggested that the Committee should be skeptical on the use of the Working Capital Account and enquired whether this resource had been used in the past to offset the budget increase due to the strength of the exchange rate. The Secretariat advised that it has not been done before but the Council could authorize its use as necessary.

20. The representative from Cambodia expressed concern of the increase in the assessed contribution for his country. The Secretariat informed that the increase was due totally to the change in the exchange rate, taking into account that the number of votes distributed to Cambodia remains the same (at 16 votes) in 2008 as in 2007.

21. The representative from China also expressed concern in the increase of the budget due to the change in exchange rates, and advised that his country, as one of the large members in the consumer group, was seeking possible solution to avoid such increases.

22. After discussions and further consultations among members, the Committee recommended that the Council approve the expenditures in the Administrative Budget for the Financial Year 2009 in the amount of **US\$5,878,078**. To reduce the assessed contributions from members due to the unusual global financial difficulties, and at the same time noting the expected savings of about US\$45,000 in the administrative budget for 2008, the Committee recommended to the Council to authorize the use of an amount of US\$300,000 from the Working Capital Account, as an exceptional case, (inclusive possible savings made in the budget for 2008) to finance part of the expenditures in 2009. The approved budget (of \$5,878,078) will be further increased by US\$191,384 to take account of the discount to be granted to Members for prompt payment of their contributions in 2008 (in accordance to Rule 4, paragraph 3, of the Financial Rules and Rules relating to Projects), and at the same time, will be reduced by US\$300,000 by using the resources of the WCA and by US\$1,462 by utilizing the bank interest earned in 2008 to square out the net amount to be assessed from Members. Accordingly, the net amount to be assessed from Members towards the Administrative Budget for the Financial Year 2009 is therefore **US\$5,768,000**. The assessed contribution from Members to the budget for 2009 is shown in document CFA(XXII)/2/Rev.1; and the Secretariat will be sending invoices to Members for payment in accordance to the Financial Rules.

23. Furthermore, in view of only annual session of the Council which does not allow a mid-year review of the financial status of the administrative budget, the Committee decided to recommend to the Council to authorize the Executive Director to transfer, if and when necessary, an amount not exceeding US\$500,000.00 annually [instead of US\$300,000.00 as already authorized in Decision 2(XXXIV)] from the

Working Capital Account to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization.

24. The representative of Malaysia, in support of the proposal to increase the limit of the use of the Working Capital Account by the Executive Director to US\$500,000, stated that it is imperative for the Organization to operate uninterrupted with sufficient operating funds. He further added that the ongoing dire financial crisis might adversely affect the ability of some members to make payment of their contributions in time, thus in the absence of such increase in limit, the Executive Director could be forced to call for a special Council Session, which will be highly inconvenient for Members.

25. The representative from Japan, in joining the consensus to adopt the Administrative Budget for the Financial Year 2009, and raised concern about the increased extent of discretion of the Executive Director in his use of the Working Capital Account, and requested the Executive Director to exercise more stringent control of the expenditures in the budget with the aim to achieve further savings, especially in the current financial difficulty affecting member countries.

Item 6: Review of Contributions to the Administrative Budgets

26. The Secretariat introduced document CFA(XXIII)/3, prepared on 31 October 2008, which detailed the history of Members' contributions to the Administrative Budgets for the financial years from 1986 to 2008, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed the Committee that, as shown in the document, in 2008, \$2,118,022.92 had been received to date from Producing Members out of the total net assessment of \$2,694,754.00; and \$2,631,204.00 had been received from Consuming Members out of the net assessed amount of \$2,658,784.00. The Secretariat also informed the Committee that on 3 November 2008, Liberia had paid its contribution for 2008 in the amount of US\$68,950.00; and that Panama had advised that payment of its arrearage in contribution in the amount of US\$37,680.00 had been processed and should reach the Secretariat in due course. As shown in the document, arrearages in contributions to previous years' budgets from Producing Members amount to \$4,884,244.75; and arrearages from Consuming Members amount to \$54,825.00. Furthermore, the outstanding payment of interest charges levied on late contributions under the ITTA, 1983, amount to \$124,982.28. The document also includes information on the status of arrearages in contribution of six members which affects the eligibility to submit project proposals.

27. The representative from Japan enquired regarding managing arrearages of contributions. The Secretariat advised that regular reminders have been sent to members for payment of their contributions as well as arrears. The representative from Japan noted actions taken by the Secretariat and suggested possible further action to encourage settlement and that consideration could be given for the provision of assistance/measures to ease with the settlement of arrearages of contributions.

28. The Committee altogether expressed deep concern on the arrearages in contribution of various members, particularly, some that have not been making payments for several years, in addition to the six members who have lost their eligibility to submit project proposals as mentioned above. It concluded that this matter should be considered with priority by the Council and be given proper attention in preparing for the first Council Session under the ITTA, 2006.

29. The representative from Liberia informed the Committee that his Government has made its utmost effort in making payments of its contributions to the Administrative Budgets for the financial years 2006, 2007 and 2008 as well as payment of the arrearages for the years 1997 and 2002 in accordance with the payment plans set out in the Annex to Decision 5(XLIII). However, due to Liberia's national biennial fiscal budgets, the remaining balance of the arrearages in contribution for the financial years 1997-2001 of a total amount of US\$59,125.00 which should have been paid before the end of 2008 could not be processed in time. Liberia therefore requests the Council to defer this payment to the end of June 2009.

30. The representative from Liberia further informed the Committee that Liberia is committed to pay within 2009 its assessed contribution for the year 2009. However, he also requested the Committee to defer payment of the arrearages in contribution for the years 2003-2005 (in the amount of US\$38,790.40) to the end of June 2010 instead of before the end of 2009 as stipulated in the payment plans set out in item III of the Annex to Decision 5(XLIII). Other delegations commended the efforts of Liberia in meeting its obligations to the Organization. The Committee recommended that these requests be favorably considered and approved by the Council.

31. The Committee took note of the report.

Item 7: Current Status of the Administrative Account

32. The Secretariat presented document CFA(XXIII)/4 reporting the current status of the Administrative Budget for 2008, as at 31 October 2008, together with estimated expenditures for the current year. The Secretariat advised the Committee that with the contributions already received from Members as well as those anticipated to be paid to the Organization before the end of the current financial year, the estimated expenditures for current year would amount to \$4,969,876 (i.e. \$384,726 less than the total amount approved in the budget for 2008 of \$5,354,602). This was due to the fact that two positions have been kept vacant since the beginning of the year, but are expected to be filled before the end of 2008.

33. The Secretariat further informed the Committee that total contributions received to-date is \$4,749,226.92, and together with contributions expected to be paid by members before the end of 2008 (of \$265,086.53), it is anticipated that a small surplus of \$45,501.45 may be possible in 2008.

34. The Secretariat also informed the Committee that the resources of the Working Capital Account had been slightly increased from the balance of \$3,723,189 at the end of 2007 to \$3,796,606.28 as at 31 October 2008, thanks to the payments by members of arrears in contributions to previous years' budgets in the amount of \$263,417.28.

35. The Committee took note of the report.

Item 8: Resources of the Special Account and the Bali Partnership Fund

36. The Chairperson introduced the document CFA(XXIII)/5, stating that it contained historical financing information on projects, pre-projects and activities of the Organization, and requested the Secretariat to explain further.

37. The Secretariat informed that it showed a comprehensive listing of expenditures on, and contributions to, the two sub-accounts of the Special Account, namely Pre-Project and Project Sub-Accounts, and the Bali Partnership Fund (BPF). A list of completed Pre-Projects, Activities and Projects was also included in the document and reported the pro-rated refunds to relevant donors including the funds remaining under "monitoring and evaluation". In accordance with Council Decision 3(XXVIII) of May 2000, agreement of the donors was requested at regular intervals for the transfer of their share of the remaining "monitoring and evaluation" funds, to the "Pooled Sub-Accounts" for ex-post evaluations. The funds transferred to this pooled account to date, amount to US\$2,510,796.92 and regular ex-post evaluations of projects, as approved through the respective Technical Committees, were carried out. Accordingly, the current available balance in this account amounts to US\$1,067,496.26. The Secretariat also added that in the last few years, donors had reallocated around US\$10 million of the remaining funds from the completed projects and pre-projects, to finance new ones.

38. The Secretariat highlighted the schedule on the "summary of resources available in the Special Account" on page 85 and added that donor members are expected to utilize their available funds during this Council Session to finance projects, pre-projects and activities pending financing.

39. With regard to the resources of the Bali Partnership Fund, the Secretariat informed the Committee that as of the end of the last session, forty-five Activities (including Activities for biennial work programme 2008-2009), five Pre-Projects and five Projects had been funded from the resources of Sub-Account B of the Bali Partnership Fund. As of 31 October 2008, the total funds received in the Sub-Account B of the Bali Partnership Fund amount to US\$18.58 million and the total allocations/commitments, including for the Biennial Work Programme for 2008-2009, amount to US\$19.52 million. Accordingly, though a negative balance of US\$932,713.52 was reported, adequate resources are expected to be available within the year 2009 for all the allocations/commitments made.

40. The Secretariat further informed the Committee that Panel on Sub-Account B of the BPF will be working during this Session of the Committee on identification of projects, pre-projects and activities that would be eligible for possible future financing from these resources. The Secretariat added that the Council at its Thirty-fifth Session in November 2003, approved the recommendation of the Committee on Finance and Administration to expand the scope of the Panel on the Sub-Account B of the Bali Partnership Fund to oversee the allocation of resources from the "Unearmarked Funds" in the Special Account, the current available funds of which amount to US\$78,614.29 after taking into account the allocations for the Biennial

Work Programme for 2008-2009. Furthermore, the Council at its Forty-third Session in November 2007 requested the Panel to consider the implementation of the TFLET programme. The Panel will report directly to the Council.

41. The Secretariat advised that since this document serves as an information and reference document, Members are invited to contact the Secretariat for further information or clarifications on the details either during the course of this Session or by correspondence at a later date.

42. The Committee took note of the document.

Item 9: Auditor's Report for the Financial Year 2007

43. The Vice-Chairperson introduced the document CFA(XXIII)/6 which was the report of the auditor, Arata Kansa Houjin (PWC Arata), Tokyo, who was appointed by the Council in May 2007, in accordance with Decision 2(XLII) to audit the accounts of the Organization for the financial year 2007. In accordance with this Decision, the audit firm was appointed to audit the Accounts of the Organization for 2007. The Chairperson requested the Secretariat to explain further.

44. The Secretariat informed the Committee that the document included financial statements of the four accounts of the Organization – (a) the Administrative Account, (b) the Special Account, (c) the Bali Partnership Fund Account, and (d) the Executing Agencies Account.

45. Members' attention was drawn to page 15 and 16 of this document, which provided consolidated financial information on all the four Accounts of the Organization, showing a comprehensive picture of the overall financial status of the Organization. Of the total revenues of \$21.3 million for 2007, \$12.5 million was voluntary contribution that was higher than the amount of \$9 million received in 2006. The total expenditures were \$21.3 million, and it included an amount of \$14.1 million which was for the ongoing project work of the Organization. Since inception, the funds for project works amount to over \$215 million financing over 900 project, pre-projects and activities. The current average funds managed by the Organization amounts to around \$57 million.

46. The final audit works were carried out earlier this year during the months of February to April. The Auditor has confirmed their satisfactory opinion on the financial statements.

47. The Committee took note of the Auditor's reports and decided to recommend their approval to the Council.

Item 10: Appointment of Auditor

48. The Vice-Chairperson introduced the document CFA(XXIII)/7 and requested the Secretariat to explain further.

49. The Secretariat informed that at its Forty-second Session held in May 2007, the Council, taking note of the unusual circumstances in Japan, decided to appoint the firm "Arata Kansa Houjin (PWC Arata), Tokyo" to audit the Accounts of the International Tropical Timber Organization (ITTO) for the Financial Year 2007 [Decision 2(XLII)], instead of the three consecutive years as was earlier decided in Decision 10(XXXI). The audit firm had completed the audit of the Accounts of the Organization, and their report on the Financial Year 2007 was included under agenda item number 9 of the Committee on Finance and Administration at this Session.

50. The Secretariat further informed that in accordance with the Decision 2(XLII) of May 2007, the Council will need to appoint a new Auditor or to re-engage the same auditor "Arata Kansa Houjin (PWC Arata), Tokyo", to audit the Accounts of the Organization for the next term of two/three consecutive years (2008-2009 or 2008-2010). With a view to facilitate the decision of the Council at this Session, the Secretariat had contacted ten large to medium size audit firms in Japan and invited them to apply along with estimates of fees for the three consecutive years. However, as can be seen in the Annex to the document, the responses received were not encouraging.

51. Earlier, in mid-2006, the arrests of its accountants in connection with the Kanebo scandal (Kanebo was one of the largest cosmetic company in Japan), caused the collapse of the former largest audit firm in Japan, ChuoAoyama PricewaterhouseCoopers. Later in 2006, Misuzu Kansa Houjin, the audit firm which was the new

incarnation of the audit firm Chou Aoyama PricewaterhouseCoopers, was forced to disband, due to its inability to discover financial misconduct in the third-largest brokerage company (Nikko Cordial Corp.) in Japan, and Misuzu Kansa Houjin requested the other major audit firms to take over its corporate audit operations and most of the staff members.

52. As a result of these extra-ordinary situations, the audit firms in Japan are still operating at the optimum level since they had been forced to take over most of the audit operations including engagement of the staff of the disbanded large audit firms. Consequently, only two, Arata Kansa Houjin (PWC Arata) and Yusei Audit & Co., out of the ten Audit firms who were invited to apply, had responded positively.

53. The two firms had submitted the estimates of fees without out-of-pocket expenses. The fees quoted by the audit firm Arata Kansa Houjin (PWC Arata) amount to Yen 11,000,000/US\$110,000, Yen 11,500,000/US\$115,000 and Yen 12,000,000/US\$120,000, for the years 2008, 2009, 2010, respectively. On the other hand, the fees quoted by the audit firm Yusei Audit & Co., amount to Yen 8,750,000/US\$875,000 for each year. It was noted that Arata Kansa Houjin (PWC Arata) who has more international exposure, had completed the audit of ITTO for the year 2007 and in the process, had acquired valuable experience.

54. The Secretariat further informed that while it is possible to appoint an audit firm from another member country, however, it is likely to incur substantial additional costs since a number of the audit staff members of such firm would need to spend at least four weeks in Yokohama, Japan, out of the average seven weeks that was spent on auditing the accounts of the Organization. Moreover, such an assignment would likely to be logistically challenging for the audit firm managing from overseas.

55. In response to the intervention of the representative of Germany regarding preference in the selection of the audit firm, the Secretariat informed that Arata Kansa Houjin (PWC Arata), although had quoted a much higher audit fee, have stronger international affiliation as was demonstrated through the engagement of their audit manager who was from the Australian partner firm on secondment to Japan, completed the audit satisfactorily and had gained the learning experience of auditing the Organization's accounts. Therefore, Arata Kansa Houjin (PWC Arata) could be considered as the first preference.

56. The Committee decided to recommend to the Council for the appointment of the firm "Arata Kansa Houjin (PWC Arata), Tokyo" to audit the Organization's Administrative Account, the Special Account, the Bali Partnership Fund Account and the Executing Agencies Account of the International Tropical Timber Organization (ITTO) for the Financial Years 2008 and 2009; and further recommended that the re engagement of this same Auditor, on annual basis, would be subject to satisfactory performance.

Item 11: Review of the Staff Regulations and Rules of the Organization

57. The Committee invited the Executive Director to present the document on proposed amendments to the Staff Regulations and Rules of the ITTO [document CFA(XXIII)/8] for the consideration the Committee on Finance and Administration, to facilitate Council consideration of necessary and/or recommended amendments.

58. The Executive Director informed the Committee that the Staff Regulations and Rules of the ITTO, which are based on those of the United Nations, have not been revised since its implementation on 17 November 1988, whereas the Staff Regulations and Staff Rules of the United Nations have been constantly revised, thus resulting in discrepancies in some of the rates and scales which are fixed in the ITTO's Staff Regulations and Rules.

59. The document is therefore prepared with the proposed changes to the ITTO's Staff Regulations and Rules to reflect the up-to-date changes in practices as well as in the rules and scales applied by the United Nations. This document only lists those which need revisions or amendments since most of the Regulations and Rules need no revisions.

60. The Chairperson of the Committee also invited the view of one Professional staff member in the Secretariat to express his views on the recommended amendments to the rules. The staff representative confirmed that the proposed amendments were discussed among the staff who unanimously agreed that such changes and amendments are long overdue.

61. The Committee took note of the document and recommended its approval by the Council for incorporation of the changes and amendments in the Staff Regulations and Rules of the ITTO with effect from 1 November 2008.

Item 12: Election of Chairperson and Vice-Chairperson for 2009

62. The Vice-Chairperson of the Committee for 2008, Mr. Schadrack Ondoua Ekotto of Cameroon, was elected Chairperson of the Committee for 2009. Mr. David Brooks of the United States of America was elected Vice-Chairperson of the Committee for 2009.

Item 13: Dates and Venue of the Twenty-fourth and Twenty-fifth Sessions

63. The Committee agreed that the Twenty-fourth and Twenty-fifth Sessions would be held on the same dates and at the same venues as the Forty-fifth and Forty-sixth Sessions of the Council.

Item 14: Other Business

Establishment of a Thematic Programmes Sub-Account

64. The Chairperson informed the Committee that there might be a need to establish a Thematic Programmes Sub-Account under the Special Account, subject to the approval at this Council Session, of the draft decision on "*the Procedures for the operation of the Thematic Programme and Thematic Programmes on Pilot Basis*" proposed at the meeting on Operational Modalities of the Future Work of the ITTC, held in Accra, Ghana, in June 2008. A draft decision for the establishment of such a sub-account had been prepared and will be forwarded to the Chairperson's Open-Ended Group Meeting in due course.

Development of a Compact Handbook of the Organization

65. In his closing remarks, the Chairperson advised that it would be useful for the Organization to develop a compact handbook containing the basic documents of the Organization like the ITTA, the relevant rules and Decisions of the Council, documents explaining the operating mechanism of the Council, etc. This would assist Members and delegates, especially those who are new with the work of the Organization, to function more effectively. The Committee suggested that the Secretariat devoted some thinking to this task and could probably prepare a draft handbook for the Council's consideration at its next Session.

Item 15: Recommendations to the International Tropical Timber Council

66. The Committee decided to make the following recommendations to the Council:

- (1) To approve the Administrative Budget for the Financial Year 2009 as presented in document CFA(XXIII)/2/Rev.1, of the amount of US\$5,878,078 for 2009 and to authorize the use of US\$300,000 from the Working Capital Account, as a special case, to finance the expenditures in 2009 due to global financial difficulties. The assessed contributions from Members for 2009 will be US\$5,768,000 to take account of the discount to be given to Members for timely payment of their contributions in 2008 and to utilize part of the bank interest earned in the same year;
- (2) To authorize the Executive Director to transfer, if and when necessary, an amount not exceeding US\$500,000.00 annually [instead of US\$300,000.00 as already authorized in Decision 2(XXXIV)] from the Working Capital Account to the current account in the Administrative Account, to meet the shortfall of funds, while respecting that the total resources in the WCA do not fall below US\$3 million;
- (3) Adopt the Report of the Independent Public Accountants on the Accounts of the Organization for the Financial Year 2007 as contained in document CFA(XXIII)/6;
- (4) Appoint the firm "Arata Kansa Houjin (PWC Arata), Tokyo" to audit the Accounts of the International Tropical Timber Organization (ITTO) for the Financial Years 2008 and 2009, and the re-engagement of this same Auditor, on annual basis, is subject to satisfactory performance;

- (5) To approve the proposed amendments to the Staff Regulations and Rules of the International Tropical Timber Organization in document CFA(XXIII)/8, for implementation with effect from 1 November 2008; and
- (6) To extend the date limits for payment by Liberia of its reduced arrearages in contribution for the years 1997-2001 (in the amount of US\$59,125.00) and for the years 2003-2005 (in the amount of US\$38,790.40), as stipulated in items II and III of the Annex to Decision 5(XLIII), from 31 December 2008 to 30 June 2009 and from 31 December 2009 to 30 June 2010 respectively.

Item 16: Report of the Session

67. The Committee adopted this report as amended.

ANNEX V

REPORT OF THE INFORMAL ADVISORY GROUP (IAG)

DOCUMENT: ITTC(XLIV)/2

Distr.
GENERAL

ITTC(XLIII)/2
2 November 2008

Original: ENGLISH

FORTY-FOURTH SESSION
3 – 8 November 2008
Yokohama, Japan

**REPORT OF THE INFORMAL ADVISORY GROUP (IAG)
AT ITS TWENTY-SECOND MEETING**

**2 November 2008
Yokohama, Japan**

**Twenty-second Meeting of the Informal Advisory Group (IAG)
Yokohama, Japan, 2 November 2008**

Report of the Chairperson

Introduction

1. The Twenty-second Meeting of the IAG was convened on Sunday, 2 November 2008 at the Meeting Room of the ITTO Secretariat at 10:00 a.m. chaired by Ms. Katharina Kuehmayer (Austria), Chairperson of the Council. The meeting was attended by Ms. Michele Mire (USA), Chairperson of the Committee on Economic Information and Market Intelligence (CEM), Dr. Jürgen Blaser (Switzerland), Chairperson of the Committee on Forest Industry (CFI), Mr. Carlos Enrique Gonzalez Vicente (Mexico), Chairperson of the Committee on Reforestation and Forest Management (CRF), Dr. James Gasana (Switzerland), Consumer Spokesperson, Dr. B.C.Y. Freezailah (Malaysia), Producer Spokesperson, Mr. Masayoshi Mizuno (Japan), Representative of the Host Government of the Headquarters, Mr. Emmanuel Ze Meka, the Executive Director and Ms. Carla Boonstra (Netherlands) who was in attendance representing Mr. Marcel Vernooij (Netherlands), Chairperson of the Committee on Finance and Administration (CFA).
2. The IAG considered and adopted the following agenda for discussion:
 - i. Brief background on the IAG:
 - Decision 5(XXVI);
 - Report of the IAG at its Twenty-first Meeting, 4 November 2007;
 - General observation by IAG Members;
 - ii. Briefing on the outcome of the Meeting on Operational Modalities of the Future Work of the ITTC, Accra, Ghana, 9-12 June 2008
 - The Thematic Programmes
 - Functions and Scope of the Committees
 - Frequency and Duration of the Sessions of the Council
 - Financing of the Activities of the Organization
 - Draft new Action Plan
 - iii. Consideration of draft decisions/elements of decisions, if any, submitted pursuant to ITTC Decision 7(XXXIII) – “Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization”;
 - Thematic Programmes on Pilot Basis. Operational Procedures and Guidelines
 - Functions of the Committees
 - The Role of ITTO in Tropical Forest-Related Climate Change Adaptation and Mitigation
 - Thematic Programme on Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests
 - Thematic Programme on Industry Development and Efficiency
 - Thematic Programme on Community Forests and Community Forest-based Enterprises
 - Draft decision regarding the venue for the next Session of the Council
 - Revision of the Project Cycle Manuals and Guidelines
 - Adoption of the ITTO Yaoundé Action Plan 2008-2013
 - iv. List of possible decisions for the Forty-fourth Session of the ITTC and report to the Council;
 - v. Election of Vice-Chairperson of the Council for 2008; and
 - vi. Other matters.
3. In its deliberations, the IAG noted and made reference to Decision 5(XXVI) and the Report of the Informal Advisory Group (IAG) at its Twenty-first Meeting held on 4 November 2007 in Yokohama, Japan as contained in document ITTC(XLIII)/2 dated 4 November 2007. The IAG also recalled the consensus regarding the extension of its mandate and the continuation of its existence and role reached by the Council at its Thirtieth Session.
4. Since 2008 would mark the first time the Council would convene in a single session and considering the heavy and substantive agenda of its current session, the Chairperson underlined the importance of maintaining the agenda while enforcing sufficient time management. The IAG recommended that all Members should extend their fullest cooperation to the Chairperson of the Council in staying with the agenda and maintaining efficient time management throughout the current session.

Briefing on the outcome of the Meeting on Operational Modalities of the Future Work of the ITTC, Accra, Ghana 9-12 June 2008

5. The Chairperson informed the IAG that she would be reporting to the Council under item 12 of the agenda on the outcome of the Meeting on Operational Modalities of Future Work of the International Tropical Timber Council held in Accra, Ghana from 9 to 12 June 2008 as contained in document ITTC(XLIV)/6 dated 13 August 2008. She identified the thematic programmes, functions and scope of the Committees, frequency and duration of the sessions of the Council, financing of the activities of the Organization and draft new Action Plan as the five main issues to be addressed by the Council for which draft decisions/elements of decisions had been submitted for its consideration.
6. Thematic programmes were singled out as the issue attracting the most attention of Members. The Producer Spokesperson indicated that unless there was some initial indication of interest from donor members to support the thematic programmes, it would not be possible for the Council to achieve satisfactory progress not only in its deliberation on thematic programmes but also in accelerating the process of the entry into force of ITTA, 2006. The Executive Director reiterated the importance of thematic programmes in securing increased and more predictable funding for the Organization. In this connection, he informed the IAG that there had been indication of interests from some donor members to support the development of the thematic programmes. He further underlined the urgency for the Council at its current session to address the operational procedures and guidelines for the thematic programmes and the identification of a number of key thematic programmes that could be selected for implementation on a pilot basis.
7. The IAG recognised that thematic programmes were indeed one of the core issues to be addressed by the Council at its current session. Accordingly, the IAG recommended that the momentum gained at the ITTO Meeting in Accra, Ghana should not be lost and that the Council should endeavour to achieve agreement and adoption of the draft decision on thematic programmes on pilot basis – operational procedures and guidelines.

Consideration of draft decisions/elements, if any, submitted pursuant to ITTC Decision 7(XXXIII) – “Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization”

8. The IAG was informed that nine draft decisions/elements of decisions were submitted pursuant to ITTC Decision 7(XXXIII) as follows:
 - Thematic Programmes on Pilot Basis. Operational Procedures and Guidelines
 - Functions of the Committees
 - The Role of ITTO in Tropical Forest-Related Climate Change Adaptation and Mitigation
 - Thematic Programme on Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests
 - Thematic Programme on Industry Development and Efficiency
 - Thematic Programme on Community Forests and Community Forest-based Enterprises
 - Draft decision regarding the venue for the next Session of the Council
 - Revision of the Project Cycle Manuals and Guidelines
 - Adoption of the ITTO Yaoundé Action Plan 2008-2013
9. In addition, the IAG noted that a draft decision on Thematic Programme on Trade and Market Transparency was submitted by the Government of Indonesia after the given deadline. The IAG recommended that this draft decision be added to the list of nine draft decisions/elements of decisions to be considered by the Council at its current session. These draft decisions/elements of decisions are contained in Annex A to this report.
10. Considering that five of the ten draft decisions/elements of decisions in the list pertained to various aspects of thematic programmes, the IAG considered the desirability of consolidating these draft decisions/elements of decisions under one consolidated decision as recommended by the ITTO Meeting held in Accra, Ghana. The IAG also considered the implications of developing many thematic programmes on the other regular work by the Organization being implemented under the ITTO Action Plan and the ITTO Project Cycle as well as on the overall prospects of funding through the Thematic Programmes Sub-Account and Project Sub-Account of the Special Account and the Bali Partnership Fund.

11. The IAG duly noted that the ITTO Action Plan, the thematic programmes and the ITTO project cycle had all been incorporated in the ITTA, 2006. As such the operations of ITTO under the ITTA, 2006 should be based on the operationalization of these components on a flexible, realistic, balanced and mutually supportive basis that would result in increased and more predictable funding for the Organization. Towards this end, the IAG recommended that the draft decisions/elements of decisions pertaining to thematic programmes be addressed together with a view to formulating a consolidated decision on thematic programmes as recommended by the ITTO Meeting held in Accra, Ghana. To facilitate the pilot testing of thematic programmes, the IAG, on the advice of the Executive Director, recommended that a draft decision on the establishment of the Thematic Programmes Sub-Account be considered by the CFA for adoption by the Council under the provision of Article 18, 1(d) of the ITTA, 1994.
12. With regards to the draft decision submitted by the Government of Guatemala, the IAG recommended that consultations be initiated by the Chairperson of the Council with a view to facilitating progress and avoiding repeated and protracted discussions that happened during previous sessions of the Council.
13. On the role of ITTO in tropical forest-related climate change measures, the IAG noted that climate change had swiftly emerged as a dominant global issue despite emerging after the adoption of the ITTA, 2006 on 27 January 2006. Since issues related to climate change were developing at a very fast pace, the IAG underlined the need for ITTO to be able to respond in a timely manner in order to benefit from the opportunities being generated without in any way prejudging the forth-coming negotiations under the United Nations Framework Convention on Climate Change (UNFCCC).

List of possible decisions for the Forty-fourth Session of the ITTC and report to the Council

14. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Forty-fourth Session as follows:
 - i. Projects, Pre-projects and Activities;
 - ii. Appointment of Auditor;
 - iii. Adoption of the ITTO Yaoundé Action Plan 2008-2013;
 - iv. Revision of the Project Cycle manuals and Guidelines;
 - v. Amendments to the Staff Regulations and Rules;
 - vi. Venue of the Forty-fifth Session of the Council;
 - vii. Functions of the Committees;
 - viii. The Role of ITTO in Tropical Forest-Related Climate Change Adaptation and Mitigation;
 - ix. Thematic Programmes on Pilot Basis, Operational Procedures and Guidelines (incorporating specific thematic programmes submitted);
 - x. ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests;
 - xi. Establishment of the Thematic Programmes Sub-Account.

The draft decisions on ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests and the Establishment of the Thematic Programme Sub-Account are included in Annex A to this report.

Election of Vice-Chairperson of the Council for 2008

15. The IAG noted that the election of the Vice-Chairperson of the Council for 2008 was deferred at the previous session of the Council. To assist the Chairperson in conducting the current session of the Council, the IAG recommended that the matter be taken up by the Producer Group at its first meeting scheduled on 3 November 2008 at 14:00 to 15:00 hours.

Other Matters

16. The IAG was briefed by the Executive Director on the latest developments concerning the entry into force of the ITTA, 2006. The IAG noted that as at 31 October 2008, 16 countries comprising six current ITTO producing and 10 consuming member countries including the European Community had completed the process of becoming parties to the ITTA, 2006 while 21 countries including 4 which were non-parties to the ITTA, 1994 had provisionally signed the ITTA, 2006.
17. The IAG was informed that a number of ITTO member countries had completed the process of becoming parties to ITTA, 2006 but these had not been reflected in the latest status report provided by

the United Nations as the depositary of the Agreement. In as far as meeting the conditions for entry into force as provided for under Article 39 of the ITTA, 2006, the IAG noted that the deadlines set on 1 February 2008 and 1 September 2008 had both passed without the stipulated requirements being met. However, to date, the Secretary-General of the United Nations had not invited those governments which had completed the process of becoming parties to ITTA, 2006 to meet and decide whether to put the Agreement into force provisionally or definitively among themselves in whole or in part. The IAG also recalled ITTC Decision 3(XLI) – ‘Extension of the International Tropical Timber Agreement, 1994’ under which the Council decided that the agreement be extended until the provisional or definitive entry into force of the Successor Agreement, thereby providing the legal basis for the continued operations of the Organization. The Council also decided to review the status of the entry into force of ITTA, 2006 at its sessions to be held in the period 2007-2009 including the consultations to be undertaken by the Secretary-General of the United Nations if the ITTA, 2006 had not come into force by 1 September 2008.

18. The IAG noted that the entry into force of ITTA, 2006 would be taken up by the Council under item 13 of its agenda. In light of the foregoing, the IAG strongly recommended that the Council should stress the necessity for those ITTO member countries which had not commenced or completed the process of becoming parties to the ITTA, 2006 to do so immediately. The IAG further recommended that the factors inhibiting members from becoming parties to the ITTA, 2006 be identified with a view to finding immediate solutions to overcome them.
19. The Executive Director drew the attention of the IAG to the prevailing global financial crisis. The IAG recalled that the Council adopted Decision 6(XXIV) ‘Downturn in the International Tropical Timber Market’ in response to the aftermath of the Asian financial crisis in 1998. The IAG recommended that the Council should take the global financial crisis into account in the deliberations throughout its current session.
20. The Executive Director also raised the issue relating to the new amendments to the Lacey Act enacted by the USA Government which would ban illegally harvested logs, lumber and all flora and forest products ranging from furniture and flooring to paper made with illegally harvested wood or plant materials. In view of the far-reaching implications of these amendments on the international trade in tropical timber and timber products, the IAG recommended that more information and clarification on the subject be provided to members during the course of the current session of the Council, with a view to enhancing their ability to respond to the requirements under the new amendments.
21. The Producer Spokesperson informed the IAG of the developments surrounding the negotiations on the Voluntary Partnership Agreements (VPAs) between the European Union and a number of ITTO producing member countries under the EU Forest Law Enforcement Governance and Trade (FLEGT) Programme. In this connection, a side event on FLEGT had been scheduled on Thursday, 6 November 2008 and a meeting on VPAs had been scheduled to be held at the Chatham House, United Kingdom from 19 to 20 January 2009. He further informed that the European Commission had on 17 October 2008 presented its draft regulation to control the import of illegally sourced timber into the EU. In light of these developments, he suggested that it would be useful for ITTO to respond by extending support to ITTO producing member countries to facilitate sharing of information, enhancing their capacity and encouraging other ITTO producing member countries to consider being engaged in the initiative. The IAG recommended that members should avail themselves of the opportunity to be updated of the developments on the VPAs and FLEGT by the European Community during the course of the current session of the Council and particularly during the side-event.

Adjournment

22. The Twenty-second meeting of the IAG was adjourned at 12:15 p.m.

ANNEX A

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ITTC(XLIV)/xx
8 November 2008

Original: ENGLISH

FORTY-FOURTH SESSION
3 – 8 November 2008
Yokohama, Japan

DRAFT

DECISION ^{}(^{*}XLIV)**

ADOPTION OF THE ITTO YAOUNDÉ ACTION PLAN 2008-2013

The International Tropical Timber Council,

Recognizing the objectives of the ITTO as set out in Article 1 of the ITTA, 1994;

Reaffirming the overall aim defined in ITTO Objective 2000;

Recalling the ITTO Action Plan 1990, the ITTO Libreville Action Plan (1998-2001) and the ITTO Yokohama Action Plan (2002-2006);

Noting that the implementation period of the ITTO Yokohama Action Plan 2002-2006 has been extended to 2007 [Decision 2(XXXIX)];

Further Recalling Decision 2(XXXIX paragraph 2vi) on the new ITTO Action Plan to succeed the ITTO Yokohama Action Plan;

Noting the written comments of the Members on the draft New ITTO Action Plan, and also the comments made during the Forty-third and the Forty-fourth Sessions of the Council and during the Meeting on the Operational Modalities of Future Work of the International Tropical Timber Council, held in Accra, Ghana, during 9-12 June 2008;

Welcoming the Report of the Expert Panel on the New ITTO Action Plan [Document ITTC(XLIII)/8] and the draft New ITTO Action Plan [Document ITTC(XLIV)/13];

Recognizing the importance and urgency of adopting the New ITTO Action Plan to guide the work of the Organization;

Decides to:

1. Adopt the new Action Plan as the ITTO Yaoundé Action Plan 2008-2013; and
2. Request the Executive Director to arrange for the translation, publication and wide distribution of the Action Plan to Members and other interested parties as expeditiously as possible.

* * *

Distr.
GENERAL

ITTC(XLIV)/xx
8 November 2008

Original: ENGLISH

FORTY-FOURTH SESSION
3 – 8 November 2008
Yokohama, Japan

DRAFT

DECISION ^{}(^{*}XLIV)**

REVISION OF ITTO PROJECT CYCLE MANUALS AND GUIDELINES

The International Tropical Timber Council,

Recalling Decision 3(XXXVII) on Measures to Improve and Strengthen the ITTO Project Cycle, which among others, decided to develop draft terms of reference for consultants who would be engaged to revise the ITTO Project Formulation Manual and related material; to prepare user-friendly and condensed Project Cycle manuals and guidelines; and to propose those terms of reference to the Joint Session of the Committees at the Thirty-eighth Session of the Council,

Noting that the Joint Session of the Committees held during the Thirty-eighth Session of the Council held in June 2005, in Brazzaville, Republic of Congo, approved the Terms of References for the engagement of the Consultants for the revision of the ITTO Project Cycle Manuals and Guidelines,

Noting further that the Council at its Forty-first Session held in November 2006, in Yokohama, Japan, reviewed the documents and requested for further improvements, both in terms of its technical contents and its editorial aspects on the documents,

Welcoming the Report on the Measures to Improve and Strengthen the ITTO Project Cycle [ITTC(XLIV)/17]; presented to the Council at its Forty-fourth Session and which contained, as produced by the two consultants, the *revised ITTO Manual for Project Formulation; the revised ITTO Manual for Project Monitoring, Review, Reporting and Evaluation; the ITTO Manual on Standard Operating Procedures for the ITTO Project Cycle (SOP); the revised ITTO Guidelines for the Selection and Employment of Consultants and Procurement of Goods and Services; and the ITTO Project Formulation Software (ITTO Protocol)*,

Taking into account the comments and advices of Members during the Forty-fourth Session of the Council,

Decides to:

1. Adopt the revised ITTO Manual for Project Formulation; the revised ITTO Manual for Project Monitoring, Review, Reporting and Evaluation; the ITTO Manual on Standard Operating Procedures for the ITTO Project Cycle (SOP); the revised ITTO Guidelines for the Selection and Employment of Consultants and Procurement of Goods and Services; and the ITTO Project Formulation Software (ITTO Protocol), subject to amendments proposed by Members during the Forty-fourth Session;
2. Recommend to Member countries to promote the use of the revised manuals and guidelines, and request Member countries to submit from May 2009 new (pre)project proposals exclusively based on the revised ITTO Manual for Project Formulation approved under this Decision;
3. Recommend the immediate training for the use of the revised manuals, among others, through the facilities provided under project PD 73/89 (M,F,I) "Assistance for Project Identification and Formulation, and
4. Authorize the Executive Director to seek voluntary contributions from Member Countries to meet the cost of the training workshops, not exceeding US\$200,000.00.

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DRAFT

DECISION ^{}(^{*}XLIV)**

**AMENDMENTS TO THE STAFF REGULATIONS AND RULES
OF THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)**

The International Tropical Timber Council,

Recognizing the provisions under Rule 901 of the Staff Regulations and Rules of the International Tropical Timber Organization (ITTO) which provide for the “Amendments of, and Exceptions to, the Staff Rules”;

Noting that the Staff Regulations and Rules of the International Tropical Timber Organization (ITTO) was approved by the Council for implementation since 17 November 1988;

Noting also the need to revise the Staff Regulations and Rules of the ITTO, which are based on those of the United Nations, to synchronize with the changes in the staff regulations and staff rules of the United Nations which have been constantly revised over the years;

Appreciating the work of the Committee on Finance and Administration at its Twenty-third Session in revising these Regulations and Rules;

Noting further the recommendations of the Committee on Finance and Administration [Document CFA(XXIII)/--];

Decides:

1. To approve the amendments to the Staff Regulations and Rules of the ITTO, as contained in the Document CFA(XXIII)/--/Rev.1; and
2. To approve adopt the implementation of the revised Staff Regulations and Rules of the ITTO with effect from 1 November 2008.

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DECISION ^{}(*)(XLIV)**

VENUE OF THE FORTY-FIFTH SESSION OF THE COUNCIL

The International Tropical Timber Council,

Recalling Decision 5(XXII), through which the Council reaffirmed the practice of holding biannual Sessions, and

Further recalling Decision 4(XLII), through which the Council decided to set Council Sessions dates and venues for Council sessions outside Headquarters only after adequate funding is confirmed; and

Welcoming the offer made by the Government of Guatemala at the Meeting on Operational Modalities for the Future Work of the International Tropical Timber Council, convened in Accra, Ghana, for 9-12 June 2008, as well as its written confirmation dated 1 July 2008 to host the Forty-fifth Session of the Council in Guatemala City;

Decides to:

1. Convene the Forty-fifth Session of the Council in Guatemala City for 25-30 May 2009.
2. Authorize the Executive Director to utilize up to US\$ 400,000 from the Working Capital Account to co-fund the Session with the Government of Guatemala.

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DECISION ^{}(*XLIV)**

FUNCTIONS OF THE COMMITTEES

Recognizing that the International Tropical Timber Agreement, 2006, the successor agreement to the International Tropical Timber Agreement, 1994, is expected to enter into force [date or timeframe to be inserted];

Noting Article 26.1 of the ITTA, 2006 which establishes four committees of the Organization: Committee on Forest Industry; Committee on Economics, Statistics and Markets; Committee on Reforestation and Forest Management; and Committee on Finance and Administration;

Further noting Article 26.3 which provides that the Council shall determine the functioning and scope of work of these committees;

Welcoming the outcome of the ITTO Meeting on Operational Modalities of Future Work of the International Tropical Timber Council held in Accra, Ghana from 9-12 June 2008;

Decides to:

Adopt the functions of the Committees as contained in the Annex to this decision.

ANNEX

FUNCTIONS OF THE COMMITTEES

A. Functions Common to the Committees

1. Advise and make recommendations to the Council on respective policy matters, including new and emerging issues (pursuant to article 1(s) of the ITTA, 2006) and opportunities for cooperation with international and regional organizations, processes and initiatives.
2. Advise and make recommendations to the Council jointly on cross-cutting matters, for example those related to:
 - a. The role of forests in contributing to sustainable development and poverty alleviation;
 - b. Strategies for achieving exports of tropical timber from sustainably managed sources;
 - c. Strengthening the capacity of Members to improve forest law enforcement and governance and to address illegal logging and related trade in tropical timber; and
 - d. The contribution of non-timber forest products and environmental services to sustainable management of tropical forests.
3. Share information on voluntary mechanisms for promoting sustainable tropical forest management; and
4. Provide efficient mechanisms for Members to:
 - a. [approve pre-project and project proposals; and]
 - b. review appeals arising in connection with the review of project proposals by the Expert Panel on the Technical Appraisal of Projects and Pre-projects.
5. Ensure effective design, monitoring and evaluation of pre-projects and projects, including through ex-post evaluations of completed projects and reports, with a focus on lessons learned.
6. Review projects with implementation problems, in particular, those requiring additional funding.
7. Review reports of ITTO diagnostic missions presented to Council, with a view to advising Council on follow up actions needed.
8. Take into account [as appropriate] contributions of the Civil Society Advisory Group and Trade Advisory Group in the Committees' policy agendas in order to broaden the information base on stakeholder views.
9. Review progress in implementing relevant sections of the ITTO Action Plan.

B. Functions of the Committee on Forest Industry

1. Promote increased and further processing of tropical timber from sustainable sources in producer member countries, including by small and medium sized forest enterprises.
2. Share information and experiences related to forest industries, including cooperation among members, with particular emphasis on:
 - a) Developments in further processing and new product technologies relevant to tropical timber;
 - b) Employment, human resources development and training;
 - c) Investment and joint ventures, including enabling environments;
 - d) Use of lesser known and lesser used species;
 - e) Harmonization of nomenclature and specifications of processed products;
 - f) Improving knowledge and development of codes and standards;
 - g) Use of efficient wood processing and utilization technologies to improve economic output, reduce waste and enhance recycling; and
 - h) Diversification in utilization of wood.

3. Review research and development needs to improve wood utilization and the competitiveness of the tropical wood products industry relative to other products.
4. Make recommendations to Council on the above matters, as appropriate.

C. Functions of the Committee on Economics, Statistics and Markets

1. Review structural conditions in international timber markets, emphasizing markets for tropical timber, including:
 - a. Current situation and short-term prospects;
 - b. Factors affecting market access;
 - c. Consumer preferences; and
 - d. Conditions leading to prices reflecting costs of sustainable forest management.
2. Make recommendations to the Council on the need for, and nature of, studies contributing to market transparency and understanding of market conditions and economic issues associated with tropical timber, including studies on:
 - a. Prices and market adjustments to changes in prices (price elasticities);
 - b. Factors affecting competitiveness and substitution;
 - c. Marketing and distribution of tropical timber and timber products, including new products;
 - d. Market trends, including information on species and trade-related data; and
 - e. Long-term trends in consumption and production.
3. Identify ways to promote consumer awareness of tropical timber and timber products from sustainably managed and legally harvested sources.
4. Advise the Council on the type of statistical information to be provided by Members.
5. Review the availability and quality of statistics and other information furnished by members under Article 27.5, and advise Council on appropriate action, including on technical capacity building needs of members of to meet their statistics and reporting requirements.
6. Make recommendations to Council on preparations for the biennial review of the international timber situation.

D. Functions of the Committee on Reforestation and Forest Management

1. [Exchange information on the management of tropical timber producing forests and identify ways to enhance the sustainable management of tropical forests, inter alia by reviewing developments on:
 - a. Research and development applications for improving management of tropical timber producing forests;
 - b. Afforestation and reforestation, and rehabilitation and restoration of degraded forest land;
 - c. [The use of criteria and indicators by members to monitor and assess forest resources;]
 - d. Conservation of other forest values, such as biodiversity and wildlife, in timber producing forests;
 - e. Integrated approaches to forest management, including protected areas;
 - f. [Addressing threats from fire, pests, diseases and invasive alien species;
 - g. The role of tropical forests in mitigation of and adaptation to climate change.]]
2. Share experiences on national policies aimed at sustainable utilization and conservation of timber producing forests, as well as on the implementation of national forest programmes.
3. Consider strategies to enhance the capacity of forest-dependent communities to sustainably manage tropical timber producing forests.

E. Functions of the Committee of Finance and Administration

1. Examine and make recommendations to the Council regarding approval of the Organization's administrative budget and the management operations of the Organization.
2. Review the assets of the Organization to ensure prudent asset management and to ensure that the Organization has sufficient reserves to carry out its work.
3. Examine and make recommendations to the Council on the budgetary implications of the Organization's biennial work programme and on actions that might be taken to secure the resources needed to implement the work programme.
4. Recommend to the Council the choice of independent auditors and review the independent audited statements.
5. Recommend to the Council any modifications the Committee may judge necessary to the Organization's Rules of Procedure or the Financial Rules.
6. Review the Organization's revenues and the extent to which they constrain the work of the Secretariat.
7. [Keep apprised of new international forest-related funding mechanisms and other potential sources of new and additional ITTO financing.]

F. Committee Procedures

1. Where appropriate, Committees should meet jointly. As a general rule, the three Technical Committees meet in joint sessions when considering matters of mutual interest including cross-cutting issues, annual market discussions, findings of diagnostic missions and ex-post evaluations of completed projects. The Committees on Forest Industry and on Economics, Statistics and Markets will continue to meet jointly due to their related agendas.

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DECISION ^{}(^{*}XLIV)**

**THE ROLE OF ITTO IN TROPICAL FOREST-RELATED
CLIMATE CHANGE ADAPTATION AND MITIGATION**

The International Tropical Timber Council,

Recalling Article 1, paragraphs (c), (f), (g), (j) and (l) of the ITTA, 1994;

Noting that climate change represents a threat to tropical forests, the resource base of the tropical timber economy;

Further noting that deforestation and forest degradation account for about 20 percent of global greenhouse gas (GHG) emissions, and over a third of emissions from developing countries;

Taking note that the “Bali Action Plan” adopted by UNFCCC emphasized the development of appropriate policy approaches and positive incentives that would lead to reducing emissions from deforestation and forest degradation and the role of conservation, sustainable forest management, and the enhancement of forest carbon stocks in the mitigation of climate change;

Recalling that the ITTO's sixty (60) members account for 80% of the world's tropical forests and 90% of the global tropical timber trade;

Recognizing the important contribution that sustainable management of tropical forests can make to the mitigation of climate change, including contributing to improving the livelihoods of some one billion people living in poverty who depend directly on forest resources;

Recalling Activity (xiv) of ITTO's Biennial Work Programme 2008-2009 which aimed to clarify and illustrate the role of the ITTO in climate change adaptation and mitigation in relation to tropical forests and assist members in formulating and implementing an integrated forests sector response to climate change;

Further recalling the conclusions and recommendations of ITTO's International Expert Meeting on Addressing Climate Change through Sustainable Management of Tropical Forests, held in Yokohama, Japan, from 30 April to 2 May 2008;

Acknowledging that existing carbon markets have untapped potential to provide additional financial resources to assist member countries in the implementation of sustainable management of tropical forests;

Further acknowledging the human influence on climate change and the need to raise awareness to induce environment friendly behaviour, as well as to contribute to a new generation of world citizens who understand the role of forests in climate change mitigation and adaptation, and the importance of sustainable forest management in this process;

Further recognizing the need to increase and broaden the funding base of the organization;

Decides to:

1. Request the Executive Director to cooperate with relevant organizations and institutions, including members of the Collaborative Partnership on Forests (CPF), and support initiatives that promote the role of tropical forests and sustainable forest management in the international dialogue on climate change and in any international agreement that might include these topics;
2. Endorse the recommendations of the International Expert Meeting on Addressing Climate Change through the Sustainable Management of Tropical Forests, as contained in Document ITTC (XLIV)/14;
3. Invite the Executive Director and member countries to raise awareness and promote public education on the environmental services that tropical forests can provide, including their role in climate change mitigation and adaptation; and support relevant initiatives geared towards these goals;
4. Invite member countries to provide voluntary contributions to undertake the actions stipulated in operative paragraphs 1 to 3 above, including, in due course, through relevant Thematic Programmes established in accordance with Article 24 of the ITTA 2006;
5. Request the Executive Director to explore and propose to Council additional funding sources and fundraising mechanisms that would strengthen the sustainable management of tropical forests in the context of climate change mitigation and adaptation;
6. Further request the Executive Director to regularly report to Council on developments, actions and achievements undertaken by ITTO that are relevant to this Decision.

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DECISION ^{}(^{*}XLIV)**

THEMATIC PROGRAMMES ON PILOT BASIS
OPERATIONAL PROCEDURES AND GUIDELINES

The International Tropical Timber Council,

Recalling that the International Tropical Timber Agreement (ITTA), 2006, the Successor Agreement to the ITTA, 1994, was agreed on 27 January 2006, and is expected to enter into force [in the near future];

Also recalling the establishment of the Thematic Programmes Sub-Account under Article 20 of the ITTA, 2006 to facilitate unearmarked contributions for the financing of approved pre-projects, projects and activities consistent with thematic programmes established by the Council;

Further recalling Article 24.3 on the links between the action plan and thematic programmes, and Article 25.1 regarding the submission of proposals contributing to thematic programmes;

Noting the report of the Meeting on Operational Modalities of Future Work of the ITTC convened 9-12 June 2008 in Accra, Ghana, and the Background Document on Operational Modalities under the ITTA, 2006: Work of the Committees, Thematic Programmes, Project Cycle prepared for that meeting;

Also Noting the March 2007 report of the Inter-sessional Working Group on Thematic Programmes and the October 2007 report of the Working Group on the Review of the Implementation of the ITTO Yokohama Action Plan 2002-2006;

[Considering experiences gained in developing and implementing thematic elements of the biennial Work Programme, including the ITTO programmes on Tropical Forest Law Enforcement and Trade and on Cooperation between ITTO and CITES to Improve Country Capacity to Implement CITES Listings of Tropical Timber Species, as well as experiences gained through implementation of Article 24 (Policy Work of the Organization) and Article 25 (Project Activities of the Organization) of the ITTA, 1994;]

Decides to:

1. Implement, on a pilot basis, thematic programmes for the following areas where funding is expected, utilizing the procedures and guidelines contained in Annexes 1 and 2 of this decision:
 - a. [Tropical Forest Law Enforcement and Trade/Forest Law Enforcement, Governance and Trade
 - b. Community Forest Management and Enterprises
 - c. Trade and Market Transparency
 - d. Industry Development and Efficiency
 - e. Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests

2. Adopt, on a pilot basis, the terms of reference for thematic programme advisory committees contained in Annex 3 of this decision.
3. [Adopt the thematic programme profiles contained in Annex 4 of this decision and request the Executive Director to develop thematic programme documents based on these profiles;]
4. [Request the Executive Director to circulate completed thematic programme documents to Members and invite Members to submit proposals based on these documents;]
5. Also request the Executive Director to report to the Forty-fifth Council session on the development, status and other relevant information on the pilot operation of the thematic programmes;
6. Review procedures for the pilot operation of thematic programmes [after [two][three] years][at the first Council session convened under the ITTA, 2006] with a view to deciding on further steps.

ANNEX 1

PROPOSED PROCEDURES FOR PILOT OPERATION OF
THEMATIC PROGRAMMES FOR APPROVED THEMATIC PROGRAMME AREAS

ACTION AND SEQUENCE	RESPONSIBILITY
8. Development of a thematic programme profile (TPP)	Executive Director (ED) in consultation with interested donors and Members
9. Approval of the TPP	Council
10. Preparation of a thematic programme document (TPD) based on the approved TPP	ED with assistance of donors, other interested Members and as appropriate other partners
11. Development and submission of proposals for financing under the thematic programme	Members and ED
Alternative 1	
12. Assessment and selection of proposals for financing under the Thematic Programme ¹	Thematic Programme Advisory Committee
13. Monitoring & evaluation of programme implementation ¹	Secretariat, implementing agencies, Thematic Programme Advisory Committee
Alternative 2	
5. Assessment and selection of proposals for financing under the thematic programme ²	Technical Expert Panel rates proposals. Committees review proposals. Council approves proposals. Bali Partnership Fund Panel allocates available funds.
6. Monitoring & evaluation of Programme implementation ²	Current procedures used, including ex post evaluations
Alternative 3	
5. Assessment and selection of proposals for financing under the Thematic Programme ³	Technical Expert Panel rates proposals. Committees review proposals. Council approves proposals. Expanded Bali Partnership Fund Panel (+2 producers and +2 consumers) advises ED on project selection. ED selects proposals and allocates pooled donor funds.
6. Monitoring & evaluation of Programme implementation ³	ED and Secretariat
7. Reporting on Programme implementation	Annual reporting to Council by ED Bi-annual reporting by implementing agencies and Secretariat
8. Revision/amendment of the TPD as needed	Council

¹ Based on the proposal of the Inter-sessional Working Group on Thematic Programmes, which was further elaborated in the Background Document (Document ITTC(XII)/10)

² Based on the proposal of Japan

³ Tropical forest law enforcement and trade (TFLET) model

ANNEX 2

PROPOSED GUIDELINES FOR THEMATIC PROGRAMME PROFILES AND THEMATIC PROGRAMME DOCUMENTS

1. Thematic Programme Profile

A thematic programme profile is a concise scoping document that provides an initial description of the thematic programme and covers the following elements:

- a) Rationale statement, including problem to be addressed and international context
- b) General objectives
- c) Strategy to be employed
- d) Anticipated outputs/outcomes and benefits
- e) Potential partners/collaborating agencies
- f) Indicative budget and timeframe
- g) Potential donors

2. Thematic Programme Document

A thematic programme document further develops the thematic programme profile and provides detailed information on the following planning and operational elements of the thematic programme:

Planning elements

- a) Rationale statement and problem analysis, including relevant international and regional processes and value-added of the programme
- b) Specific objectives, including, as appropriate, mid-term objectives
- c) Strategies for achieving objectives
- d) Outputs/outcomes/deliverables and expected impact/benefits
- e) Other partners and stakeholders
- f) Activities
- g) Work plan, including budget estimates and donor contributions

Operational elements

- a) Composition of the Thematic Programme Advisory Committee
- b) General selection criteria for proposed activities/projects/pre-projects [outlined in paragraph 2 of Annex 3]
- c) Thematic programme-specific selection criteria for proposed activities/projects/pre-projects, as appropriate
- d) Administrative arrangements
- e) Monitoring and evaluation procedures
- f) Technical and financial reporting procedures

[ANNEX 3]

PROPOSED TERMS OF REFERENCE FOR
THEMATIC PROGRAMME ADVISORY COMMITTEES

1. [Each Thematic Programme will have a Thematic Programme Advisory Committee to assist the Executive Director with the implementation of the thematic programme as follows:
 - a) Selection of activities/pre-projects/projects for financing under the thematic programme;
 - b) Monitoring and evaluation of progress in implementing the thematic programme; and
 - c) Identification of potential additional sources of voluntary financial contributions to the thematic programme. Members of the Committee may also be asked to assist the Executive Director in seeking additional voluntary contributions.
2. In selecting activities/pre-projects/projects for financing, all Thematic Programme Advisory Committees will consider the following general criteria, in addition to any specific criteria identified in the relevant thematic programme document:
 - a) Conformity with the thematic programme document and ITTA objectives;
 - b) Technical feasibility;
 - c) Cost effectiveness;
 - d) Environmental and social effects [all benefits should be part of the criteria]
 - e) Connectivity to other activities/pre-projects/projects under the programme;
 - f) Applicability/extension of results, e.g. regionally or globally; and
 - g) Impact and sustainability of outputs/outcomes.
3. The membership of a Thematic Programme Advisory Committee and its specific functions will be identified in the thematic programme document. As a general rule, Thematic Programme Advisory Committees will not exceed seven members each, taking into account the need for balanced representation among members. They will include:
 - a) Three Producer Member representatives knowledgeable about the thematic programme;
 - b) At least one non-donor Consumer Member representative knowledgeable about the thematic programme;
 - c) Interested donors and collaborators; and
 - d) Executive Director or his designated representative.
4. In consultation with members, the Executive Director will invite individuals to participate on Thematic Programme Advisory Committees.
5. As a general rule, Thematic Programme Advisory Committees will meet once a year during a Council Session. Inter-sessionally, they will work and coordinate through electronic means.]

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DECISION *(XLIV)**

THEMATIC PROGRAMME ON INDUSTRY DEVELOPMENT AND EFFICIENCY

The International Tropical Timber Council,

Recalling that the International Tropical Timber Agreement (ITTA), 2006, the Successor Agreement to the ITTA, 1994, was agreed on 27 January 2006;

Also recalling the establishment of the Thematic Programmes Sub-Account under Article 20 of the ITTA, 2006 to facilitate unearmarked contributions for the financing of approved pre-projects, projects and activities consistent with Thematic Programmes established by the Council;

Noting the report of the Inter-sessional Working Group on Thematic Programmes held in Chiang Mai, Thailand, in March 2007;

Also Noting the need to operationalize the Thematic Programmes as soon as possible on a pilot scale as stipulated in the report of the Meeting on Operational Modalities of Future Work of the ITTC convened 9-12 June 2008, in Accra, Ghana;

Considering experiences gained in developing and implementing thematic elements of the biennial Work Programme, including the ITTO Programmes on Tropical Forest Law Enforcement and Trade, and on Cooperation between ITTO and CITES to Improve Country Capacity to Implement CITES Listings of Tropical Timber Species, as well as experiences gained through implementation of Article 24 (Policy Work of the Organization) and Article 25 (Project Activities of the Organization) of the ITTA, 1994;

Decides to:

1. Approve and implement the Thematic Programme Profile for Industry Development and Efficiency contained in the Annex of this decision;
2. Urge the members to provide funding in order to initiate activities related to the Thematic Programmes;
3. Request the Executive Director to develop with interested parties a full-fledged Thematic Programme Document based on this profile;
4. Apply for this Thematic Programme the Procedures and Guidelines decided separately by the International Tropical Timber Council for the operation of the Thematic Programmes;
5. Request the Executive Director to circulate the completed Thematic Programme Document to Members and invite Members to submit proposals based on this Document;
6. Request the Executive Director to report at the Forty-fifth Council Session on the development, status and other relevant information on the pilot operation of the Thematic Programme; and
7. Review procedures for and the operation of the pilot operation of the Thematic Programme at a date decided by the Council.

ANNEX

PROGRAMME PROFILE ON

INDUSTRY DEVELOPMENT AND EFFICIENCY

RATIONALE AND CONTEXT

Forest industries generate value to the tropical forest resources thereby critically contributing to their sustainable management. The ITTO producing member countries account for 19% of the global log production⁴, but this is well below their potential⁵. Since 2000 there has been a decline both in tropical sawnwood and tropical plywood (-0.5% and -2.6% per year, respectively). The degree of domestic primary processing has gradually increased⁶ but is still low (and a cause of concern) in Africa and parts of Asia (e.g. Cambodia, Myanmar, Papua New Guinea and the states of Sarawak and Sabah in Malaysia). Some Asian countries (Indonesia, Malaysia and Thailand), Brazil and Mexico have been able to expand production and exports of secondary processed wood products such as furniture and builders' woodwork but in most ITTO producing member countries (particularly in Africa) further processing is lagging behind undermining the socio-economic contribution of the sector to poverty reduction, employment generation, environmental conservation and other national development goals. Further processed products represent no more than one third of the total forest sector exports⁷ in the ITTO producing member countries.

In the late 1990s forestry and forest-product industries provided 47 million jobs worldwide. Of those, forestry, wood industries, and furniture activities each generated 10-15 million jobs⁸. Practically 70% of the employment in forestry, wood industries, and furniture came from informal and subsistence activities. Particularly in the tropical countries most of the forest industrial employment is generated by small and medium-sized enterprises (SMEs) many of which are run by community organizations or cooperatives.

Typical problems in larger forest industries in the ITTO producing member countries derive from structural deficiencies and managerial weaknesses. Many countries have excessive local processing capacities compared to the sustainable timber production potential of their forests leading to illicit activities. Industrial development in these cases has not been adequately guided by the government as only in few cases sustainable industrial development strategies have been designed and implemented. The national legal and policy frameworks have generally evolved without due consideration on the balance between forest production potential and processing capacity and respective implications for sustainable forest management. There is a frequent lack of, or limited, vertical integration in forest industries which would facilitate development of efficient value chains. Measures like log export bans and quotas for local processing or log exports have not led to efficient local industries but often resulted in distorted and uncertain markets and wasteful practices.

As a consequence, there are inappropriate policies and legal frameworks with many barriers for responsible industrial investment as has been repeatedly pointed out in the ITTO-organized investment forums. Rules and regulations have resulted in high transaction costs reducing industry competitiveness and heavy bureaucracy serving as an incentive for corruption. Policy constraints are found both at macro and sectoral level and they have not been adequately addressed in a systematic way with the perspective of forest industrial development.⁹ In the absence of long-term sustainable industrial development strategies, uncertainties related to future raw material supply and policy framework make any long-term investment highly risky.

Managerial weaknesses are common in small and medium-sized forest industry enterprises. They are related to lack of qualified human resources for which specialized training facilities exist only in few countries (e.g. Malaysia, Brazil). Management systems are inadequate to plan and control operations making certification and tracing of products difficult and thereby limiting access to the markets which demand proofs of legality and sustainability.

⁴ Calculated based on the ITTO data base.

⁵ The forest area of the ITTO producing member countries accounts for 33% of the world total (based on the FAO Global Forest Resource Assessment 2005 data).

⁶ The share of local processing in the TTO producing countries combined was 66% in 1990 and 69% in 2006.

⁷ The total value of the wood-based exports of the ITTO producing countries was USD 30.8 billion of which secondary processed wood products accounted for USD 10.8 billion.

⁸ In addition, about five million people worked in the pulp and paper industry

⁹ The Investment Attractiveness Index of the IDB developed for Latina American countries is an important exception.

Forest-based SMEs typically serve local or domestic markets being run by owners themselves with hands-on knowledge on the operations rather than relying on formal management systems. Only few of these enterprises tend to develop medium-sized or larger enterprises which apply modern technology and management methods. The informal forest-based SME sector in the ITTO producing member countries is often larger than the formal one and its outreach is difficult for any systematic improvement efforts.¹⁰

While tropical timber industries, in relative terms, should enjoy competitive raw material costs, several factors make industrial wood expensive such as increased management costs due to legal and certification requirements, poor planning and outdated equipment in harvesting resulting in wasteful practices, inadequate infrastructure and high transaction costs. Therefore, economic incentives for illegal operations not bearing these full costs tend to be significant working against those FMUs and industrial enterprises which are complying with regulations and voluntary SFM certification standards. In spite of the high raw material costs, there is a high rate of waste/residues also further down in the value chain. E.g. in Bolivia in fully integrated production only 15% of the timber volume felled ends up in the value added products and the rest is lost¹¹. About a half of the felled volume remains in the forest and the remaining 25% is industrial residues from the primary and secondary processing. On an aggregate level in the ITTO producing member countries, this would mean an annual total volume of about 185 million m³ of residues. About 60 million m³ of this would be industrial residues which could be readily used for bioenergy but currently only a small share is utilized. The total residue volume represents about 190 million tons of CO₂ on an annual basis¹².

From the industry's perspective, financing is almost invariably singled out as the most important constraint. Reinvestment in production equipment has been constrained by limited self-financing potential due to low profitability resulting in obsolete equipment. There is also a problem in accessing to credit which, particularly in the case of SMEs, makes financing of working capital difficult thereby limiting any expansion of industrial activities. The situation is characterized as a vicious circle in which low profitability does not generate financing of renewal of the capital equipment as obsolete machinery does not allow profitable operation.

Previous efforts have rarely been able to solve the structural issues limiting sustainable forest industrial development, often due to strong vested interests which have benefited from the *status quo*. Analytical work on policy options has often been lacking or it has been guided by other than national interests. Tropical timber industry is generally suffering from a bad image among consumers, civil society organizations and policy makers which means that there should be a strong emphasis in all development efforts on sustainability, reduction of environmental impact and value creation to gain broad political support to sustainable industrial development in the forest sector. Thanks to its holistic approach, broad stakeholder base and focus on tropical timber, ITTO has a strong competitive advantage in promoting industrial development in its producing member countries based on sustainably managed forests through strategic interventions.

OBJECTIVES¹³

The general objective of the Thematic Programme is to enhance contribution of economically and financially viable, environmentally sustainable and socially responsible forest industry to poverty reduction, employment generation and social and economic development in producing member countries. The Programme's specific objectives are (i) to increase production and further processing of tropical timber and other forest products (and services) from legal and sustainable tropical forest resources, and (ii) to improve efficiency in processing and utilization of tropical timber and timber products as well as NTFPs to reduce demand for raw materials and thereby pressure on the forest resource by contributing to climate change mitigation.

¹⁰ ITTO. 2007. Community-Based Forest Enterprises. Technical Series 28. Yokohama.

¹¹ Antel, P. 2008.

¹² Coefficients used: 1 m³ of logging residues = 1.0 ton CO₂ and 1 m³ of industrial residues = 1.1 tons CO₂. Note that a large share of the tropical timber industry is non-integrated with higher waste/residue generation than in integrated operations. Therefore, the estimate presented above can be considered conservative.

¹³ ITTA 2006 Art. 1 para (f) on promotion of research and development, para (i) on increased and further processing, para (p) access to, and transfer of, technologies and technical cooperation, and para (q) non-timber-forest products.

PROGRAMME STRATEGY

The Thematic Programme operates at three levels targeting at removing key constraints of sustainable forest industry development in the ITTO producing member countries: (i) enterprise level to pilot innovative approaches and technologies to improve efficiency and value creation, (ii) country level to remove the constraints of the policy framework and strengthen institutions serving industrial development, and (iii) international and regional level to promote investment, share experience and forge partnerships. In country and project interventions, the Thematic Programme focuses on the formal and informal SME sector. Non-timber forest products and environmental goods and services are also covered.

At the enterprise level the Programme implements demonstration and piloting on technology improvement and managerial skills for forest industry efficiency in sustainable harvesting, further processing, utilization of wood residues and wood wastes, bioenergy and non-timber forest products. Managerial skills to be improved cover investment analysis and decision making, identification and assessment of business opportunities, market analysis, strategic planning and structuring of partnership arrangements. In addition to transfer and development of technology, the Programme interventions include measures to comply with legal and sustainability requirements through strengthening of management and information systems and training. The Programme will focus on small and medium-scale enterprises (SME).

At the country level the Programme supports

- (i) strategic long-term planning for national forest industrial development and design of respective policies based on analytical studies on (a) how to identify and remove policy and structural constraints and incentives which drive illegal operations and impede investment in sustainable forest industries, (b) how to expand the raw material base of industrial utilization (e.g., rubberwood, oil palm, coconut, bamboo, rattan, etc.), (c) how to improve efficiency in wood utilization and other production factors, (d) how to enhance transfer of technology, (e) how to design appropriate incentives and reduce the transaction costs of industrial operations, and (f) how to contribute to forest industry cluster formation at national and local levels including vertical and horizontal integration as well as development of wood supply catchment areas for improved competitiveness; this activity will also serve as the framework for designing individual projects for external funding, including by ITTO.
- (ii) improved concession management (particularly mechanisms for allocation and monitoring of forest concessions for their sustainable management) and industry planning and management,
- (iii) activities to improve managerial skills, particularly in SMEs
- (iv) investment promotion of sustainable forest industries based on natural and planted forests to facilitate sharing of information on lessons learned and transfer of technology and know-how;
- (v) bioenergy utilization, including through (a) awareness raising and sectoral planning, (b) removal of barriers in the policy and regulatory framework, (c) provision of incentives, and (d) transfer of technology; (v) promotion of private-public and community/smallholder-corporate partnerships in forest management, productive activities and marketing in benefit sharing;
- (vi) training on improvement of industrial efficiency and forest product utilization applying innovative approaches to improve many ineffective and sporadic past training efforts;
- (vii) strengthening of industry associations (both national and regional level) to promote adoption of environmental and social responsibility through e.g. development of codes of conduct (self-regulation); this activity will contribute to creation of common shared visions among different segments of the industry and reduce the costs of administration; the support activities would cover design of market promotion campaigns, product certification schemes and other related activities.
- (viii) R&D in technologies to improve timber industry efficiency, level of technology, utilization of wood residues and lesser-used species, preservation technologies to expand end uses of low quality timbers, including effective dissemination of R&D results among industry enterprises, forest communities and other stakeholders; this activity will also support assessment of appropriate machinery and equipment for assisting companies to select optimum machinery for reduced costs, high efficiency, reduced wood consumption and minimized emissions and pollution.

At the regional and international levels the Programme focuses on

- (i) enhanced South-South cooperation in further processing of forest products in selected relevant areas (e.g. rubberwood, bamboo and other NTFPs, utilization of plantation wood for solid wood products, wood drying technologies for plantation wood and lesser used species, environmentally friendly wood preservation methods and reduced external energy consumption),
- (ii) wood-based bioenergy development (including regional workshops, technology assessment and dissemination, etc.),
- (iii) development and monitoring of technical and environmental standards with due consideration of the particular characteristics of tropical timber and timber products, as well as harmonization of these standards for their effective application in tropical timber producing countries (including support to participation of tropical timber producing countries in international processes related to forest industries);
- (iv) development and transfer of efficient harvesting and processing technologies through supporting R&D activities for optimizing the use of the forest resource, including support to relevant research institutions in producing member countries, and disseminating relevant application of new technologies such as nanotechnology, second generation bioenergy production, etc.,
- (v) development and dissemination of generic tools for sustainable forest industry development to be further elaborated at national levels (e.g. for elaboration of national codes of conduct, manuals for tracking systems, quality control in furniture industries etc.); and
- (vi) analyses and action to address emerging issues in sustainable forest industry development (crash programmes, policy adjustment, etc.).

The programme also strengthens knowledge management through the establishment and continuous updating of a special ITTO webpage (with thematic and country coding) containing ITTO-generated documentary and audiovisual outputs through projects and activities such as (a) technical reports, (b) databases on timber species and their characteristics, (c) training packages, (d) demonstration videos, etc. in order to improve sharing and dissemination of the past and future work of the Organization; workshops, conferences and seminars are key instruments for exchange of ITTO-generated knowledge and experience in the Programme

The Programme will focus on African and those Asian countries which are lagging behind others in the development of sustainable forest industries. A few number of priority areas will be selected for each of the targeted levels (enterprise, country, and regional and international) based on the results of the consultation with the ITTO members.

OUTCOMES AND BENEFITS

The intended outcomes of the Thematic Programme are (i) increased supply of forest industry products and services from legal and sustainable sources, (ii) improved efficiency of the forest industry and lower level of residue generation to reduce pressure on raw material resources, (iii) reduced emissions from industrial operations, and (iv) improved understanding on the importance of sustainable forest-based industries among decision makers and conducive policy frameworks to promote investment, to facilitate development and transfer of technology, and improved management capacity, particularly in small and medium-scale forest-based enterprises.

The ultimate benefit of the Programme is poverty reduction and employment generation in the impact areas of sustainable forest industries, expanded supply of industrial tropical timber products from sustainable and legal sources, reduced illegal practices, and reduced CO₂ emissions (as a result of improved efficiency in wood utilization).

IMPLEMENTATION AND PARTNERS

The Thematic Programme will be implemented through pre-projects and projects as well as activities. Sub-programmes may be developed for areas which require integrated coordinated efforts (e.g. bioenergy).

Government agencies, research bodies, private sector and civil society organizations can submit project proposals for the implementation of the Thematic Programme.

The Programme is implemented in phases focusing in the first phase on activities related to forest industries in poverty reduction, investment promotion, bioenergy and technology transfer.

The Programme is implemented in close cooperation and involvement of the ITTO Trade Advisory Group (TAG), the Civil Society Advisory Group (CSAG), relevant international and regional bodies such as FAO, CFC, COMIFAC¹⁴, CIRAD, ITC, IFIA, ATIBT, the wildlife trade monitoring network TRAFFIC, national industry and trade associations in producing and consuming member countries, as well as various civil society organizations.

INDICATIVE BUDGET AND TIMEFRAME

The indicative budget of the Thematic Programme is USD 15 million, of which USD 12 million would be for pilot projects and other country level activities, and USD 3 million for regional and international level activities. The Programme time frame is five years in the first phase. A comprehensive evaluation will be carried out at the end of the fourth year of implementation based on which the second phase is designed

POTENTIAL DONORS

To be defined

* * *

¹⁴ The Thematic Programme contributes to the implementation of the COMIFAC Convergence Plan's Strategic Axis 5 Sustainable Value Creation from Forest Resources in the Congo Basin and Strategic Axis 8 Research and Development

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DECISION ^{}(XLIV)**

THEMATIC PROGRAMME ON COMMUNITY FOREST MANAGEMENT AND ENTERPRISE

The International Tropical Timber Council,

Recalling that the International Tropical Timber Agreement (ITTA), 2006, the Successor Agreement to the ITTA, 1994, was agreed on 27 January 2006;

Also recalling the establishment of the Thematic Programmes Sub-Account under Article 20 of the ITTA, 2006 to facilitate unearmarked contributions for the financing of approved pre-projects, projects and activities consistent with Thematic Programmes established by the Council;

Noting the report of the Inter-sessional Working Group on Thematic Programmes held in Chiang Mai, Thailand, in March 2007;

Also Noting the need to operationalize the Thematic Programmes as soon as possible on a pilot scale as stipulated in the report of the Meeting on Operational Modalities of Future Work of the ITTC convened 9-12 June 2008, in Accra, Ghana;

Considering experiences gained in developing and implementing thematic elements of the biennial Work Programme, including the ITTO Programmes on Tropical Forest Law Enforcement and Trade, and on Cooperation between ITTO and CITES to Improve Country Capacity to Implement CITES Listings of Tropical Timber Species, as well as experiences gained through implementation of Article 24 (Policy Work of the Organization) and Article 25 (Project Activities of the Organization) of the ITTA, 1994;

Decides to:

1. Approve and implement the Thematic Programme Profile for Community Forest Management and Enterprise contained in the Annex of this decision;
2. Urge the members to provide funding in order to initiate activities related to the Thematic Programmes;
3. Request the Executive Director to develop with interested parties a full-fledged Thematic Programme Document based on this profile;
4. Apply for this Thematic Programme the Procedures and Guidelines decided separately by the International Tropical Timber Council for the operation of the Thematic Programmes;
5. Request the Executive Director to circulate the completed Thematic Programme Document to Members and invite Members to submit proposals based on this Document;
6. Request the Executive Director to report at the Forty-fifth Council Session on the development, status and other relevant information on the pilot operation of the Thematic Programme; and
7. Review procedures for and the operation of the pilot operation of the Thematic Programme at a date decided by the Council.

ANNEX
PROGRAMME PROFILE ON
COMMUNITY FOREST MANAGEMENT AND ENTERPRISE (CFE)

RATIONALE AND CONTEXT

About 1.6 billion people live in predominantly forest ecosystems or in their vicinity. Forests are important resources for the rural poor, with over 800 million people living in forests and woodlands in the tropics.¹⁵ Many of the very poor are hunting or gathering tribes, landless people living around forests and landless forest workers. In addition to livelihood contribution through subsistence safety net, the tropical forests also provide a source of cash income, a capital asset, a source of employment, and an alternative health care system based on forest plants. In many tropical zones, most of the cash income comes from collection and commercialization of Non-Timber Forest Products (NTFPs). An important source of income for numerous local communities is the harvest and trade of wild medicinal and aromatic plants (MAP). The employment impact of forestry in the tropical rural areas world both in the informal and formal sector but reliable estimates are lacking¹⁶. Community forest enterprises (CFE) include both harvesting and management operations and processing of timber and NTFPs. Many tropical forest enterprises are community-based, small, operate informally and depend on local markets, and only few have developed into medium-sized industrial enterprises and their value creation is far from tapping the potential offered by the tropical forest resource.

Indigenous groups and communities own or manage about 20% of the forests in developing countries¹⁷. The community forest sector is expanding fast as the governments in many ITTO producing member countries (Cameroon, China, Ghana, India, Thailand, Peru, Bolivia, Colombia, etc.) are transferring ownership, management or use rights to local communities and their members under various arrangements. These communities are however often poorly equipped to manage their forests sustainably and to add value to their products. In many cases, the forest areas transferred are degraded with limited development potential without investment in rehabilitation which seriously limits their role as livelihood sources. In most countries, even where legal reforms of tenure arrangements have been carried out, the regulatory frameworks reflect outmoded and traditional legal and tenure arrangements, and can make it impossible for small-scale actors and communities to benefit from the policy and legal reforms. Regulations often act as barriers for legal access to forests and markets, unduly raise the transaction costs of community enterprises, and promote unfair sharing of benefits and corruption. A range of community business models can become viable when tenure has been secured. Another important factor is increasing numbers of smallholders getting involved in forestry through planting of trees, and creating upward value chain linkages through community-company partnerships or cooperative enterprises.

In addition, the policy and legal framework and the institutional arrangements have not been adjusted to adequately address the needs of the new situation and regulations often act as major barriers for effective development of community forest management and enterprises. Another important trend is increasing numbers of smallholders getting involved in forestry through planting of trees.

In addition to barriers in the policy framework and institutional structures, weak managerial and technical capacity of forest communities and enterprises is a key constraint for their development. This situation makes communities vulnerable for external pressures for illicit activities. Building up community capacity to plan, utilize, monitor and control their forest resources is therefore critical to reduce illegal logging and associated trade.

In general, forest communities and smallholders are poorly organized which means that, as market actors, they cannot tap the sales' price potential of their products. Lack of access to capital is a common fundamental constraint as community lands can rarely be used as collateral and local banks have no or very limited understanding on lending to community-based forest enterprises. These enterprises are also particularly disadvantaged in meeting the increasingly demanding complex market requirements of tropical timber and timber products which are related not only to product quality and delivery conditions, but also to

¹⁵ Chomitz, K M. 2007. *At Loggerheads?* The World Bank. Washington, D.C.

¹⁶ The International Labour Organization (ILO) estimates that in the late 1990s forestry and forest-product industries provided 47 million jobs worldwide. Of those, forestry, wood industries, and furniture activities each generated 10-15 million jobs and about five million people worked in the pulp and paper industry. Practically 70% of the employment in forestry, wood industries, and furniture came from informal and subsistence activities.

¹⁷ White, A. & Martin, A. 2002. *Who Owns the World's Forests.* Forest Trends. Washington, D.C.

providing proofs of legal compliance and sustainability of forest management as well as the associated traceability of the supply chain. On the other hand, there are new opportunities: e.g., (i) national and regional markets in developing economies are growing fast and offer a vast potential for CFEs, (ii) community/smallholder-corporate partnerships are spreading and can help overcome some of the capacity constraints in community forest management, and (iii) in developed countries high-value market niches are emerging which appreciate the social value of community-produced products.

Internationally the development of community forest management and enterprises is a broadly recognized problem¹⁸. ITTO has a strong track record in community management and participation through its many projects in all the three tropical regions and this accumulated experience can be capitalized in future interventions. On the other hand, thematic evaluations on the ITTO-implemented projects have revealed several common weaknesses in the earlier efforts including (i) lack of adequate attention to economic feasibility of CFEs, (ii) need for a strategic or programmatic approach addressing both the legal and policy framework and community capacity building, (iii) too short duration of supportive interventions to have real impact, (iv) lack of feedback to policy level from field projects, and (v) weak dissemination of accumulated knowledge and sharing of experience. There are regional bodies like RECOFTC and many donors and international agencies working in this field, mostly through individual projects but often their impacts have remained limited and when external support is terminated, the improvements created tend to disappear, not least because the economic aspects have not been duly considered. However, there is no international programme which is specifically targeted at supporting forest communities and smallholders.

OBJECTIVES¹⁹

The general objective of the Thematic Programme is to contribute to poverty reduction in tropical forest areas through (i) strengthening of the social capital of forest communities and smallholders in sustainable management of their tropical forest resources by capacity building, and (ii) creation of value to the products and services obtained from these resources.

PROGRAMME STRATEGY

At the community level the Programme supports CFEs piloting and mainstreaming of approaches targeted at supplying the local industry or domestic and export markets with high employment creation potential and competitive advantage through interventions which can include

- (i) diagnostic studies applying rapid rural appraisal and other relevant tools,
- (ii) participatory planning with a shared vision on community forest development,
- (iii) clarification of the roles, rights and responsibilities of actors, through community-level bylaws and rules as well as those for benefit sharing among community members and for communal land-use decisions,
- (iv) investment decisions based on adequate pre-studies,
- (v) consideration of both timber, NTFPs and other goods and services of forests, and
- (vi) business development of CFEs.

At the country level, the Programme works through the following interventions²⁰:

- (i) analytical work to identify development opportunities and constraints based on the priorities and concerns of local communities in the institutional and legal framework for community forestry (e.g. simplified regulations) and to assess options in transferring property, management and usufruct rights to communities and smallholders,
- (ii) support to, and follow-up of, consultative processes to implement necessary changes in the policy framework and institutional structures to make them conducive for community forestry and other sustainable extractive management of forest resources, including for alternative health care systems
- (iii) development of adequate financing instruments to enable communities and smallholders to have access to capital to finance their investments

¹⁸ Derived from the outcome of the ITTO Conference on Community Forest Management and Enterprises: Global Issues and Opportunities. 16 to 20 July 2007. Rio Branco, Acre, Brazil.

¹⁹ ITTA objective Art 1 (r) calls for encouraging members to recognize the role of forest dependent indigenous and local communities in achieving sustainable forest management and develop strategies to enhance the capacity of these communities to sustainably manage their tropical timber producing forests.

²⁰ The provisions of the ITTO Manual for the Formulation of Projects, Annex B Guidelines for the Participation of Local Communities in the Project Cycle are considered in all the activities of the Thematic Programme.

- (iv) development of appropriate modalities and institutions for organization of forest communities and smallholders,
- (v) development of technical guidelines for community forest management and its operational practices,
- (vi) facilitation of market access to CFEs and smallholders and improvement of market information and networking between them,
- (vii) support to training and extension, including value addition and product development as well as business management and marketing skills, management of secondary forests for timber production and for rehabilitation of degraded areas, as appropriate in local conditions,
- (viii) facilitation of access to incentives for communities and smallholders from payment schemes of environmental services, and
- (ix) strengthening of community-based organizations, sharing of experience between communities in the country and strengthening their networks.

Participatory pilot field projects are implemented in situations where necessary legal provisions exist for community land tenure in order to identify and test policy proposals and to develop manuals, training materials and other capacity building documents which are applied in dissemination at country level. Project design is based on community and smallholder priorities, clearly targeted at financially and economically viable and environmentally sustainable activities, and at addressing the wide diversity of local situations. Pilot projects are implemented in areas of particular importance for poverty reduction or biodiversity conservation (e.g. representing typical problem situations, in and around protected areas and trans-boundary conservation areas, biological corridors, etc.). In addition to timber, NTFPs and environmental services are covered in the activities of community forest management and CFEs.

At regional and international levels, the Thematic Programme focuses on

- (i) knowledge management and sharing of country experience through dissemination via workshops, seminars, conferences, networking (including strengthening of existing relevant networks), publications, internet, etc.,
- (ii) analytical work including benchmarking between countries, particularly sharing lessons learned on the process and phasing of reforms, and identification of broader applicability of the lessons learned within the framework of country policy framework
- (iii) production of tools for implementing community forest management, and improving the efficiency of CFEs (e.g. generic guidelines for preparing community forest management plans and their implementation), and
- (iv) partnership building with interested national, regional and international bodies

The Programme relies heavily on the accumulated knowledge already developed on community forest management and CFEs to avoid any duplication of work. Common tools and approaches are developed in sub-regions as appropriate (e.g. the Congo Basin, Central America, the Amazon Basin, the Mekong River Basin, etc.) and relevant international standards²¹ are applied. A few number of priority areas will be selected for each of the targeted levels (pilot community/enterprise, country, and regional and international) based on the results of the consultation with the ITTO members.

OUTCOMES AND BENEFITS

The intended outcomes of the Thematic Programme are (i) increased awareness among decision-makers on the potential of community forest management, smallholders and CFEs for poverty reduction in rural areas, and policy and legal implications in tapping that potential, (ii) enabling policy and legal frameworks at country level to implement community forest management, (iii) strengthened organizations of forest communities and smallholders, (iv) improved knowledge and skills in implementing sustainable forest management among communities, smallholders and their organizations and related extension services, and (v) improved market access and increased value added of production of CFEs.

The ultimate benefit of the Programme is contribution to poverty reduction in forest areas through enhanced livelihood conditions. The targets are (i) to substantially expand the area under effective sustainable community forest management, (ii) to increase the supply of tropical timber and timber products from these sustainably managed forests to the domestic and export markets, as well as (iii) to increase income and other revenue to communities and smallholders from productive activities.

²¹ E.g., ISSC-MAP for medicinal and aromatic plants etc.

IMPLEMENTATION AND PARTNERS

The Thematic Programme will be implemented through pre-projects and projects as well as activities such as analytical work, development and testing of guides and training materials, workshops, seminars and dissemination. Civil society organizations, government agencies, research bodies, educational institutions and the private sector can submit project proposals prepared through participatory processes and based on the needs and priorities of forest communities. Proposals from countries are submitted through the Members' ITTO Official Focal and Contact Points.

The Programme is implemented in phases focusing in the first phase (i) on 2-3 countries in each tropical timber producing region, and (ii) knowledge management and sharing at regional and international levels. In each participating country a stock-taking diagnostic study would first be carried out²² based on which the country-specific implementation strategy is developed with broad participation of involved stakeholders, particularly local NGOs.

The Programme is implemented in close cooperation and involvement of ITTO's Civil Society Advisory Group (CSAG), relevant international organizations such as CIFOR, FAO, IUCN and regional bodies such as the Regional Community Forestry Training Centre (RECOFTC)²³ and the ASEAN Social Forestry Network (ASFN) in Southeast Asia, the Amazon Cooperation Treaty Organization (ACTO), Coordinadora de las Organizaciones Indígenas de la Cuenca Amazonica (COICA) and the Central American Indigenous and Peasant Community Agroforestry Coordinator Association (ACICAFOC) in Latin America, as well as COMIFAC²⁴, Réseau des Aires Protégées en Afrique Centrale (RAPAC) and Réseau des Populations Autochtones et Locales pour la Gestion Durable des Ecosystèmes Forestiers d'Afrique Centrale (REPALÉAC) in Africa. At international level the Programme is implemented in cooperation with the Global Alliance on Community Forestry (GACF) and its member organizations, the International Family Forest Association (IFFA) and its member organizations, as well as NGOs such as WWF, the wildlife trade monitoring network TRAFFIC, the Rights and Resources Group (RRG), the World Rainforest Movement (WRM)/Forest Trees and People (FTP) and other relevant parties working towards poverty reduction through forestry interventions. In the case of medicinal and aromatic plants, partners include the World Health Organization (WHO) in addition to those mentioned above. Country activities are implemented in cooperation and involvement of local NGOs.

INDICATIVE BUDGET AND TIMEFRAME

The indicative budget of the Thematic Programme is USD 15 million, of which USD 12 million is planned to be for community and country-level activities and USD 3 million for regional and international level activities. The Programme time frame is five years in the first phase. A comprehensive evaluation will be carried out at the end of the fourth year of implementation based on which the second phase is designed.

POTENTIAL DONORS

To be defined

* * *

²² Not included in countries where sufficient information already exists.

²³ The Thematic Programme contributes to the implementation of RECOFTC's Strategic Plan 2008-2013. People and Forests in a Time of Rapid Change – Strengthening Capacities for Community Forestry to Respond

²⁴ The Thematic Programme contributes to the implementation of the COMIFAC Convergence Plan's Strategic Axis 6 Development of Alternative Activities and Reduction of Poverty in the Congo Basin.

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**THEMATIC PROGRAMME ON
REDUCING DEFORESTATION AND FOREST DEGRADATION AND
ENHANCING ENVIRONMENTAL SERVICES IN TROPICAL FORESTS**

The International Tropical Timber Council,

Recalling that the International Tropical Timber Agreement (ITTA), 2006, the Successor Agreement to the ITTA, 1994, was agreed on 27 January 2006;

Also recalling the establishment of the Thematic Programmes Sub-Account under Article 20 of the ITTA, 2006 to facilitate unearmarked contributions for the financing of approved pre-projects, projects and activities consistent with Thematic Programmes established by the Council;

Noting the report of the Inter-sessional Working Group on Thematic Programmes held in Chiang Mai, Thailand, in March 2007;

Also Noting the need to operationalize the Thematic Programmes as soon as possible on a pilot scale as stipulated in the report of the Meeting on Operational Modalities of Future Work of the ITTC convened 9-12 June 2008, in Accra, Ghana;

Considering experiences gained in developing and implementing thematic elements of the biennial Work Programme, including the ITTO Programmes on Tropical Forest Law Enforcement and Trade, and on Cooperation between ITTO and CITES to Improve Country Capacity to Implement CITES Listings of Tropical Timber Species, as well as experiences gained through implementation of Article 24 (Policy Work of the Organization) and Article 25 (Project Activities of the Organization) of the ITTA, 1994;

Decides to:

1. Approve and implement the Thematic Programme Profile for Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests contained in the Annex of this decision;
2. Encourage the members to participate in the Thematic Programme and urge donors to provide funding in order to initiate activities related to the Thematic Programme;
3. Request the Executive Director to develop with interested parties a full-fledged Thematic Programme Document based on this profile;
4. Apply for this Thematic Programme the Procedures and Guidelines decided separately by the International Tropical Timber Council for the operation of the Thematic Programmes;
5. Request the Executive Director to circulate the completed Thematic Programme Document to Members and invite Members to submit proposals based on this Document;
6. Request the Executive Director to report at the Forty-fifth Council Session on the development, status and other relevant information on the pilot operation of the Thematic Programme; and
7. Review procedures for and the operation of the pilot operation of the Thematic Programme at a date decided by the Council.

ANNEX

PROGRAMME PROFILE ON

REDUCING DEFORESTATION AND FOREST DEGRADATION AND ENHANCING ENVIRONMENTAL SERVICES IN TROPICAL FORESTS

RATIONALE

Tropical forests play a vital role in sustaining a large percentage of the world's biodiversity, maintaining land use options and water resources, sequestering carbon dioxide and providing key services to forest-dependent people. One of the objectives of the ITTA, 2006, the International Tropical Timber Organization is committed to promoting '*better understanding of the contribution of ... environmental services to the sustainable management of tropical forests with the aim of enhancing the capacity of members to develop strategies to strengthen such contributions in the context of sustainable forest management...*' [Article 1(q)].

There are various examples of environmental services provided by tropical forests that promote sustainable livelihoods of forest dependent communities, which are threatened by deforestation and forest degradation. Some of these services are already contributing to the development of ITTO producer member countries, while others have yet to be developed or recognized. The following are examples that have been considered tropical forest environmental services:

Watershed maintenance: A critical component of many tropical forests is the water that sustains the villages and forest-dwellers dependent on this resource. Some ITTO member countries have already developed payment for environmental services schemes related to watershed management, which could inform similar initiatives in other tropical countries.

Mitigation and adaptation to climate change: Forest-related activities are recognized as relatively low-cost mitigation options that can both reduce emissions of greenhouse gases and increase the uptake of carbon in trees and forest soils. Their contribution is not limited to mitigation as they also add to adaptation to climate change and sustainable development. According to the Fourth Assessment Report of the IPCC, 65% of the total mitigation potential of forest-related activities is located in the tropics, and about 50% of the total could be achieved by reducing emissions from deforestation and forest degradation. The realization of this potential requires the existence of policies, institutional framework, investment capital, technology, research and development and incentives that, in many parts of the tropical world, is still absent, forming a barrier to implement tropical forestry and climate change related activities.

Biodiversity conservation: Tropical forests are of enormous importance for the conservation of the world's biodiversity. They contain more species than other biomes and a high proportion of these species are threatened. However, only a small percentage of tropical forests are in protected areas and many of these are poorly managed. The rest of the world's forests are subject to some form of extractive use or risk conversion to non-forest land uses. ITTO and its partners (IUCN, CBD, WWF and others) have developed the "Guidelines for the conservation and sustainable use of biodiversity in tropical timber production forests" to further promote the conservation of biodiversity in production tropical forest landscapes that are intended to be sustainably managed and utilized.

Forest restoration, afforestation and rehabilitation activities are important components to sustaining and/or facilitating environmental services schemes and reducing emissions from deforestation and degradation. Deforestation and forest degradation have altered many of the world's tropical forest landscapes. In order to enable environmental services to fully function, tropical forests must be sustainably managed and restored to maximize their full potential. Forest landscape restoration provides a complementary framework to sustainable forest management in areas where forest loss has caused a decline in the quality of environmental services. ITTO has a long track record of working with member countries and partners to promote forest landscape restoration through field projects and capacity building activities. Furthermore, recent International Expert Meeting on Addressing Climate Change through Sustainable Management of Tropical Forests, stressed that forest restoration and sustainable forest management are important measures for mitigating climate change. They also have many additional benefits, including biodiversity conservation, the provision of other ecosystem services, and the alleviation of poverty. In addition, the Expert Meeting recognized that ITTO can play an important role in encouraging and assisting member countries to develop and implement forest-based climate change mitigation and adaptation initiatives.

OBJECTIVES

The Programme will tackle the issues of improving livelihoods by reducing deforestation and forest degradation and enhancing environmental services from sustainable management of tropical forests.

The Programme's specific objectives are to:

- (i) Facilitate the assessment and monitoring of existing and potential environmental services in ITTO producer member countries;
- (ii) Implement activities aiming to reduce emissions from deforestation and forest degradation as well as specific demonstration projects and field activities related to environmental services;
- (iii) Assist member countries in disseminating and scaling up management practices to enhance environmental services through the sustainable management of tropical forests.

PROGRAMME STRATEGY

The Programme will use an integrated approach as the issues dealt with are linked. The Programme will also take into account the need to recognize the importance of filling gaps, building complementarity, synergies and cooperation with initiatives carried out by other institutions/ organizations/entities such as the UN-REDD Fund, the World Bank's Forest Carbon Partnership Facility, the Congo Basin Forest Fund, and other country/region specific initiatives. The Programme will support activities and provide technical and financial assistance, taking into consideration the experience generated by existing activities, projects and pre-projects of ITTO, partner organizations and other institutions. The programme will be implemented based on procedures established by the ITTC, including for monitoring and evaluation.

The programme will focus primarily on the following areas:

Assessment and diagnosis

The quality of planning forest-related interventions depends on the availability and accuracy of data and information related to the state and threats to forest resources. In this regard, the activities to be supported in this area could include:

- Forest cover and forest resources assessment, monitoring and verification systems
- Pilot multi-purpose forest inventories
- Estimation of forest carbon stocks, including emissions from deforestation and forest degradation;
- Assessment of policy, legal and institutional frameworks to promote biodiversity conservation, forest carbon fixation, watershed conservation and other environmental services through sustainable forest management;
- Land and forest tenure assessments; and
- Assessment of possible measures for using forests to adapt to climate change, including rights, incentives and procedures for better engagement of civil society and local communities in related activities.

Enabling conditions

Activities to be included in this area will focus on the establishment of enabling policy, legal and institutional frameworks and governance related to environmental services and reduction of emissions from deforestation and degradation. Activities will include work under the following four topics:

Formulation/enhancement of national forest policies: Upon member countries request, the Programme will assist in reviewing/updating the national policies and legal frameworks taking into account global forest policies and objectives and the issues of poverty reduction, biodiversity conservation, landscape restoration and climate change in particular.

Improving forest law enforcement and governance: The Programme will support the development of innovative and participatory approaches and technologies to tackle illegal activities that may hamper the continuous production of environmental services from tropical forests, including strengthening forestry administration and infrastructure; promoting the participation of civil society organizations and local communities in tracking illegal forest related activities; and addressing issues related to decentralized and participatory decision making in forestry.

Training: ITTO has a solid experience of capacity building in tropical countries, including on Criteria & Indicators for sustainable forest management, forest auditing, reduced impact logging (RIL), and biodiversity conservation in production forests. Training under the Programme will focus on building local capacity, including *in-situ and ex-situ* biodiversity conservation, estimation of forest carbon stocks, and collection and analysis of baseline information to provide elements for national climate change adaptation and mitigation strategies and initiatives.

Proposal formulation: The Programme will provide support for the formulation of projects, programmes and strategies consistent with its overall objectives, including reducing deforestation and forest degradation, promoting forest landscape restoration afforestation and reforestation, and conserving biodiversity.

Demonstration activities

The Programme will facilitate the implementation of sustainable forest management demonstration projects to help realize the benefits of environmental services, including in local communities.

Scaling up and dissemination

Programme support will be provided for activities dedicated to the replication and scaling up of successful demonstration projects related to environmental services schemes in tropical forests. The Programme will also provide support for sharing information and lessons learned locally, nationally and internationally.

There are a number of complementary actions that ITTO will undertake to facilitate the progress of the Programme in an integrated manner in all four areas. Such cross-cutting actions include: increasing awareness and intensifying public education on tropical forest-related environmental services; strengthening the participation of representatives from ITTO producer members in the international debate on tropical forest related environmental services, in particular on climate change; and ensuring the continued and active involvement of ITTO in the international debate on climate change and environmental services issues related to tropical forests, and reporting developments to member countries. Activities of Area II (Enabling conditions) will be mainly conducted by ITTO and partners in cooperation with recipient countries / regions. Activities of Areas I (Assessments and diagnosis); III (Demonstrations) and IV (Dissemination) will be country/region-driven and directly implemented by the countries / regions concerned.

OUTCOMES AND BENEFITS

The expected outcomes and benefits of this programme are:

- Enhanced sustainable forest management, including reduced deforestation and forest degradation in tropical timber producing forests;
- Improved capacities to develop and implement feasible policy options and incentive mechanisms to increasingly and continuously promote environmental services from tropical forests;
- Improved livelihoods for forest dwellers and other stakeholders directly involved in the generation of environmental services from the sustainable management of tropical forests;
- Improved practices to promote and stimulate community involvement in the generation of environmental services from SFM in the tropics, which are developed and disseminated widely; and
- Improved resilience of tropical forest ecosystems and forest dependent communities.

TIMEFRAME AND INDICATIVE BUDGET

Addressing critical global issues such as biodiversity conservation, climate change and poverty alleviation requires robust action from ITTO, which is an institution with a specific mandate on tropical forests. Given the scope of actions being considered within this Thematic Programme, there is a need for ITTO to take action over a significant period of time and with substantial budgetary inputs to meet the Programme's objectives. For an initial period of four years, the indicative budget for the Programme is estimated at US\$ 23.4 million, as follows:

Area of Intervention	Amount/Year	4 Years
I – Assessment	US\$ 500,000	US\$ 2,000,000
II – Enabling conditions	US\$ 1,000,000	US\$ 4,000,000
III – Demonstration	US\$ 3,000,000 (2 projects/year/region)	US\$ 12,000,000
IV – Dissemination	US\$ 1,350,000	US\$ 5,400,000
TOTAL	US\$ 5,850,000	US\$ 23,400,000

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DECISION ^{}(XLIV)**

THEMATIC PROGRAMME ON TRADE AND MARKET TRANSPARENCY

The International Tropical Timber Council,

Recalling that the International Tropical Timber Agreement (ITTA), 2006, the Successor Agreement to the ITTA, 1994, was agreed on 27 January 2006;

Also recalling the establishment of the Thematic Programmes Sub-Account under Article 20 of the ITTA, 2006 to facilitate unearmarked contributions for the financing of approved pre-projects, projects and activities consistent with Thematic Programmes established by the Council;

Noting the report of the Inter-sessional Working Group on Thematic Programmes held in Chiang Mai, Thailand, in March 2007;

Also Noting the need to operationalize the Thematic Programmes as soon as possible on a pilot scale as stipulated in the report of the Meeting on Operational Modalities of Future Work of the ITTC convened 9-12 June 2008, in Accra, Ghana;

Considering experiences gained in developing and implementing thematic elements of the biennial Work Programme, including the ITTO Programmes on Tropical Forest Law Enforcement and Trade, and on Cooperation between ITTO and CITES to Improve Country Capacity to Implement CITES Listings of Tropical Timber Species, as well as experiences gained through implementation of Article 24 (Policy Work of the Organization) and Article 25 (Project Activities of the Organization) of the ITTA, 1994;

Decides to:

1. Approve and implement the Thematic Programme Profile for Trade and Market Transparency contained in the Annex of this decision;
2. Urge the members to provide funding in order to initiate activities related to the Thematic Programme;
3. Request the Executive Director to develop with interested parties a full-fledged Thematic Programme Document based on this profile;
4. Apply for this Thematic Programme the Procedures and Guidelines decided separately by the International Tropical Timber Council for the operation of the Thematic Programmes;
5. Request the Executive Director to circulate the completed Thematic Programme Document to Members and invite Members to submit proposals based on this Document;
6. Request the Executive Director to report at the Forty-fifth Council Session on the development, status and other relevant information on the pilot operation of the Thematic Programme; and
7. Review procedures for and the operation of the pilot operation of the Thematic Programme at a date decided by the Council.

ANNEX

PROGRAMME PROFILE ON

THEMATIC PROGRAMME ON TRADE AND MARKET TRANSPARENCY

RATIONALE AND CONTEXT

The tropical timber trade in logs, sawnwood and plywood/veneer generates export revenue of about USD 11.2 billion²⁵ to ITTO producing member countries. This is complemented by exports of about USD 10.8 billion in Secondary Processed Wood Products (SPWPs)²⁶. While the exports of the latter have been growing and there has been some expansion in tropical sawnwood exports in the recent years, tropical plywood from the ITTO producing countries has lost its market share and the export volume has been declining. Trade flows have also changed due to the rapidly increasing demand for timber and timber products in China, the Gulf States and many other emerging markets in Asia and Latin America. At the same time, China has emerged as a major in-transit producer/exporter of plywood and SPWPs based on imported raw materials from the tropical countries, Russia and other sources. Another trend is the on-going penetration of plantation wood into solidwood product markets in the form of reconstituted panels, plywood and SPWPs influencing the competitiveness of tropical timber from natural forests. Flooring, furniture and other products made of bamboo is also penetrating some typical end-uses of tropical timber. As a whole, the international tropical timber markets are undergoing dynamic structural changes and need close monitoring to enable producing countries to respond to emerging demands including requirements for sustainable forest management and legal harvesting.

While tariff barriers have declined in developed countries, there remains a considerable degree of tariff escalation. This is further compounded in trade between developed countries in which both tariff rates and escalation represent a key barrier to the development of intra-regional trade. With the pending outcome of the Doha Round of the WTO negotiations, there is a particular need to explore ways and means for how tariff escalation could be reduced and intra-regional trade, particularly in Africa, could be promoted.

Non-tariff barriers continue to be significant for tropical timber trade in major import markets²⁷. Due to this type of barriers, remunerative price is not yet fair, not reflecting scarcity and real value of the resources. This condition is worsened by the excessive role of middlemen. Furthermore, these barriers can rapidly affect market access for tropical timber (e.g. the introduction of CE marking in the European Union) and need to be monitored. Without external assistance in capacity building (e.g. auditing and accreditation services), tropical timber producing countries have difficulties to overcome measures in import markets which can lead to non-tariff barriers to trade or even discrimination of tropical timber and timber products. There are also other factors which discourage tropical timber trade such as complex procedures of importation in consuming countries (both developed and developing), lack of clarity of sanitary regulations, and high transaction costs paid for trade intermediaries. While respecting all environmental and social consideration in trade, the importing countries should consider the conditions of producing countries. Non financial trade barriers pertinent to environmental and social considerations shall be implemented cautiously so that they do not result in discrimination against producing countries.

Improvement of market conditions and transparency is essential for promotion of international trade in timber and other products from sustainably managed and legally harvested forests. Transparency requires adequate statistical information on timber trade, supply and demand, supported by relevant market and economic information, including trends and factors influencing substitution with other materials and non-tropical timber. Improved transparency is also needed on export incentives and subsidies which can influence competitiveness of supplier countries which do not apply such instruments. Without adequate information on changes in demand, trade patterns and product requirements including those related to traceability and sustainability of supply sources, trade promotion is difficult. It is equally important to understand and communicate the environmental characteristics of tropical timber and timber products from sustainably managed forests to buyers, consumers and other stakeholders. Another important point is that transparency shall be aimed to fair pricing and to discourage rent seeking as well as the role of middlemen.

²⁵ The total forest sector exports was reported as USD 30.8 billion in 2006 (excluding NFTPs).

²⁶ A significant share of this is produced based on non-tropical timber, often imported.

²⁷ Taylor, R. & Ass., STCP Engenharia de Projetos & Wing Hing, L. 2005. Report on the Measures to Promote the Expansion and Diversification of International Trade in Tropical Timber. ITTO.

Public and private procurement policies related to tropical timber and timber products (in particular forest certification) have been generally developed without due consultation with tropical timber producing countries. Many procurement policies therefore tend to be biased against tropical timber, not least because the vast majority of certified timber that such policies usually demand comes from outside the tropics. In addition, there is extensive diversity in their specific requirements making it difficult for tropical timber suppliers to meet them. There is a need to further monitor these developments and explore and promote common terminology and approaches as well as harmonization or comparability of requirements, when appropriate, in order to facilitate market access to sustainably produced tropical timber from legally harvested sources.

The ITTO producing member countries are lagging behind in the implementation of certification of forest management and chain of custody compared to the developed countries which represents an important competitive disadvantage. Certification procedures have been designed for large-scale operations with established management systems. It has been particularly difficult for community forests and smallholders in ITTO producing member countries to achieve forest certification which has serious equity implications. There is a need to support them to implement SFM and its certification.

In many ITTO producing member countries information systems concerning the forestry sector and national markets for forest products are weak or sometimes even almost non-existent. On the other hand, domestic demands are growing fast and are often difficult to satisfy by the available national supply. The role of domestic market is important for the development of utilization of lesser-used species (LUS) which can play a critical role in making sustainable forest management in natural tropical forests economically viable. Market prospects for individual plantation timbers should be known to guide species selection but such information is presently too general or scanty for decision-making on plantation investments.

Market information on non-timber forest products (NTFPs) is patchy and knowledge on international market opportunities limits development of forest-based small and medium-scale enterprises (SMEs) which dominate this sector. The opacity of the markets hampers product and market development and appropriate product pricing, resulting in distorted benefit sharing between SMEs and intermediaries who often enjoy windfall profits.

Environmental services of tropical forests are critical for the humankind representing public goods for which various market mechanisms are being developed. However, the actual financial flows to compensate these services are still modest but need close monitoring to assist producing member countries to develop appropriate market-based or other compensation mechanisms in their particular situations.

OBJECTIVES²⁸

The objectives of the Thematic Programme are (i) promotion of trade in tropical timber and timber products through enhanced capacity of producing member countries and improved awareness on the specific opportunities and constraints that these countries are facing in meeting market requirements, and (ii) contribution to the establishment of fair and transparent market for products from tropical forests by means of increased market transparency through improved data and knowledge, including but not limited to transparency for fair pricing.

PROGRAMME STRATEGY

The Thematic Programme operates at two levels: (i) international and regional level to improve market access, transparency and exchange of market information, to influence developments related to non-discrimination and market access, and to share experience on policy design and market promotion, and (ii) country level to build up capacities in statistical and market information in order (a) to monitor markets for products and services derived from tropical forests, and (b) to improve the policy framework for promotion of trade in tropical timber from legal and sustainable sources

At international and regional levels, the Programme activities include

- (i) regional-level training workshops on statistical and economic information to continuously upgrade the skills of member countries;

²⁸ ITTA 2006 Art. 1 para (d), (e), (f), (h),(k), (l), (m), (o) and (q). The Thematic Programme is additional to the regular activities of the Organization as defined in Articles 27 and 28 of the ITTA 2006.

- (ii) strengthening of the existing international information systems on tropical forests and timber trade for capitalizing synergies and avoiding duplication (e.g. the Global Forest Resource Assessment (FRA) of FAO and the inter-agency Forest Sector Joint Questionnaire);
- (iii) comparative analyses of trade data to detect inconsistencies and anomalies for corrective action by member countries;
- (iv) market studies on tropical timber and timber products, including SPWPs: (a) long-term outlook for tropical timber in consuming and producing countries, (b) export possibilities in selected markets (e.g. development of intra-regional trade in Africa, the triangle of Singapore-Hong Kong-the Taiwan Province, the Gulf States sub-region, etc.), (c) market outlook for lesser-used species and selected plantation species (e.g. eucalyptus, acacia, gmelina, teak, mahogany, balsa, etc.), particularly in solidwood products, (d) end-use requirements of tropical timber in construction, furniture and other sectors as well as in markets for value added products, (e) emerging key issues (e.g. the impact of the US sub-prime crisis on tropical timber markets), and (f) market prospects for NTFPs;
- (v) studies on substitution and competitiveness in relation to competing materials and non-tropical timber and timber products as well as NTFPs; studies on life-cycle assessment on tropical timber products vis-à-vis their substitutes focusing on climate change impacts;
- (vi) monitoring of the competitiveness of suppliers of tropical timber and timber products in the major markets with regard to prices, production costs, transportation costs and costs of capital vis-à-vis their competitors from temperate and boreal zones;
- (vii) monitoring of tariff and non-tariff barriers in all tropical timber importing countries as well as fiscal policies and subsidies which influence competitiveness of tropical timber producing countries and to inform ITTO members on best practices in the application of such instruments;
- (viii) monitoring of changes in nomenclatures, measurement practices, and grading rules for tropical timber and timber products as well as promotion of their harmonization as a tool to facilitate timber trade, as appropriate;
- (ix) monitoring of systems for forest certification, certification of chain of custody and timber tracking; public and private procurement policies and technical and environmental standards (e.g. health and safety, green building, etc.), and their implications for the market access for tropical timber; as well as promotion of convergence among certification systems and procurement policies as well as requirements set for them;
- (x) analysis of economic and fiscal policies and their impacts on the competitiveness of tropical timber (including subsidies, taxation, etc.);
- (xi) studies on emerging markets and compensation mechanisms for environmental services derived from tropical forests; and
- (xii) awareness raising among decision-makers and the public on progress made and key constraints in sustainable management of tropical forests.

At country level, the Programme activities include

- (i) diagnostic studies and surveys on critical data gaps related to production and trade of timber, timber products and NTFPs;;;
- (ii) training for specialists in charge of data collection and reporting and support to the establishment of information systems in countries which have difficulties in meeting their reporting requirements (e.g. Liberia, Indonesia, Thailand, Myanmar, Nigeria, the Democratic Republic of Congo, Côte d'Ivoire, Mexico, Brazil, Ecuador, etc.); further training on skills to analyze market data and its effective dissemination;
- (iii) studies on domestic markets for tropical timber and timber products as well as NTFPs, on competition from imported timber products and SPWPs, and on opportunities for undervalued timber species;
- (iv) studies on the structure of the value chain of tropical timber and timber products as well as NTFPs from the forest up to end users;
- (v) development of standards and quality control systems for tropical timber and timber products as well as NTFPs; and support to introducing ISO 9000 and ISO 14000 management systems into the timber industry;
- (vi) support to design and implementation of adequate up-to-date information systems on both domestic and export market to meet the needs of domestic industry and trade as well as to the design and implementation of programmes for systematic promotion of use of tropical timber and timber products as well as NTFPs; and
- (vii) training and other assistance to market promotion of lesser-used timber species and non-timber forest products.
- (viii) Market intelligent capacity strengthening.

A few number of priority areas will be selected for each of the targeted levels (country and regional and international) based on the results of the consultation with the ITTO members.

OUTCOMES AND BENEFITS

The intended outcomes of the Thematic Programme are (i) improved market transparency for tropical timber and timber products, NTFPs and forest environmental services, (ii) strengthened country capacity to monitor market changes and factors affecting market access, (iii) facilitated market access for tropical timber and timber products as well as NTFPs from sustainably and legally harvested forests and reduced market access to products from illegal logging and associated trade, and (iv) less discriminatory market requirements for products from sustainably managed tropical forests.

The ultimate benefits of the Programme include contribution to (i) poverty reduction and sustainable development of the ITTO producing member countries, (ii) to sustainable consumption patterns in the ITTO consuming member countries, and (iii) improved sharing of benefits from trade in products and services from tropical forests.

IMPLEMENTATION AND PARTNERS

The Thematic Programme is implemented through pre-projects and projects as well as activities such as analytical studies, workshops, seminars, etc. Government agencies, research bodies, private sector and civil society organizations can submit project proposals for the implementation of the Thematic Programme. Proposals from countries are submitted through the Members' ITTO Official Focal and Contact Points.

The outcomes of ITTO's Annual Market Discussions and the Bi-annual Review and Assessment of the World Timber Situation as well as the recommendations of the ITTO Trade Advisory Group (TAG) also guide implementation of the Programme.

The Programme is implemented in close cooperation with the TAG, relevant international bodies such as FAO/ECE, ITC, UNCTAD (BioTrade Initiative), the Common Fund for Commodities (CFC), COMIFAC²⁹, the African Timber Organization (ATO), the Amazon Cooperation Treaty Organization (OCTA), national timber trade associations and civil society organizations and their programmes and projects (e.g. the WWF Global Forest & Trade Network, the Katoomba Group, the wildlife trade monitoring network TRAFFIC, etc.).

Synergies with parallel initiatives are identified and harnessed through cooperative arrangements. It is recognized that ITTO has two on-going programmes which are complementary to this Thematic Programme: (i) Tropical Forest Law Enforcement and Trade (TFLET) and (ii) Ensuring International Trade in CITES-listed Timber Species Is Consistent with their Sustainable Management and Conservation. The three programmes are mutually reinforcing and their synergies are harnessed through coordinated implementation.

INDICATIVE BUDGET AND TIMEFRAME

The indicative budget of the Thematic Programme is USD 16 million, of which USD 10 million would be for country level activities and USD 6 million for regional and international level activities. The Programme time frame is five years in the first phase. A comprehensive evaluation will be carried out the end of the fourth year of implementation based on which the second phase is designed

POTENTIAL DONORS

To be defined.

* * *

²⁹ The Thematic Programme contributes to the implementation of the COMIFAC Convergence Plan's Strategic Axis 5 Sustainable Value Creation from Forest Resources in the Congo Basin Activity 5123 development of regional and sub-regional markets for timber and other forest products, Activity 5.3 Forest certification and traceability

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DECISION ^{}(^{*}XLIV)**

**ITTO / IUCN GUIDELINES FOR THE CONSERVATION AND SUSTAINABLE USE OF
BIODIVERSITY IN TROPICAL TIMBER PRODUCTION FORESTS**

The International Tropical Timber Council,

Recalling Decision 4(XLIII), which welcomed the draft *ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests*;

Further recalling Decision 8(XXX) on cooperation between ITTO and IUCN;

Acknowledging the valuable assistance given by the four Producer Member countries in which the draft guidelines have been evaluated in accordance with the recommendations of CRF XXXVII;

Recognizing the value of operational guidelines in assisting Member Countries to build their capacity and accelerate progress towards achieving Objective 2000;

Realising the need to promote the implementation of the Guidelines as a way of encouraging the conservation and sustainable use of tropical forest biodiversity in tropical timber production forests:

Decides to:

1. Adopt the *ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests*, taking into account additional comments by Members;
2. Request the Executive Director to publish the *ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests* and to distribute it widely to Members and other interested parties;
3. Encourage Members to adapt and make use of the *ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Producing Forests* on a regional, national and/or local basis wherever appropriate in their work, including in ITTO project proposals and reporting;
4. Commend the Guidelines as an international reference standard to Members and the wider international community as a major contribution towards the sustainable use and conservation of tropical timber production forests and their genetic resources;
5. Request the Executive Director to undertake the following actions to promote the implementation of the Guidelines:
 - a. Publish and widely disseminate an information brochure, in the Organization's three working languages, that summarizes the Guidelines;
 - b. Convene national-level workshops in at least three member countries to adapt the

Guidelines to suit national circumstances and to encourage adoption at the national level;

- c. In at least three member countries, support the pilot application of the Guidelines, in partnership with forest stakeholders, in tropical timber production forests;
 - d. Disseminate the Guidelines and the lessons learn in its implementation at the 10th Conference of the Parties to the Convention on Biological Diversity, to be convened in Nagoya, Japan, in 2009;
6. Request the Executive Director to collaborate with IUCN and other partners to implement the above activities;
 7. Review progress in the implementation of this Decision at the Forty-fifth [or sixth – if the next one is in Spring] Session of the Council with a view to considering further actions to promote the use of the Guidelines; and
 8. Authorize the Executive Director to seek voluntary contributions from Member Countries to meet the financial requirements of this Decision, not exceeding US\$400,000.00.

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DECISION * (XLIV)

**THEMATIC PROGRAMME SUB-ACCOUNT
UNDER THE SPECIAL ACCOUNT**

The International Tropical Timber Council,

Noting that the “*Financial Rules and Rules Relating to Projects of the International Tropical Timber Organization*” adopted by the International Tropical Timber Council through Decision 6(XXIII) of December 1997 dealt specifically with the three financial accounts of the Organization established through Article 18, paragraph 1 (a), (b) and (c), and elaborated under Articles 19, 20 and 21 of the ITTA, 1994;

Also noting Article 23 “Audit and publication of accounts”;

Recognizing that Decision *(XLIV) on “*Thematic Programmes on Pilot Basis, and Operational Procedures and Guidelines*” necessitates the need for the establishment of a separate sub-account for dealing with thematic programmes on a pilot basis;

Taking note of Article 18, paragraph 1 (d), of the International Tropical Timber Agreement, 1994, which states that “there shall be established such other accounts as the Council shall deem appropriate and necessary”;

Decides to:

1. Establish, with effect from 1 January 2009, a financial sub-account – (henceforth named the Thematic Programme Sub-Account) in the Special Account of the International Tropical Timber Organization;
2. Authorize the Executive Director to transfer into the Thematic Programmes Sub-Account unearmarked contributions for the financing of approved pre-projects, projects and activities or earmarked contributions to specific thematic programmes, consistent with the procedures for thematic programmes established on a pilot basis by the Council;
3. Authorize the Executive Director to transfer fifty per cent of interest earned on the Thematic Programmes Sub-Account to the unearmarked fund in the Special Account, and to transfer the remaining balance of interest earned into the Bali Partnership Fund in accordance with Article 21 of the ITTA, 1994, and Rule 19 of the Financial Rules and Rules Relating to Projects; and
4. Request the Executive Director to submit to the Council an auditor's report on the Thematic Programmes Sub-Account in the Special Account as soon as possible after the close of the financial year but not later than six months after that date and in any case not later than two months before the next session of the Council.

* * *