



**INTERNATIONAL TROPICAL  
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**FORTY-SECOND SESSION**  
**7 – 12 May 2007**  
**Port Moresby, Papua New Guinea**

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

**Port Moresby, Papua New Guinea**

**7 – 12 May 2007**

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## REPORT

### OPENING OF THE SESSION (Agenda Item 1)

1. The Forty-second Session of the International Tropical Timber Council was opened by the Chairperson of the Council, H.E. Amb. Luis Macchiavello Amoroz (Peru). The Chairperson warmly welcomed all delegates to the Session and on behalf of the Council expressed gratitude to the Government of Papua New Guinea for their generous hospitality and their invaluable support in hosting the Forty-second Session of the Council.
2. The Chairperson referred to the selection of the next Executive Director, the ratification of the ITTA, 2006 by governments and the work related to the problems of deforestation, sustainable forest management, illegal logging and trade, as core issues on the agenda for the Forty-second Session that the Council would need to consider in greater detail. He noted that all the six (6) candidates pre-selected by the Expert Panel were of unquestionable merit and the Council was, therefore, faced with the challenge of selecting the *primus inter pares*. He also urged all Member Countries to make the utmost effort to achieve the full entry into force of the ITTA, 2006 as early as possible. On the problems affecting tropical forests, the Chairperson recalled the statement made by the immediate past Chairperson of the Council, Mr. Koichi Ito (Japan) that not withstanding the investment of almost US\$300 million made by ITTO in over 800 projects and activities, deforestation and other related problems had not decreased. The Chairperson was quick to point out that meeting the basic needs of people in developing countries, such as food, housing, health, education and employment had been the top priority of most governments and under these circumstances, the tropical forest issue could hardly be indicated in their national priority agendas. He also noted that the requirements for the management of tropical forests, particularly in relation to biodiversity, environmental and social criteria were much more complex and demanding than for non-tropical forests and much less attractive in terms of financial returns than other land uses.
3. In his address to the Council, the Rt. Hon. Grand Chief Sir Michael T. Somare, Prime Minister of Papua New Guinea on behalf of the people and government of Papua New Guinea welcomed all delegates to Papua New Guinea. He also expressed his gratitude to the Council for giving PNG the honor to host the Forty-second Session of the ITTC. He commended the Council for its role in promoting the sustainable use and management of tropical forest resources and paid tribute to the founders of ITTO for their vision and foresight. The Prime Minister also stated that PNG's achievements in sustainable forest management over the years had been made possible through the generous support of various donor countries and thanked all the donor countries and ITTO for their continued support towards the forestry sector in PNG. The Prime Minister also informed the Council that the government of PNG was taking steps to ratify the ITTA, 2006 and urged other countries that had not yet instituted steps towards ratification to do so expeditiously.
4. The Prime Minister informed the Council that PNG had taken steps to lead the coalition for rainforest nations under the auspices of the UNFCCC to reduce emissions from deforestation in developing countries. He noted that good sustainable forest management systems do not lead to deforestation but forest land conversion to other land uses could rather result in permanent loss of forest cover and indicated that as a developing country, it would not be logical to push for conservation alone since the forest resources in most nations contribute immensely towards socio-economic development. H.E. Sir Michael Somare noted that illegal logging if condoned would lead to unsustainable management and loss of revenue and all other benefits from the forests, not only for the entire nation but more importantly, forest-dependent communities or forest owners. He pledged PNG's cooperation with ITTO to combat illegal logging and illegal trade. The Prime Minister mentioned that PNG had a sound policy and legal framework for the sustainable management of its forest resources and cited the unique land ownership system where the land and forest resources were owned by the people and the recognition by the constitution of customary ownership. He, however, expressed the concern of his government about the often unfounded allegations of illegality in the trade of tropical wood products. He noted that under pressure from environmental activists, some importing countries resorted to the imposition of non tariff barriers to trade not consistent with obligations under the WTO. He mentioned that the forestry sector was one of the key natural resources sectors that had and continue to play a major role in PNG's economy by contributing to national development and facilitating integrated rural development and poverty alleviation. He also noted that foreign aid had played a catalytic role in the development of the forestry sector over the past 15 years focusing on institutional

- strengthening, capacity building and research, and indicated that the government was happy to work with donor partners to assist and support PNG's efforts in improving rural welfare and poverty alleviation through the forestry sector.
5. In his statement to the Council, which was delivered by Hon. Senator Dr. Vijayarajnam, Hon Datuk Peter Chin Fah Kui, Minister of Plantation Industries and Commodities of Malaysia, noted that PNG had many important lessons to offer to ITTO pursuit of its core objective to promote trade in tropical timber from sustainable managed forests through international cooperation as enshrined in the ITTA. He further noted that, in that context, convening of Council Sessions with venues alternating between headquarters in Yokohama, and a producer country on rotation between the three tropical regions, was of strategic importance and value to ITTO and must be maintained. He informed the Council that Malaysia had signed the ITTA, 2006 and was taking the necessary measures for ratification and urged all Members who had not done so to expedite the ratification of the ITTA, 2006 in order for it to come into force as soon as possible. He also reaffirmed Malaysia's full commitment to ITTO, particularly its objectives, its consultative and deliberative forum on all aspects of the tropical timber economy and the sustainable management of the resource base through cooperation between producer and consumer countries.
  6. Hon Datuk Peter Chin Fah Kui expressed his appreciation and gratitude to the Executive Director, Dr. Manoel Sobral Filho, for his dedication and contributions to the Organization. He noted with regret that Dr. Sobral's tenure of office as Executive Director would expire in November 2007 and appealed to the Council to appoint the next Executive Director by consensus and that He/She should be from a producer Member Country. He also updated the Council on Malaysia's forests and progress in implementing sustainable forest management. He mentioned that Malaysia had designated a total of 14.39 million hectares of forested land as the permanent forest reserves (PFRs) managed under strict principles of sustainable forest management. He indicated that with full commitment and as a measure to ensure the sustainable management of Malaysia's forest resources, the Malaysian Timber Certification Council (MTCC) was established in 1998 as an independent organization to develop and operate a voluntary national timber certification scheme in Malaysia in order to provide independent assessment of forest management practices as well as to meet the demand for certified timber products. He mentioned that the MTCC had gained recognition by various organizations and authorities in many of the key markets for Malaysian timber products, including Netherlands, U.K., France, Denmark, New Zealand and Japan. Hon. Datuk Peter Chin Fah Kui also expressed concern about the European Community imposition of a temporary ban on the importation of Ramin timber from Malaysia into the EU market effective from 27 March 2007. He appealed to consumer countries to undertake consultations with producer countries before taken such harsh unilateral measures. He also pledged Malaysia's fullest cooperation and to do its utmost to combat illegal logging and illegal timber trade and informed the Council that Malaysia had embarked on formal consultations with the European Union on a Voluntary Partnership Agreement (VPA) under the EU Forest Law Enforcement, Governance and Trade (EU-FLEGT) Action Plan.
  7. In his address to the Council, H.E. Mr. Emile Doumba, Minister of Forest Economy, Water, Fisheries and National Parks of Gabon noted that since the Rio Summit in 1992, the conservation and sustainable management of forests had become a global concern with regard to the essential role played by forests in global climate change mitigation and biodiversity protection and cited particularly the Congo Basin Forests – the second largest continuous tropical forests in the world after the Amazon. He expressed his appreciation to all donors for the multi-faceted support they had provided in the implementation of the COMIFAC Convergence Plan. H.E. Mr. Doumba recalled Council Decision 10(XXXII) which led to the commissioning of a number of studies in forest research and sustainable forest management in the Congo Basin and reiterated the willingness and commitment of the Congo Basin countries to make the sustainable management of forest resources one priority focus of cooperation with ITTO. He appealed to donor countries to make significant contribution to the implementation of the COMIFAC's convergence plan through funding of some of its priority actions. He also mentioned that under the COMIFAC's plan of convergence, a study was being conducted aimed at harmonizing the different forest and tax legislations of the Congo Basin countries and appealed for ITTO's support to put in place efficient satellite monitoring facilities to assist ground-level law enforcement units thereby helping to more efficiently curb illegal logging activities. H.E. Mr. Doumba informed the Council that the Congo Basin countries of ITTO would soon ratify the ITTA, 2006. He noted that the new provisions contained in the ITTA, 2006 would strengthen ITTO and enable it to reach higher levels of performance. He also hailed the establishment of thematic programmes and their potential to meet both the needs of developing countries and also address donors' administrative and financial

constraints. He hoped that the level of involvement by consumer Member Countries in the work of the Organization would increase as well the funding of ITTO's future thematic programmes and projects. H.E. Mr. Doumba also urged the Council to maintain the current schedule of two annual Council Sessions while seeking to identify ways and means to secure their funding.

8. H.E. Mr. Doumba recalled that at the Thirty-seventh Session of the ITTC held in Yokohama in December 2004, he had raised the possibility of establishing a revolving system in the governance structure of ITTO, and was pleased to note that there were no objections to his proposal which was very understandable considering the past trends of the Organization. He mentioned that ITTO was led for 12 years by Asia, followed by 8 years of a Latin-American leadership and therefore it was only legitimate that the next Executive Director should be elected from Africa, even though such a principle of rotation was not a statutory rule. H.E. Mr. Doumba stated that Mr. Emmanuel Ze Meka – the sole candidate from Africa and supported by the African Union had the requisite capacity to steer ITTO onwards. He appealed to representatives of consumers and producer countries in Asia and Latin America to support the candidature of Mr. Emmanuel Ze Meka for the position of the next Executive Director.

#### **ASCERTAINMENT OF THE QUORUM (Agenda Item 2)**

9. The Executive Director reported that the quorum for the Forty-second Session of the Council had been met. The list of participants is contained in Annex I.

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

10. The Chairperson referred to document ITTC(XLII)/1 Rev.2 and invited comments from the Council on the provisional agenda. In the absence of any comments, the provisional agenda was adopted as contained in Annex II.

#### **REPORT ON MEMBERSHIP OF THE COUNCIL (Agenda Item 4)**

11. The Executive Director informed the Council that on 19 December 2007, Poland deposited the instrument of accession to the ITTA, 1994, in the United Nations. The information was, however, conveyed to the ITTO Secretariat on 20 April 2007. The membership of the Organization stood at sixty(60), comprising thirty-three (33) producing and twenty-seven (27) consuming members, including the European Community. The membership of the Council is attached to the agenda.

#### **REPORT OF THE CREDENTIALS COMMITTEE (Agenda Item 5)**

12. The report of the Credentials Committee was presented by the Chairperson of the Committee, Mr. Ramón Carrillo Arellano (Mexico). The Committee was composed of representatives from Australia, France, Germany, Ghana, Mexico, New Zealand, Philippines and Togo. The Committee convened three (3) meetings on 10, 11 and 12 May 2007 and accepted the credentials of forty-seven (47) countries and the European Community which participated in the Forty-second Session of the Council and the Sessions of the Committees.

#### **PROPOSED DISTRIBUTION OF VOTES FOR 2007 (Agenda Item 6)**

13. The Chairperson referred to the Annex to document ITTC(XLII)/1 Rev.2 containing the proposed distribution of votes for 2007. He reminded Members that in accordance with Article 19(4) of the ITTA, 1994, the distribution of votes which the Council approved would be used for the assessment of the contribution of each Member to the Administrative Budget for 2008.

#### **ADMISSION OF OBSERVERS (Agenda Item 7)**

14. The Chairperson drew the Council's attention to document ITTC(XLII)/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 applicants.

#### **STATEMENT BY THE EXECUTIVE DIRECTOR (Agenda Item 8)**

15. The Executive Director welcomed all delegates to the Session. He expressed his gratitude to the Government of Papua New Guinea for hosting the Session. He noted that PNG was one of the

most diverse countries on earth, with over 800 indigenous languages and many cultural groups, living in thousands of traditional villages and communities, most of them still depending on PNG's magnificent and unique tropical forests to sustain them. Dr. Sobral expressed his warm gratitude to Prime Minister Sir Michael Somare for gracing the Forty-second Session with his presence. He indicated that the presence of the Prime Minister at the Session bore testimony to the importance the Government of PNG placed on the well-being of the people of PNG and the sustainable development and conservation of tropical forests. Dr. Sobral also welcomed the participation of Hon. Patrick Pruaitch, Member of Parliament and Minister for Forests and H.E. Mr. Emile Doumba, Minister for Forest Economy, Water, Fisheries and National Park of Gabon.

16. The Executive Director recalled the establishment of ITTO in 1987 to promote forest conservation and sustainable management, use and trade of tropical forest resources. He informed the Council that a report highlighting some of the Organization's achievements over the ensuing 20 years would be released during the Session. He noted that the Organization had had considerable success in furthering its mission. ITTO had been able to develop progressive, internationally agreed policies, to finance projects to assist countries in implementing such policies, and to help strengthen locally based industry and improve forest management. He further indicated that ITTO had also played a constructive role in the development of totally protected areas, landscape restoration and plantation establishment, the legality of the timber trade, and community development and poverty alleviation. Dr. Sobral stated that of all the intergovernmental organizations active in tropical forestry, ITTO had probably the most impressive field-project portfolio, providing grants worth US\$300 million to fund over 750 projects and activities designed to promote forest management, conservation and sustainable development. He, however, acknowledged that, in many countries, including Papua New Guinea, there was the need for ITTO to redouble its efforts in order to make a significant difference.
17. Dr. Sobral stated that the conservation of tropical forests provided greater benefits to the global community. However, people in tropical countries also have a right to use their forests to improve their livelihoods and that the inability to exercise this right meant a huge opportunity cost that potentially enslaved them to poverty. He noted that deforestation was, in many cases, a reflection of this dilemma – people had to put their land to economic use, and often they perceive that the best way to do so was to clear the forest for agriculture, pasture and other uses. Dr. Sobral reiterated that the core priority of ITTO must continue to be to help tropical countries to sustainably develop and benefit from their natural forest resources. However, the slow pace of progress toward sustainable forest management and the continuing high rate of deforestation suggested that revenues and other benefits from forest products and trade might not be sufficient on their own to ensure that natural forests were secured and protected. Dr. Sobral referred to the ITTO 20-year report which concluded that, perhaps the single most important element for reducing and eventually eliminating natural tropical forest loss was the development of a system for collecting and distributing payments by the global community for the global services derived from the tropical forests. He stated inter-alia that “without such a system, there is a risk that sustainable forest management will not progress quickly enough to make a significant contribution to the twin goals of poverty alleviation and forest conservation”. He commended the government of Australia for committing 200 million Australian dollars to finance forest conservation and sustainable forest management in the tropics as a way of offsetting carbon emissions.

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

18. The Chairperson presented the report of the Informal Advisory Group (IAG), as contained in document ITTC(XLII)/2. He reported that the IAG held its twentieth meeting on 6 May 2007. The meeting was attended by the Chairperson and Vice-chairperson of the Council, the Chairpersons of the Committees, the spokespersons of the producer and Consumer Groups, a representative of the government of Japan and the Executive Director.
19. Issues considered by the IAG included frequency, duration and financing of Council Sessions; Council decision-making process – ITTC Decision 7(XXXIII); consideration of draft decision/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII) on “Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization”; and a list of possible decisions for the Forty-second Session: (i) projects, pre-projects and activities; (ii) assistance to Papua New Guinea to undertake a forest inventory submitted by the government of Papua New Guinea; (iii) financial arrangements relating to hosting of Council Sessions outside the headquarters of the Organization submitted by the government of Japan; (iv) relief from obligations for Liberia pursuant to article 33 of the ITTA, 1994; and (v) appointment of the

Executive Director. The IAG noted the clarification provided by the Executive Director that the appointment of the next Executive Director would be undertaken by the Council on the basis of consensus and, failing which, by special vote pursuant to article 16(l) of the ITTA, 1994.

20. The IAG also noted that the progress made in the signing and ratification of the ITTA, 2006 would be reported to the Council under item 18 of its agenda. It further noted that under item 18 of its agenda, the Council would also consider document ITTC(XLII)/9 on "Report of the Inter-sessional Working Group on Thematic Programmes" prepared for the entry into force of the ITTA, 2006 and the establishment of the Thematic Programme Sub-Account under article 20 of the agreement.
21. Mr. Daniel Birchmeier (Switzerland) sought further clarification on how the Council intended to deal with agenda item 16 on "Development in the UNFCCC regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy" since there was no reference to it in the IAG report. He noted that although the issue was on the agenda of the Council it would be useful for the Council to invite Members to further discuss how this work would be addressed by the Organization in the work programme for the coming few months. He also noted that although the Council could not take any decision on the subject at its Forty-first Session, Switzerland would want to start discussions on the subject at the Forty-second Session with the possibility of the Council taking a decision at the Forty-third Session in November 2007, in Yokohama.
22. Amb. Lucy Bogari (Papua New Guinea) commended the IAG for the report and endorsed the procedures outlined in the IAG report on the draft decisions. She indicated that PNG was prepared to work with the Committee on Finance and Administration in order to refine its draft proposal.
23. In response to the clarification sought by the delegation of Switzerland, the Chairperson stated that the Council would do everything possible to ensure a good debate on the subject and make progress as outlined at the Forty-first Session of the Council.

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

24. Dr. Steven Johnson (ITTO Secretariat) referred to Decision 3(XVI) which requested Members to inform ITTO at the earliest opportunity of any proposals by them to include internationally traded tropical timber species in the CITES Appendices. He reported that the Secretariat had received notice from CITES that all species in the genus *Cedrela* and the timber species *Dalbergia retusa*, *Delbergia granadillo*, *Delbergia stevensonii*, *Caesalpinia echinata* and *Bulnesia sermientoi* had been proposed for listing in CITES Appendix II. These proposals by Germany would be considered by the Fourteenth meeting of the CITES Conference of the Parties (COP 14) to be held on 3-15 June 2007. Dr. Johnson noted that Cop 14 would have a Ministerial segment focusing on timber and fisheries issues. The meeting would also deliberate on a new strategic plan which would set the agenda for up to 2013. He further noted that out of the 15 listed timber species 13 of them were tropical timber species. Dr. Johnson also informed the Council that the United States would table a draft resolution at COP 14 on further collaboration between CITES and ITTO regarding trade in tropical timber. He also indicated that the report of the June 2006 meeting of the mahogany Working Group which was co-sponsored by ITTO would be discussed at CITES COP 14. Dr. Johnson stated that Peru would also report on its implementation of the Appendix II listing of big-leaf mahogany to the 55<sup>th</sup> Session of the CITES Plant Standing Committee. Another issue of interest to ITTO on the agenda of COP 14 of CITES would be a paper by Germany on physical inspection of timber shipments. He indicated that the proposal by Germany on behalf of the EU would deal with problems of identification and in the annotations of the listing which sometimes resulted in discrepancies in import and export of shipments. On the listing of timber species, Dr. Johnson said that a proposal for the listing of *Cedrella* was submitted by Germany on behalf of the European Community. He mentioned that although Decision 3(XVI) 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, ITTO secretariat was not informed by Germany of this proposal to CITES. He also informed the Council that the CITES secretariat had, however, consulted with ITTO on these proposed listings and the secretariat had sent letters to all range states in ITTO and to date the secretariat had received response from only Guyana indicating that they were not in favour of the proposed listings. He pointed out the only information available to the Secretariat was information from the trade statistics and unless the secretariat received more inputs from Member Countries, the secretariat would inform the CITES secretariat that there was little or no comprehensive inventory data, however, there was some trade data on *Cedrella* in ITTO

but not Dalbergia species. He noted that Cedrella was already listed in Appendix III. He further noted that there were large plantations of Cedrella in the range states as well as large domestic markets for Cedrella. He pointed out that CITES was only concerned with international trade of the species and not domestic trade. Dr. Johnson also informed the Council that the proponents of these listings had not indicated the annotations for the listings (products to be covered). Dr. Johnson further reported to the Council that ITTO would participate in the COP 14 of CITES and would organize a side-event at the meeting to inform delegates about ITTO and CITES collaboration. He invited Members who would not be attending the COP 14 of CITES to undertake consultations prior to the meeting, with their colleagues who would be attending the meeting. He also noted that ITTO had a large work programme in collaboration with CITES. He cited the joint project partially funded by the EU, the United States and other donors. He informed the Council that the first large installment of funds for that project were received from the EU in April 2007 and staff recruitment for the project had started for the capacity building work in countries to assist them to implement CITES listings. He also cited other activities in the work programme on CITES, including the meeting on the inclusion of ramin in Appendix II which was convened in Malaysia and informed the Council that the report of that meeting had been published and was available to Member Countries who were interested. Dr. Johnson further informed the Council that ITTO sponsored a meeting in Mexico on non-detriment finding for mahogany in Mexico in April 2007. He indicated that there were lots of on-going project work with regard to CITES-listed species such as the mahogany project, the inventory project in Peru, ramin work in Indonesia and log tracking and legality work which ITTO was carrying out.

25. Mr. Marcel Vernooij (Netherlands) stated that Netherlands was very pleased to host the COP 14 of CITES. He noted that there were many important issues on the agenda of the meeting and indicated that the COP14 would offer an excellent opportunity to enhance collaboration between ITTO and CITES at both regional and international levels. He also mentioned that there would be a ministerial segment and the Minister of Agriculture, Nature and Food Quality of Netherlands had sent invitations to all ministers in charge of matters related to CITES to attend the ministerial segment. He noted that it would be the first time in the history of CITES that discussions would be held at the political level. He indicated that the objective of the ministerial round table was to increase the political awareness about CITES and discuss ways and means to strengthen the role of CITES, within its mandate, to the broader development agenda, including sustainable use, natural resource management, forestry and fisheries. He also stated that timber would be specifically discussed during the ministerial round table meeting and the key questions would be how could CITES be involved at an earlier stage in the rapid decline of trade in timber species before they become extinct. Mr. Vernooij extended a warm invitation to all delegates to attend the COP 14 meeting of CITES
26. Dr. David Brooks (U.S.A.) expressed appreciation to the Government of Netherlands for the initiative to organize the ministerial round table meeting during the COP 14 meeting of CITES to increase the political awareness related to CITES and able to emphasize the importance of effective implementation and enforcement of country's obligations under CITES. He also commended the objective of the Government of Netherlands to place mandate of CITES to the broader issues such as sustainable use and management of natural resources as well as sustainable development objectives. He indicated that the United States would be responding to the invitation and offering some views on the agenda of the ministerial segment, such as the role of governments efforts in strengthening enforcement and governance at the national level in support of CITES. He noted that regulations of trade alone was not enough to achieve the objectives of sustainable management and development and pledged to work closely with the Government of Netherlands and hoped other delegations would do likewise. Dr. Brooks also informed the Council on the United States proposal to enhance further cooperation between ITTO and CITES and to recognize in the Decisions of the Conference of Parties, the role that ITTO had been playing and could play in the future with respect to the listing of timber species in CITES Appendices. He further stated that the United States, the European Union and other donors had supported projects and policy work related to CITES. He invited other delegations to comment, either formally or informally on the draft proposal by the United States to be submitted to the COP of CITES and hoped that the proposal would be adopted by COP of CITES.
27. Mr. Ramón Carrillo Arellano (Mexico) expressed gratitude to ITTO and the entire donor community for the financial support provided for the International Workshop on Experts for Mahogany convened in Merida, Mexico. The workshop was attended by participants from the range states and some consuming countries, including the United States and the EU as well as representatives from the CITES Secretariat, and WTO. He informed the Council that the report of the workshop was



available at the Session. He thanked the Government of Netherlands for offering to host the 14<sup>th</sup> COP meeting of CITES.

28. Mr. Yasuhiro Hamura (Japan) commended the Secretariat for the information. He noted the expertise and in-depth field knowledge of ITTO in sustainable forest management and trade, and strongly supported the exchange of views among Member Countries at ITTO fora on how to handle tropical timber species and hoped that the relationship between ITTO and CITES would be further strengthened. He also commended the Government of Netherlands for accepting to host COP 14 of CITES. He stated that discussions were on-going on Japan's participation in the meeting.
29. Mr. Andres Garrido (Peru) reported that Peru had presented its comments to the Secretariat on the proposed listing of big leaf mahogany in Appendix II of CITES to be discussed during COP 14 of CITES in June 2007. He informed the Council about the visit to Peru by officials from the CITES Secretariat. He stated that the CITES had found that Peru had made significant progress in its commitments to the CITES as agreed at the 54<sup>th</sup> Meeting of the Plant Committee held in Switzerland in October 2006. He outlined some measures which had been taken by Peru including preparation of plans for the conservation of big leaf mahogany, support to certification system to cover an area of 1 million ha by December 2007 and to authorize the harvesting of mahogany in areas under forestry concessions and to increase the minimum diameter for mahogany to 75 cm, according to the recommendations of the scientific authorities in Peru. He also reported that the government was establishing synergies with regional governments and institutions for the control of mahogany, as well as strengthening capacity of regional governments in the framework of decentralization, strengthening verification of logging concessions with the involvement of indigenous communities and the implementation of a system of timber tracking. He expressed his gratitude to all donor countries for the success achieved so far, by Peru on the issue. He also thanked the Government of Netherlands for accepting to host COP 14 meeting of CITES.
30. Mr. E.O. Nsenkyire (Ghana) commented the resolution proposed by the United States to COP 14 of CITES to strengthen cooperation between ITTO and CITES. He said the resolution was of great interest to Ghana and, therefore, Ghana would closely follow the development of the resolution. He expressed concern about the proposal for the listing of *cedrella odorata* in Appendix II of CITES. He stated that the species had been planted extensively in Ghana as an exotic species and there were several thousands of acres of *cedrella odorata* plantations in Ghana which were started in early 1970s. He mentioned that Ghana had been exporting the species in lumber form to Europe and other African countries as well. He further noted that besides Ghana there were other African countries in the west and central African region which had established plantations of *cedrella odorata* and therefore the listing of the species was of great concern to Ghana. He indicated that Ghana would participate in the COP 14 meeting of CITES.
31. Mr. Daniel Birchmeier (Switzerland) commended the Secretariat for the information on CITES listings. He concurred with earlier statements made by other delegations that with the member of listed species in CITES increasing the cooperation between CITES and ITTO was becoming more and more important. He mentioned that SECO was working with other government agencies in Switzerland to have a comprehensive approach to this topic. He also thanked the Government of Netherlands for the invitation to participate in the ministerial segment of COP 14. He indicated that it was a good idea to increase the political awareness and also to strengthen the importance of CITES in the field related to sustainable forest management and trade. He encouraged the Secretariat to continue its collaboration with CITES.
32. Mr. Lancine Aïdara Gouesse (Côte d'Ivoire) supported the concerns expressed by the delegation of Ghana on the proposal to include *Cedrella odorata* in Appendix II of CITES. He reported that in 1979 Côte d'Ivoire received substantial support from the World Bank and the French Government to establish *Cedrella odorata* plantations. He indicated that these plantations had now reached maturity and therefore the proposal to include *cedrella odorata* in CITES Appendix II was of great concern to Côte d'Ivoire. He reported that the plantations were being harvested and exported as logs or processed domestically. He requested for more information on the proposal to be able to brief his government prior to the COP 14 meeting in June 2007.
33. Mr. Saul Monreal Rangel (Mexico) shared similar concerns expressed by Côte d'Ivoire and other producer countries. He indicated that Mexico had been making heavy investments in commercial plantations of *cedrella odorata* for the past 10 years and therefore expressed concern about the proposal to include *cedrella odorata* in CITES Appendix II. He cautioned that if the necessary

steps were not taken it would be difficult to introduce the species in the international market in future.

## **FOREST LAW ENFORCEMENT IN THE CONTEXT OF SUSTAINABLE TIMBER PROMOTION AND TRADE – DECISION 6(XXXI) (Agenda Item 11)**

### **(a) Forest Law and Governance in Papua New Guinea in the Context of Sustainable Forest Management**

34. The report of the multi-stakeholder workshop on forest law enforcement and governance convened in Port Moresby, Papua New Guinea, on 10-11 October 2006 was presented by Dr. Kwame Asumadu (Consultant) and Mr. Dike Kari (PNG).
35. The report noted that in recent years, several international environmental non-governmental organizations (ENGOs) had persistently alleged illegal activities in PNG's forestry sector, and mounted vigorous campaigns overseas to boycott timber products originating from Papua New Guinea. These allegations were beginning to impact adversely on access for PNG's timber products in some overseas markets. In order to address the threat to its markets from these boycott campaigns, the government of PNG in July 2006, requested funding from ITTO under ITTC Decision 6(XXXI), for a study on forest law enforcement to assist PNG in addressing the threat to its markets from these boycott campaigns. As part of the study a regional multi-stakeholder workshop on improving forest law compliance in the forest and wood products industry sectors of PNG and other ITTO producing countries in the south pacific region was convened. The objective of the workshop was to understand the extent of the problem, as well as its causes, and to recommend cost-effective strategies for addressing it.
36. The main conclusions of the workshop were that PNG had the elements of a forestry law enforcement and governance framework in place, however, implementation and compliance with forest laws, regulations and policies were weak and needed to be strengthened. In addition, there was the need for a national definition of "illegal logging" taking into account the country's specific circumstances.
37. Some of the recommendations of the workshop were:
  - A national Working Group should be established to develop an acceptable definition of "illegal logging" for PNG;
  - The government of PNG and the PNG Forest Authority should review the existing forest law enforcement and governance framework with the view to streamlining where necessary, and also ensuring the existing framework was able to deal adequately with illegal activities;;
  - Institutional changes were needed at the PNGFA to ensure more operational capacity and greater emphasis on monitoring and enforcement;
  - The government should increase capacity and funding for monitoring and enforcement. Monitoring and enforcement of forestry operations should be outsourced, if necessary and regional networking and exchange of information should be encouraged;
  - All relevant regulations should be reviewed to ensure relevance and effectiveness;
  - Tougher penalties should be imposed on offenders;
  - The forestry law should be amended to include landowner participation in investment projects, with landowners being allocated a minimum equity of 30% in the project;
  - The government should undertake awareness programmes to educate landowners and other stakeholders on the forest act, the forestry policy and code of logging practice;
  - The government should increase land owners' representation on the National Forest Board;
  - The government should demand responsibility from landowners;
  - There should be proper coordination and organization of NGOs;
  - The government should reinstate the NGO representation on the National Forest Board;
  - Dialogue and consultation should be established between all parties. Landowner participation in monitoring and networking/outsourcing should be encouraged
  - All stakeholders should be trained in the monitoring of illegal forestry activities; and
  - A strict code of conduct should be developed for enforcement officers, and they should also be empowered to perform their duties properly by building further on the long inspection programme currently in place.

54. Mr. Enzo Barattini (European Community) stated that the issue of forest law enforcement and governance remained high on the political agenda and continued to receive considerable attention from civil society and the trade alike. He noted, for instance, that the G8 met in Japan in March to discuss the issue of illegal logging and related trade. He briefed delegates on the development of FLEGT Voluntary Partnership Agreements between the European Union and a number of timber-producing countries. Mr. Barattini recalled that in 2006 the European Community informed the Council that Malaysia and the EU had decided to start formal FLEGT negotiations towards a FLEGT Voluntary Partnership Agreement and recalled the statement of Dr. Sevaratnam, Parliamentary Secretary of the Malaysia Ministry of Primary Industry and Commodities during the opening session of the Council, that two rounds of negotiations had since been held between the EU and Malaysia. Mr. Barattini informed the Council that Ghana and Indonesia had also entered into formal talks with the EU and the first round of negotiations had already taken place. Mr. Barattini mentioned that the European Union was expecting other countries to join in the VPA process. He indicated that these talks had initially focused on the development of a legality definition, a discussion of the necessary tracking and tracing systems and on the nature of the underlying stakeholder processes necessary to come to a robust, efficient and broadly accepted legality definition. He mentioned that other issues such as market access and capacity building needs would also be on the agenda. Mr. Barattini stated that in the view of the European Union a legality definition which only covered monitoring of exports, such as conducted by SGS in PNG served a useful purpose in terms of ensuring tax revenues but did not fully meet consumers on EU expectations with regard to legality. He noted that, while in principle all legislation had to be complied with, in practice, it would be necessary to identify the areas of legislation relevant to the allocation, harvesting and trade in forest resources, including environmental and social aspects in order to develop a legality definition. He welcomed the recommendation for PNG to start work on a legality definition and that PNG would benefit from similar work that was being conducted in a number of other countries and the EU was willing to play its part, either through ITTO or bilaterally to facilitate such contacts. He emphasized the importance of involving the private sector and civil society groups in the process.

**(b) Report of the Workshop on the Implementation of Forestry Legislation in the Amazonian Region**

38. The report was presented by Ms. Valéria Rigueira (Brazil). The workshop was convened from 31 July to 1 August 2006 in Belem, Brazil, and was organized by the Ministry of External Relations, through the Brazilian Cooperation Agency (ABC), the Ministry of Environment, through the National Forestry Programme (PNF) and the Brazilian Forestry Service (SFB) with the support of ITTO. The workshop was attended by 120 persons, representing local authorities, businesses, institutions and social movements, research organizations and universities. The main objective of the workshop was to discuss issues related to the implementation of forestry legislation and forest management with respect to shared responsibilities between the federal government and the states. In order to promote sustainable forest management and regional conservation. The workshop allowed an intensive debate regarding the application of the forestry legislation in the Brazilian Amazon region and made recommendations on how both the federal and state governments could develop mechanisms in order to fight illegality in forestry activities.

39. The report noted the following lessons learned and actions derived from the workshop:

- The annual wood production in the Brazilian Amazon region was estimated to be approximately 40 million cubic meters. From this total, around 5.8 million cubic meters were derived from forestry under management plans and 9.5 million cubic meters from authorized deforestation.
- The decentralization of the responsibility for the licensing of forestry management activities and deforestation would allow states to develop institutional capacity, in order to refrain from illegal wood exploration in the region;
- The development of integrated information systems was important in order to facilitate the control of illegality;
- Brazil was developing and implementing the following measures in order to prevent, detect and penalize illegal wood exploration in the Amazon region:
  - (a) The need for a geo-referenced system to issue authorizations for the exploration of the wood in management plans and for authorized harvesting, based on the Forestry Code (Law No 4.771/65);

- (b) A computer programme had been tested and was implemented simultaneously in all the country states in October 2006, to allow online authorizations for the transportation of forest products;
  - (c) A satellite guided monitoring system of goods being transported had been created to allow registered trucks to make use of a controlling system (GPS) and to declare the quantities to be transported before they left the origin point;
  - (d) A monitoring system for the control of deforestation was already being implemented. This system allows the immediate action from IBAMA;
  - (e) The Brazilian Government was also developing a system in order to detect the selective exploration of wood in the Amazon region. The system would help to detect the illegal exploration and prevent deforestation;
- The forestry legislation in Brazil was sufficiently detailed in order to refrain from illegal operations;
  - Nevertheless, considering the extent of the region and its forestry potential, it was important to increase the controlling capacity; and
  - Measures that were being developed and implemented by the Brazilian Government would contribute to considerable reduction of illegality in the next years

#### **ITTO OBJECTIVE 2000 – DECISIONS 2(XXIX) AND 9(XXX) (Agenda Item 12)**

##### **Achieving the ITTO Objective 2000 and Sustainable Forest Management in Papua New Guinea – Report of the Diagnostic Mission**

40. The report was presented by Mr. Hosny El-Lakany, leader of the mission. Other members of the mission were Ms. Jan McAlpine (U.S.A.), Mr. Sanath Kumaran (Malaysia), Mr. Oscar O. Mamalai (PNG) and Mr. Sammy Toti, Natural Resources Management Consultant. The mission was carried out within the framework of ITTC Decision 2(XXIX) and the objective of the mission was to assist the government of Papua New Guinea in identifying those factors that were preventing or limiting the country's progress towards achieving the ITTO Objective 2000 and sustainable forest management, and to recommend appropriate measures to overcome these constraints. The mission was conducted from 17 February to 7 March 2007 and involved field visits and interviews with representatives of government agencies, NGOs, landowners and forest industry.
41. The report provided some key background data on the forestry sector of PNG. It noted that the forest resources of PNG were made up of 80% rain forests, 4% moist forests, 5% woodland and 11% mountain forests. Out of the total land area of 46.3 million hectares, the forest cover was estimated at 30.6 million ha. The Permanent Forest Estate (PFE) was about 10.5 million ha consisting of 8.7 million ha of production forests, 1.7 million ha of protection forests and 80,000 ha of plantation forests. The annual rate of deforestation was estimated to be 0.4-0.5% mainly due to conversion to other land uses e.g. oil palm. The mission noted that the existing national forest inventory was outdated.
42. The report noted that the elements of sustainable forest management had been enshrined in the PNG constitution of 1975 and that most of the legislation and regulations had been enacted as a result of forest degradation and problems associated with logging operations and trade, as well as dissatisfaction of landowners, donors and NGOs. The 1991 Forestry Act introduced new allocation procedures and a new administration system. It established the PNG Forest Authority and mandated it to manage the nation's forest resources through implementing the overall objectives of the National Forest Policy. The report further noted that PNG had put in place elaborate systems and procedures for allocating concessions for forest resource exploitation and development. The system of land tenure was playing a critical role in sustainable forest management in PNG by virtue of the fact that 97% of the forests were owned by customary landowners. While the state had no ownership rights over land or its forest resources, the government, through the PNGFA, exercised the acquisition of private (customary) property rights in the public interest for forest development. The report stated that the effective landowner inclusion in the system of granting forest logging licenses was a matter of dispute. On the other hand, it was rather difficult for any forest administration to manage privately owned land even when mandated to do.
43. The general conclusion of the diagnostic mission was that PNG had many solid acts, laws and legislation in place, but implementation was problematic due primarily to administrative and governance constraints and intervention. The government and industry had not been able to demonstrate integrated, economically viable, ecologically compatible and socially acceptable forest management practices in line with the ITTO criteria and indicators. Forest management had been

reduced to monitoring logging operations at the expense of overall sustainable forest management. The environmental impacts of timber harvesting decisions and operations had been poorly addressed and the regulatory framework was not being enforced due to inefficient collaborative efforts of PNG Forest Authority and the Department of Environmental Conservation (DEC) in field monitoring and control.

44. The mission made the following recommendations:

- PNG should undertake and maintain a national forest inventory as soon as possible;
- ITTO should provide a technical mission to assess monitoring and build capacity needs for areas of forest being harvested;
- PNG should undertake a land use planning (LUS) including definition and delineation of protected areas with due consideration to stakeholder consultation processes, possibly with the support of ITTO;
- Institutional working relationship between PNGFA and DEC should be enhanced;
- PNG government should finalize the reforestation policy and complete the forest plantation development programme;
- Update the National Forest Plan with due consideration for the three pillars of sustainable forest management - i.e. economic, environmental and social aspects;
- Make the processes of negotiating, granting and monitoring and extension of FMA's more transparent and participatory;
- ITTO should work with the government of PNG to facilitate a process with all stakeholders to address the issues related to illegal activities;
- The process for designating a forest area for logging purposes, negotiating the terms of agreement with landowners and monitoring agreements could be the focus of an ITTO mission, workshop or project and PNG civil society, particularly NGOs should provide an important contribution to these processes; and
- More effective involvement of landowners and NGOs on the National Forest Board, the PFMC and in other forest decision-making processes.

**ITTO GUIDELINES FOR THE RESTORATION, MANAGEMENT AND REHABILITATION OF DEGRADED AND SECONDARY TROPICAL FORESTS – DECISION 3(XXXII) (Agenda Item 13)**

45. The final report on the implementation of the training workshops to promote the understanding and use of the ITTO Guidelines for the Restoration Management and Rehabilitation of Degraded and Secondary Tropical Forests was presented to the Council by Mr. Stephen Kellher (IUCN).

46. The report noted that deforestation and forest degradation had altered much of the world's tropical forests. Only 42% of the remaining forest cover in the tropics was found in large, continuous tracts. The report stated that there was about 850 million ha of degraded tropical forests in Asia, Africa and Latin America and that the restoration, management and rehabilitation of degraded and secondary tropical forests had become a key priority for many ITTO producer country member governments. The report stated that since the ITTO guidelines were developed in 2002 and approved by the Thirty-second Session of the Council, six regional workshops were conducted in 2003. The Thirty-second Session of the ITTC also decided that nine (9) national workshops should be conducted and also a technical manual on forest landscape restoration should be developed. The objectives of the workshops were:

- Awareness creation on degraded and secondary tropical forests at the national level; and
- Development of effective approaches to the restoration, management and rehabilitation of such forests.

Workshops had so far been conducted in Ghana, Mexico, Guyana, Guatemala, Cameroon, Philippines, Côte d'Ivoire, India and Myanmar. The report stated that all the workshops found the guidelines to be a very useful document which provides guidance on how to implement forest landscape restoration. However, there were some suggestions that the text and concepts should be simplified and there was the need for more country-specific case studies. All the workshops recommended the development of national specific, practical forest landscape restoration manual and that this should be done in very close collaboration with national stakeholders and assisted by the international community.

47. The report urged the international community to provide technical and financial support in the development of national specific tools on FLR. The report further stated that after the workshops eight out of nine countries had developed an action plan for follow-up FLR in their respective countries and there had been requests from ITTO Member Countries for more national workshops.
48. The report also outlined some of the main outcomes of the workshops on global partnership for forest landscape restoration held in Colorado Springs, U.S.A. in May 2005 and in London, U.K. in January 2006. It noted that China, Brazil, Netherlands and the World Business Council for Sustainable Development (WBCSD) had expressed interest in joining the partnership.

**CIVIL SOCIETY AND PRIVATE SECTOR PARTNERSHIP FOR SUSTAINABLE FOREST MANAGEMENT– DECISION 5(XXXIII) (Agenda item 14)**

**(a) Partnership between the Tropical Forest Trust (TFT) and PT Hutanindo Lestiraya Timber (HLT)**

49. The report was presented by Mr. Hugh Blacket of the Tropical Forest Trust. He provided a brief background about the Tropical Forest Trust and its role in linking business with responsible forest management. He noted that TFT had been assisting forest managers with training and support, roads and logging systems, social and environmental issues and certification. TFT had also been assisting manufactures with wood sourcing, chain of custody systems, monitoring and product labeling and they support buyers with information on where the wood was coming from to enable buyers to trade with confidence. Mr. Blacket reported on TFT's partnership with PT Hutanindo Lestiraya Timber of Indonesia. The partnership started on 1 January 2005 and covered an area of 98,000 ha. He reported that a reduced impact logging trial had been implemented during the period of the partnership which involved a number of components, including:

- Development of standard operating procedures;
- Contour mapping and harvest planning;
- Ground preparation
- Rules based decision making;
- Closure of operational areas; and
- Supervision, monitoring and measuring.

50. Mr. Blacket reported that based on the training provided the following results had been achieved

- Skid trail density had been reduced by 49%;
- Canopy damage reduced by 70%;
- Plant working time increased by 6%;
- Wire rope consumption reduced by 36%; and
- Production was reduced by 43%.

51. Mr. Blacket indicated that delays in carrying out activities had been caused by the need to implement a more comprehensive training programme than initially anticipated. He noted that learning within the TFT and evaluation of staff competencies at HLT indicated that successful RIL could only be achieved if core skills and administrative procedures were enhanced. He also made the following conclusions:

- The barrier to uptake was the reduced production normally required;
- Fair comparison was difficult because of ingrained attitudes and refusal to understand the benefits of sustainable forestry compared with maximum production;
- Improved logging techniques had been shown to be economically beneficial in all respects if the need for reduced harvesting volume was accepted; and
- Standard expectations for low impact logging should be defined at the national level and firm measures taken to ensure implementation.

**(b) Partnership between Foundation for People and Community Development (FPCD) and Madang Forest Resource Owners Development (FPCD)**

52. The report was presented by Mr. Yati Bun. He provided a brief background of FPCD which was established in 1993 with the objective of improving and/or enhancing the quality of life through integrated development programmes. He mentioned that the Madang Forest Resource Owners

Association was made up of indigenous resource owners who had witnessed the destructive practices of foreign logging companies and the unequal distribution of benefits and had decided to develop and manage their own forest under sustainable forest management practices. The report stated that the FPCD decided to assist resource owners to develop their forest through the means of portable sawmills. The report noted that FPCD had been working with MFROA under this management and had transferred skills and technology to members of MFROA. Mr. Yati Bun stated that since MFROA begun managing and developing their forests with the assistance from FPCD, their lives and living standards had improved and the income generated from the sale of eco-timber was much higher than what was normally received from timber exported by foreign logging companies. The report stated that in 2005, FPCD developed a group certification scheme, the Indigenous Community Forestry Certification Scheme (ICF) to demonstrate sustainable forest management and to make certification accessible to forest resource owners in PNG. In June 2006, FPCD engaged the US based FSC third party accredited certifier, the Scientific Certification Systems (SCS) to conduct a preliminary assessment of its group certification scheme, ICF. The scoping visit was purposely to identify potential non conformance that might constitute a barrier to the group certification scheme. SCS identified certain areas or gaps that FPCD needed to address. These gaps included mostly technical trainings for the staff and resource owners, document update and the development of FPCD policies and guides for sustainable forest management according to FSC principles and criteria.

53. The report noted that in January 2006, ITTO, under its Decision 5(XXXIII) provided financial assistance to FPCD to address these gaps and to conduct full evaluation of its ICF group certification scheme. This assistance enabled FPCD to conduct gender sensitization workshop, two first aid trainings for FPCD staff and MFROA members and to purchase safety equipment for the chainsaw and sawmill operators. A database was established and the development and update of forest management policies were also done. Resource owners, who were members of MROA were prepared for the full evaluation and FSC certification through awareness and information distribution. Mr. Yati Bun informed the Council that the full evaluation was conducted in June 2006 by SCS and in May 2007, FPCD was issued a FSC group certificate by FSC third party accredited certifier, SCS. He stated that with the FSC group certificate FPCD could clearly demonstrate sustainable forest management and be able to effectively implement its goal of improving the livelihood of the indigenous people of PNG through sustainable forest development. The group certificate would also enable the members of MFROA to export their timber for a better price. The report made a number of recommendations including:
- Partnership between civil society and private sector needed and should be encouraged to achieve sustainable forest management;
  - Greater need for education, awareness and participation in forestry management by all stakeholders; and
  - Government efforts was needed to build local capacities in sustainable forest management.

#### **MATTERS RELATED TO ARTICLE 16 OF ITTA, 1994 (Agenda Item 15)**

54. The Chairperson introduced the agenda item. He informed the Council that the report of the Panel established under Decision 2(XLI) to consider matters related to the appointment of the next Executive Director had been circulated to Members prior to the Forty-second Session of the Council. He proposed that each of the six short listed candidates be allowed twenty-minutes to make presentation to the Council and also to answer questions from the Council.
55. Dato' Dr. B.C.Y. Freezailah (Malaysia) sought further clarification on the proposal made by the Chairperson for a Q&A session with the candidates.
56. The Chairperson reiterated his proposal for the candidates to make a twenty-minute presentation followed by a Q&A session, if time permitted.
57. Dato' Dr. B.C.Y. Freezailah (Malaysia) stated that Decision 2(XLI) requested the caucuses to discuss the report of the Panel. However, since the caucuses had not had the opportunity to study and discuss the report he proposed that the caucuses be given the opportunity to present their conclusions to the Council before the Council could decide on further procedures to be adopted.
58. Mr. E.O. Nsenkyire (Ghana) supported the proposal put forward by the delegation of Malaysia. He further stated that the caucuses should also examine the proposals put forward by H.E. Mr. Emile

Doumba, Minister for Forest Economy, Water, Fisheries and National Parks of Gabon as well as the proposal made by Hon. Datuk Peter Chin Fah Kui, Minister of Plantation Industries and Commodities of Malaysia on the selection of the next Executive Director. He recalled that H.E. Mr. Emile Doumba in his address to the Council stated that the principle of rotation between the three producer regions should be observed. He also further recalled the statement made by Hon. Datuk Peter Chin Fah Kui of Malaysia that the position of Executive Director should be reserved for producing member countries.

59. H.E. Amb. Mbella Mbella (Cameroon) supported the proposal made by the delegation of Malaysia and Ghana that the caucuses should first discuss the report and reach a consensus and inform the Council accordingly. He reiterated that the African group was willing to examine all proposals with a view to achieving a consensus. He endorsed the statement made by the distinguished Minister of Gabon.
60. Mr. Yasuhiro Hamura (Japan) stated that the Council should select the next Executive Director who would be energetic and talented to be able to lead ITTO, whether from a producer or a consumer country. He supported the proposal put forward by the Chairperson for the candidates to make their presentations to the Council as a first step in the selection process before the discussions in the caucuses.
61. Mr. Nonito Tamayo (Philippines) supported the proposal put forward by the Chairperson and Japan that the candidates should first make their presentations to the Council before discussions in the caucuses.
62. Mr. Hamdani Djafar (Indonesia) commended the Panel for their report. He supported the proposal put forward by the Chairperson and supported by Japan and Philippines that the candidates should be given the opportunity to present their vision to the Council before discussions in the caucus.
63. In summarizing the discussion the Chairperson stated that it appeared that majority of the Members were in support of his original proposal for the candidates to make the presentations in the Council before discussions in the caucuses.
64. Dato' Dr. B.C.Y. Freezailah (Malaysia) sought further clarification as to whether there would be a Q&A session or not. In response the Chairperson stated that it would depend on the availability of time. Dr. Freezailah reiterated that it was not an issue of time but principle. He informed the Council that there had been a brief initial consultation among few Producer Members and they were of the opinion that the matter should be given full consideration by the caucuses. He cautioned that the Council should not underestimate the importance and complexity of the matter. He proposed that the caucuses should discuss and first establish the ground rules.
65. Ms. Charlotte Cudby (New Zealand) on behalf of the Consumer Group recalled the discussions in the IAG and stated that the issue of whether there should be a Q&A should be discussed in the caucuses.
66. Mr. Daniel Birchmeier (Switzerland) noted that the Council had agreed on the issue of presentations and that the caucuses should only discuss the second issue of a Q&A session. He agreed with the propositions put forward by the two spokespersons.
67. Mr. Felipe Hees (Brazil) supported the position put forward by the delegation of Malaysia. He indicated that the caucuses should discuss ways to avoid creating more tension in the selection process.
68. Mr. Enzo Barattini (European Community) supported the position expressed by the delegation of Brazil. He stated that the caucuses should first discuss the procedure for the selection and then make their proposals to the Council.
69. The Chairperson summarized the discussion and adjourned the Council.
70. The Council resumed discussions on matters related to article 16 of the ITTA, 1994 on Tuesday, 8 May 2007 and received presentations from the six candidates in the following order: Dr. Efransjah (Indonesia); Mr. Juan Seve (U.S.A.); Mr. Emmanuel Ze Meka (Cameroon); Dr. Jürgen Blaser (Switzerland); Dr. Joachim Wilhelm Müller (Germany); and Mr. Ricardo Umali (Philippines).



Subsequently, the Council decided that further work on this issue should be carried out in an Informal Open-ended Working Group to be chaired by the Vice-Chairperson of the Council.

71. The Council resumed discussion on Agenda item 15 on Thursday 10 May 2007.
72. H.E. Amb. Mbella Mbella (Cameroon) reported to the Council the outcome of consultations held in the Informal Open-ended Working Group that considered the issue of the selection of the next Executive Director. He informed the caucus that there were 15 delegates in the Working Group. He reiterated the importance of the issue before the Council and the need to intensify discussions in order to build a consensus. He also stated that the Working Group emphasized the point that the Executive Director should not be considered as producing countries Executive Director or consuming countries Executive Director but rather an Executive Director for the entire ITTO. The Working Group also considered the proposal put forward by Australia for the Council to conduct a vote by show of hands to get a feeling of support for the various candidates. The Working Group felt that the idea in itself was good but it was not time yet for the Council to take such a measure. He also stated that some delegations were of the opinion that the issue of selection of the next Executive Director could be extended to the Forty-third Session of the Council in Yokohama. He reiterated that the feeling of most of the delegations in the Working Group was to be able to get a consensus candidate before the Forty-third Session of the Council.
73. Dr. David Brooks (U.S.A.) extended his gratitude to the Vice-chairperson of the Council, and other members of the Working Group for the cordial discussions in the Working Group. He noted that the spirit of the discussions was very helpful and concurred with the summary report provided by H.E. Amb. Mbella Mbella.
74. Mr. Felipe Hees (Brazil) concurred with the summary report presented by H.E. Amb. Mbella Mbella (Cameroon) and also supported the statement made by the United States delegation. He noted with satisfaction the discussions in the Working Group and commended the Vicechairperson of the Council and other members of the Working Group for the cordial nature of the discussions. Mr. Hess also informed the Council that all arrangements had been concluded for the payment of all outstanding debts of Brazil to the Organization and the funds had been transferred to the Brazilian mission in New York and that Brazil would soon be fully in line with their financial obligations to the ITTO. On the issue of selection of the next Executive Director, Mr. Hess stated that Brazil favoured a transparent and open process of election and the Council should endeavour to make the process as smooth as possible and ideally the Council should be looking for a solution of selecting the next Executive Director by consensus. He noted that there appeared to be some difficulties because of political sensitivities and concerns and admitted that all concerns were fair. However, the shortcomings of these were that it had sometimes been difficult to achieve consensus despite the many consultations that had been going on and indicated that the Council was at a crossroad, and noted that the Council was still not close to achieving the desired consensus. He urged the Council to try and finish the selection process in PNG as an honour to the host country and also noted that it appeared that further consultations might not bring much value-added to the selection process and urged the Council to continue the consultation process but must set itself a deadline by which if consensus was not achieved the Council should recourse to the use of the special vote to select the next Executive Director. He reaffirmed Brazil's full commitment to the Organization and that Brazil would want to take full and active part in the process. Mr. Hess proposed that a special session of the Council should be convened on Friday evening 11 May 2007 to try and find a final solution to the issue of selection of the Executive Director. He reiterated that consultations could still go on but the Council must realistically begin to consider the fact that an election could be part of the process.
75. Dato' Dr. B.C.Y. Freezailah (Malaysia), on behalf of the Producer group, concurred with the summary report presented by H.E. Amb. Mbella Mbella (Cameroon). He also noted the cordial atmosphere that characterized the discussions of the Working Group and expressed his satisfaction. He stated that that was a good indication. He emphasized that the Producer Group was fully committed on the issue of the appointment of the Executive Director and to build a consensus and avoid the voting process. He informed the Council that the government of Papua New Guinea had offered to convene a small Working Group meeting in order to try to build consensus on the issue. He mentioned that among Producer Group some delegations were of the opinion that more time was needed to build consensus whilst others were of the opinion that if a consensus was to be achieved then it must be achieved in PNG rather than postponing the issue to

- the Forty-third Session of the Council in Yokohama in November 2007. He reiterated that all producers were united on the idea of reaching a consensus, if possible in Papua New Guinea.
76. Ms. Charlotte Cudby (New Zealand) on behalf of the Consumer Group concurred with the report of the Working Group presented by H.E. Mbella Mbella (Cameroon) and indicated that the Consumer Group were also of the opinion that consensus was the best approach in selecting the next Executive Director. She said that the Consumer Group had also made some progress and urged the Council to strive to achieve consensus on the selection of the next Executive Director.
  77. Mr. Yasuhiro Hamura (Japan) echoed similar sentiments expressed by many other delegations that the Council should strive to select the next Executive Director by consensus, however the process of selection must be transparent and credible. He observed that Decision 2(XLI) requested the Council to select the next Executive Director at its Forty-second Session by special vote, if it was not able to do so by consensus. He indicated that it appeared that it was becoming difficult to reach consensus within the limited time available and therefore, there was no reason for the Council not to try to select the Executive Director by a special vote, which would be transparent and credible if the Council was to abide by its own Decision established through a democratic process. He supported the statement made by the delegation of Brazil that the Council should try to move the process forward by applying the provisions of a special vote and perhaps finally meeting a consensus. He reiterated that it did not matter whether the Executive Director came from a producer or a consumer country but the process must be moved forward in order for the Organization to become more prosperous and not marginalized in the international society.
  78. Mr. Ramón Carrillo Arellano (Mexico) echoed similar sentiments expressed by many other delegations that a consensus was the best approach to reach a Decision on the selection of the next Executive Director. He indicated that most delegations had attended the Forty-second Session with the belief that the Council would reach a Decision on the selection of the next Executive Director and did not want to see the Council postponing the Decision on the selection of the next Executive Director to Yokohama Session. He supported the statement made by Brazil that a special meeting of the Council should be convened on Friday, 11 May 2007 in order to reach a final decision on the selection of the next Executive Director.
  79. Mr. Felipe Hees (Brazil) provided further clarification on his earlier statement to the Council. He indicated that Brazil was only proposing that the Council should hold a special meeting on Friday, 11 May 2007 to take a final solution on the selection of the next Executive Director. He reiterated that his statement did not suggest that the solution to the selection of the Executive Director was through the special vote. His reference to the use of the special vote was only a reality check that in the absence of a consensus a vote might be needed.
  80. The Council resumed discussions on Friday, 11 May 2007 on the selection of the next Executive Director.
  81. Mr. Felipe Hees (Brazil) tabled a motion calling on the Council to hold a special vote for the selection of the next Executive Director. Following the motion Dato' Dr. B.C.Y. Freezailah on behalf of the producer caucus called for a special meeting of the producer caucus, after which he announced to the Council that the Producer Group had reached consensus and would support Mr. Emmanuel Ze Meka and withdraw other producer candidates. Dr. Freezailah, however, indicated that the Producers' consensus was contingent on the consumer caucus also reaching an agreement and presenting only one candidate.
  82. Ms. Charlotte Cudby (New Zealand) on behalf of the consumer caucus reiterated their strong preference to vote on all six candidates.
  83. Dr. David Brooks (USA) noted that the Consumer Group had been requesting joint consultations and had made proposals for ways to try to reach a consensus among all members. He welcomed evidence of progress in the Producer consultations, but emphasized that Consumers were considering all six candidates for the position of the Executive Director. He rejected the apparent Producer effort to dictate the manner in which the Consumers reviewed and considered candidates for the position of the next Executive Director.
  84. There was a general debate as to whether reaching consensus amongst the caucuses was possible, and if a vote for the selection of the next Executive Director would be necessary. The Producer Spokesperson indicated that he would withdraw his earlier proposal if Consumers did not

agree to the Producers' proposal to present a single candidate. He also reiterated that it was still possible for the Council to reach consensus on the selection of the next Executive Director. He indicated that the motion put forward by Brazil did not call for a vote.

85. Mr. Felipe Hees (Brazil) referred to the statement made by the Producer Spokesperson and reiterated his motion to hold a special vote for the selection of the Executive Director on all six candidates and said that Brazil did not support the proposal put forward by the Producer Spokesperson. He also stated that from that period onwards Brazil would speak for herself.
86. Dr. David Brooks (USA) reiterated that Consumers had been requesting throughout the week for a process that would enable the Council to reach a consensus but to no avail. He again rejected the proposal put forward by the Producer Spokesperson. Dr. Brooks stated that a vote was not an evidence of a failure to reach consensus, as some had argued, but that it would contribute to the process of choosing the new Executive Director, which could still be done, in the end by acclamation.
87. The Chairperson referred to Rule 28 of the Rules of Procedures which states inter-alia that "If two or more proposals relate to the same question, the Council shall, unless it decides otherwise, vote on the motions in the order in which they were submitted." The Council then proceeded to vote on the motion tabled by Brazil that the Council should hold a special vote to select the next Executive Director. Voting was conducted on a roll call basis and the results were as follows:

Category	No. of Votes cast by Members present and voting		Percentage of total votes of Members present and voting	
	Yes	No	Yes	No
Producing Members	505	348	59.2%	40.8%
Consuming Members	648	335	65.9%	34.1%

The motion was carried and the Council decided to hold a special vote to select the Executive Director. After the results were announced several members announced that they were withdrawing from the meeting and left the meeting room. Subsequently, Norway, European Community, Switzerland, U.S.A., Japan, China, Brazil, Netherlands and France expressed disappointment at the actions of the members who had withdrawn and that their actions diminished the Council. The Chairperson consulted with the delegations of the countries who had withdrawn from the meeting in order to persuade them to re-join the meeting. This was not successful and the Council meeting was adjourned for lack of quorum.

88. On Saturday, 12 May 2007, the Council resumed the proceedings at the PNG Parliament House.
89. Mr. Ramón Carrillo Arellano (Mexico), Chairperson of the Credentials Committee presented a revised report of the Credentials Committee [Doc. ITTC(XLII)/3 Rev.1]. He announced that the Committee had examined and accepted the credentials of forty-seven countries and the European Community participating in the Forty-second Session of the Council and the Associated Sessions of the Committees.
90. The Council then proceeded to conduct a special vote to select the next Executive Director. The Secretariat explained the voting procedures.
91. Mr. Hamdani Djafar (Indonesia) on a point of order sought clarification on whether a quorum for the meeting had been met. The Secretariat responded affirmatively.
92. The Chairperson referred to and applied Rule 27 of the Rules of Procedures which states inter-alia that "After the Chairperson has announced the beginning of the vote no representative shall interrupt the vote except on a point of order in connection with the actual conduct of voting", to resume the voting process.
93. The Council conducted two rounds of voting, by roll call. After the first round of voting the Secretariat announced that Mr. Emmanuel Ze Meka had received 590 votes from the Producer Members, representing 100% of the total votes of Producer Members present and voting. These votes were cast by 100% of the Producer Members present and voting. Mr. Ze Meka received zero votes from the Consumer Members present and voting. Dr. Jürgen Blaser received 606 votes from the Consumer Members, representing 67.8% of the total votes of Consumer Members present and

voting. These votes were cast by 31.8% of the Consumer Members present and voting. Dr. Blaser received zero votes from the Producer Members present and voting. Dr. Joachim Wilhelm Müller received 288 votes from the Consumer Members, representing 32.2% of the total votes of Consumer Members present and voting. These votes were cast by 68.2% of the Consumer Members present and voting. Dr. Müller received zero votes from the Producer Members present and voting. The other three candidates, Dr. Efransjah, Mr. Juan Seve and Mr. Ricardo Umali received zero votes from Producer Members present and voting and zero votes from Consumer Members present and voting.

94. In the second round of voting Mr. Emmanuel Ze Meka received 590 votes from the Producer Members, representing 100% of the total votes of Producer Members present and voting. These votes were cast by 100% of the Producer Members present and voting. Mr. Ze Meka also received 335 votes from the Consumer Members present and voting, representing 35.3% of the total votes of Consumer Members present and voting. These votes were cast by 9.1% of the Consumer Members present and voting. Dr. Jürgen Blaser received 614 votes from Consumer Members, representing 64.7% of the total votes of Consumer Members present and voting. These votes were cast by 90.9% of the Consumer Members present and voting. Dr. Blaser received zero votes from the Producer Members present and voting. The other four candidates, Mr. Juan Seve, Mr. Ricardo Umali, Dr. Joachim Wilhelm Müller and Dr. Efransjah received zero votes from Producer Members present and voting and zero votes from Consumer Members present and voting.
95. After a break for consultations, Dr. Jürgen Blaser (Switzerland) announced the withdrawal of his candidature and received a standing ovation.
96. Dr. David Brooks (USA) stated his great respect and admiration for Dr. Jürgen Blaser. He noted that by withdrawing his candidature Dr. Blaser had demonstrated his clear respect for the Organization. He also stated that Dr. Blaser had shown a clear commitment to the future of the Organization by applying for the position of Executive Director and that through the process of evaluation of the candidates all members of the Council had recognized his capabilities. Dr. Brooks indicated that by withdrawing and allowing the Council to reach a consensus in the selection of the next Executive Director, Dr. Blaser had again demonstrated his commitment to the future of ITTO. He expressed his gratitude to Dr. Blaser and hoped that he would remain engaged with the Organization.
97. Mr. Enzo Barattini (European Community) paid tribute and honour to Dr. Jürgen Blaser for his gesture, defining it as the noblest interpretation of the spirit that should always animate the Organization. Mr. Barattini urged Producers and Consumers to unite for the good of the Organization and invited Dr. Jürgen Blaser to continue to stay and contribute to the work of ITTO and hoped that he might even increase, if possible, his support for ITTO in a more permanent way.
98. Mr. Zhang Zhongtian (China) expressed deep appreciation to Dr. Jürgen Blaser for his long term contributions to ITTO. He also paid tribute to Dr. Blaser for his great gesture at the critical moment in the election of the next Executive Director of ITTO.
99. Mr. Felipe Hees (Brazil) paid tribute to the noble attitude of Dr. Blaser in withdrawing his candidature, thereby enabling the election of Mr. Ze Meka by acclamation. He noted that beyond political rhetoric, Dr. Blaser's attitude proved to be a true commitment to the strength of ITTO. He indicated that the election process suggested that Members might wish to consider some adjustments in the "*modus operandi*" of ITTO, including making the Producer-Consumer relations less confrontational for the benefit of ITTO. He also called on Dr. Blaser to continue his invaluable contributions to ITTO.
100. Mr. Ramón Carrillo Arellano (Mexico) thanked Dr. Blaser for his noble and kind gesture of withdrawing his candidature for the position of Executive Director. He also concurred with earlier comments made by Brazil on lessons learnt and urged the Council to make the necessary adjustments in the Organization, including making the Producer-Consumer relations less confrontational in order to move forward and work together in achieving the goals of ITTO.
101. Mr. Jan Abrahamsen (Norway) noted with great respect and gratitude the gesture of Dr. Blaser in withdrawing his candidature for the position of Executive Director. He stated that the withdrawal was a clear proof of Dr. Blaser's dedication to provide ITTO with the best possible solution as well as a proof of his personal capacity and judgment. He indicated that by Dr. Blaser's gesture he had

given the Council the opportunity to elect Mr. Ze Meka by acclamation as the next Executive Director.

102. Mr. Yasuhiro Hamura (Japan) acknowledged the immense contributions of Dr. Blaser to the work of ITTO, and therefore considered him as one of the best candidates for the next Executive Director's position. He noted that by withdrawing his candidature Dr. Blaser had made another impressive and significant contribution to ITTO. Mr. Hamura noted the great sacrifice that Dr. Blaser had made by his gesture and indicated that that spirit of sacrifice was really needed in ITTO and would further strengthen ITTO. He hoped that Dr. Blaser would continue to support ITTO.
103. Subsequently the Council decided to appoint, by consensus, Mr. Emmanuel Ze Meka as the Executive Director for a period of four (4) years beginning on 6 November 2007.

**Statement by Mr. Emmanuel Ze Meka, Executive Director-elect**

104. In his acceptance speech, Mr. Emmanuel Ze Meka, the Executive Director-Elect expressed his gratitude to the Council for the honour and confidence reposed in him by selecting him as the next Executive Director of ITTO. He acknowledged that the task ahead of him was immense and would entail greater responsibility but he was confident that he would live up to the expectation of the Council. He indicated that he would count on the direction and support of the Council and like his predecessors would continue to listen to the advice of the Council and would implement the Council's decisions faithfully. Mr. Ze Meka also stated that he would endeavor to assist the Council in its decision making process by sharing his vision with the Council and by providing the Council with the necessary technical information. He indicated that he would also count on the support of individual Member Countries and the cooperation and involvement of NGOs, civil society and the private sector organizations. He also stated that he would count on the cooperation of other international organizations whose objectives were close and compatible with ITTO's, particularly the members of the CPF whose cooperation would be mutually beneficial and would enhance the results of ITTO's work. Mr. Ze Meka also stated that he would count on the support of the Secretariat which is dynamic and committed to its work and always ready to provide the best service for the Organization. He noted that the Secretariat had always serviced the Organization with devotion and had through its professionalism and devotion and in spite of its small size, lifted the Organization to its current international status. He reiterated his commitment to leave at the end of his tenure an Organization much stronger and respected. Mr. Ze Meka paid tribute to Dr. Jurgen Blaser for his noble gesture in withdrawing his candidature and for his professionalism and commitment to the future of the Organization. He expressed the hope that Dr. Blaser will continue to support the Organization and contribute his expertise to its activities.
105. Mr. Ze Meka also paid tribute to Dr. Manoel Sobral Filho, the outgoing Executive Director. He stated that Dr. Sobral had made the best use of the heritage of his predecessor, Datd Dr. B.C.Y. Freezailah, the first Executive Director of ITTO. He indicated that Dr. Sobral had been an outstanding manager, with a great vision, creative and full of energy for action. He cited some of the achievements of Dr. Sobral during his tenure as Executive Director and reiterated that Dr. Sobral would leave an Organization stronger and respected and as his successor he pledged not to spare any effort to maintain and improve on the achievements made by Dr. Sobral.

**DEVELOPMENT 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 16)**

106. A report on developments in UNFCCC/IPCC discussions regarding reducing emissions from forest degradation and deforestation and implications for tropical forests and tropical timber producers was presented by Dr. Carmenza Robledo (Consultant).
107. The report noted that deforestation was continuing at an alarming net rate of about 11 million ha/yr (FAO, 2006), with regions in the tropics and sub-tropics experiencing the largest losses. Emissions from land use change were responsible for up to 20-25% of the total anthropogenic emissions, 90% as a result of deforestation mainly in the tropics. The report stated that deforestation and forest degradation constituted the main source of greenhouse gas (GHG) emissions in most developing and ITTO producing Member Countries. It further noted that forests, and in particular tropical forests, still constituted the largest terrestrial carbon reservoir.

108. The report stated that recognizing the importance of GHG emissions from deforestation, the Conference of the Parties of the UN Framework Convention on Climate Change, agreed in December 2005, on a two-year process to consider policy approaches and incentive options to reduce emissions from deforestation in developing countries (REDD) for a post 2012 Climate regime. Since then, the process had focused on understanding drivers for deforestation and the implications of different existing definitions of deforestation and forest degradation as well as on discussing technical and methodological requirements, financing options, policy instruments, approaches and positive impacts of protection. The report noted that policy instruments that could be used within the UNFCCC include the inclusion of activities for reducing emissions from deforestation as an eligible option in the Clean Development Mechanism, the addendum of a new flexible mechanism to the Kyoto Protocol or the design of a new protocol for REDD. The report further noted that a decision on how to deal with emission reductions from deforestation and forest degradation would be taken during the next Conference of Parties of the UNFCCC in Bali, Indonesia in December 2007.
109. The report stated that concluding from the current international debate and deliberations of two technical meetings of the UNFCCC, ITTO Member Countries should be aware of the following facts:
- Curbing deforestation and reducing forest degradation in tropical forests was a significant and highly cost effective climate change mitigation strategy;
  - Deforestation and forest degradation had multiple economic, political, social, demographic and environmental origins and any future arrangement would need to be flexible enough to cover a wide range of situations;
  - National policies would need to be strengthened to address the root causes of undue deforestation and of forest degradation;
  - Incentive systems would need to be established allowing international transfer payments and/or additional funding for sustainable forest management including forest conservation and the maintenance of a steady flow of forest products and services;
  - Forest management should be shaped to integrate the notion of keeping and restoring carbon reservoirs as an additional element of sustainable forest management;
  - ITTO should help countries to shape their REDD policies and to conduct pilot projects which could contribute to shape an international REDD mitigation strategy;
  - Committing forests as carbon reservoirs; and
  - Any REDD agreement should recognize the sovereignty principle and national forest authorities should be included in the decision making on any REDD mechanism.
110. The report recommended to the Council to consider promoting activities aimed at:
- (a) Clarifying the current rate of deforestation and forest degradation in producer countries;
  - (b) Estimating the future rate of deforestation and forest degradation;
  - (c) Estimating the potential for emission reductions;
  - (d) Estimating the costs and benefits of REDD;
  - (e) Defining a national negotiation strategy for prompt action (until December 2007) and future commitment period (after 2012); and
  - (f) Undertaking pilot projects and promoting exchange of experiences, knowledge and technology.

The report stated that the role of ITTO would be to support its Member Countries in the implementation of the six recommendations for actions, through:

- Sharing know how with the UNFCCC process and helping to shape the further development of REDD within the UNFCCC;
- Promoting capacity building in ITTO producing Member Countries to fully understand the issues and opportunities of a future REDD scheme in the UNFCCC and the consequences in respect to sustainable forest management;
- Supporting producer countries to identify their priorities for negotiation and to create a knowledge base in practical REDD; and
- Helping to formulate and finance pilot actions and projects in ITTO Member Countries to help develop a sustainable and feasible REDD scheme.

The report further recommended that REDD should be included in the thematic programme of the ITTA, 2006.

111. Mr. Daniel Birchmeier (Switzerland) commended the consultant for the excellent report. He reiterated the importance of the draft proposal for decision submitted by the Government of Ghana and Switzerland to the Council in November 2006 on "Support for the development of approaches to reduce greenhouse gas emission from tropical reforestation and tropical forest degradation". He noted that the report presented contained sufficient information that underlined the importance of having a Council Decision on linking ITTO's work programme with a particular forest related topics in the UNFCCC. He further noted that the report reflected the important efforts that had been initiated in recent years to build up the experience by elaborating and implementing projects related to climate change in the fields of sustainable forest management and forest landscape rehabilitation. He indicated that the report further showed how this initial experience enabled ITTO to widen its scope in the ITTA, 2006 to new important field including evaluation of tropical forests service functions. Mr. Birchmeier stated that the possibility of developing an international incentive scheme through the climate change convention on reducing greenhouse gas emissions from forest degradation and deforestation should be of primary concern for ITTO and its members. He urged the Council to play a prominent role in helping to establish a feasible approach to integrate sustainable forest management concepts in the new climate change mitigation tool. He reiterated that the report contained abundant information to show how ITTO's project work could generate experience that could be used to reduce deforestation and forest degradation. He emphasized that through such practical experiences ITTO could contribute with concrete elements to feed into the on-going international debate on climate change. He stated that only relevant knowledge could inform the debate that could lead to policy decisions to be taken at the UNFCCC level. He indicated that one important element that the Council could bring into the UNFCCC debate was to consider forest degradation as eligible element for reducing emissions since the dialogue had so far concentrated on avoiding deforestation. He hoped that the Council would continue its efforts to monitor the developments in forest carbon and adopting the relevant decision at the Fortythird Council Session in November 2007. He proposed that the consultants should continue their work and that ITTO should also participate in the next technical Working Group of the UNFCCC on forest carbon. He also proposed that the Council should adopt the report and reiterated that Switzerland would contribute financially to support pilot projects that would address this issue.
112. Mr. Marcel Vernooij (Netherlands) commended the consultant for the report. He stated that Netherlands was in favor of intensive cooperation between ITTO and other forest-related international agreements and processes such as the UNFF, CITES, FAO, CBD and the UNFCCC. He, however, cautioned that there should be proper division of labor to avoid overlapping and duplicating roles. He endorsed the recommendations in the report but stated that further discussions were needed taking into account the discussions that would evolve at the UNFCCC. He also referred to the report of the CEM/FI Committees and reiterated the importance of statistics. He stated the Secretariat informed the Committees that data on the production of logs and the growth and yield of tropical forests was likely to be of most interest to the UNFCCC and those involved in the climate change negotiations. However, these data were generally weak or not available for most countries and that collaboration with UNFCCC and others might focus on ways to improve the availability and quality of such data. He was, therefore very sympathetic to a realistic approach but cautioned about the weakness in the statistics and called for intensive cooperation between the UNFCCC and ITTO in improving the quality and availability of statistics.
113. Dr. Norini Haron (Malaysia) commended the consultants for the preliminary report. She noted that the report had not only enhanced but had also enlightened members about the importance of forests in mitigation of and adaptation to climate change. She admitted that all members of the Council were concerned about deforestation and forest degradation in the tropics as one of the factors affecting greenhouse gas emissions from changes in land use, nevertheless it was undeniable fact that tropical forest was still the largest source of carbon reservoir available. She reiterated that Malaysia would support global effort to curb deforestation and to provide incentive for reducing deforestation and forest degradation and would adopt a conservative and cautious approach as the best way to solving the issue of leakage, permanence and additionality. She noted that such an approach would also recognize the socioeconomic effect on those tropical countries where forestry still played a significant role in the economies of those countries. She reaffirmed that the primary priority of the Government of Malaysia in fight against climate change should be the reduction of emissions at the source and that forests as a carbon sink should play a transitional role and be included as an activity only for the short-term. She reiterated that Malaysia would continue to place greater emphasis on the importance of sustainable forest management. She indicated that committing forest area as PFEs especially, as a carbon reservoir should be

given due consideration as indeed it was expensive to manage PFE on a sustainable basis and, therefore, should be done on a voluntary basis. Dr. Norini referred to the Kyoto Protocol and stated that only one project had so far been validated under the CDM. She indicated the greatest obstacle to CDM forestry projects in most countries was the definition of forest, especially the threshold value. She stated that empirical studies had shown that preventing further deforestation would be much cheaper than other types of mitigation. She supported the proposal for the UNFCCC to adopt REDD as a climate change strategy. She said that the recommendations in the report were timely. However, in view of the limited financial resources of the Organization, Dr. Norini cautioned the inclusion of REDD as a thematic area in the ITTA, 2006. She said that the involvement of ITTO in making REDD a climate change strategy should not dilute ITTO's efforts in sustainable forest management.

114. Amb. Lucy Bogari (Papua New Guinea) commended the consultants for the report. She also endorsed the recommendations in the report. She informed the Council about the leadership role being played by PNG in the Coalition of Rainforest Alliance in relation to the work of the UNFCCC. She indicated that the role of PNG in the Rainforest Coalition was a result of the country's concern and interest for the attainment to the UN Millennium Development Goals and the Seven-Year Environmental Sustainability Index. She referred to the keynote address by the Rt. Hon. Grand Chief, Sir Michael Somare, Prime Minister of Papua New Guinea and hoped that the work being done by PNG in Coalition would be given serious consideration by the Council in its collaborative work with the UNFCCC.

#### **ITTO PARTNERSHIP AND CONTRIBUTION TO THE IUFRO-LED CPF INITIATIVE "GLOBAL FOREST INTERNATIONAL SERVICE (GFIS) – DECISION 2(XXXIX) (Agenda Item 17)**

115. The report was presented by Mr. Michael Kleine, Coordinator, IUFRO's Special Programme for Developing Countries.
116. The report provided an account of activities carried out by the International Union of Forest Research Organizations (IUFRO) in fulfillment of the agreement regarding implementation of the approved strategic policy activity PP-A/39-163B under the current ITTO Biennial Work Programme 2006-2007 to support ITTO participation and contribution to the CPF Initiative on the Global Forest Information Service (GFIS) led by IUFRO. The report noted that under the agreement ITTO and IUFRO had agreed to (a) work collaboratively on the further development of GFIS strategic framework; (b) develop a partnership in support of GFIS; (c) promote the accessibility to information about the use and trade of tropical forest resources through the GFIS gateway; and (d) to implement a GFIS training workshop. The report outlined the following strategic guidelines for developing and operating GFIS in the period 2007-2011:
- Principle of partnership across sectors and international through a bottom-up approach;
  - Training in information resource management, discovery and access; and
  - Mobilizing financial resources for maintaining and expanding the GFIS system and services.
117. The report stated that the major work involved in upgrading the GFIS gateway included a transfer of the websites, software and database to the Finnish Forest Research Institute. In combination with this transfer new GFIS data types were made operational on the website as follows:
- News, events, recent publications and job vacancies;
  - Library and document collections based on FAO/AGRIS protocols; and
  - Datasets and databases based on USGS/BIO/FGDC biological data profile.
118. The report stated that the GFIS training workshop aimed at:
- Introducing GFIS to potential partners in Asia;
  - Training of information experts of Asian countries and ITTO's contact points in GFIS open information exchange standard for information resources; and
  - Providing to participants hands-on experience in describing information resources with meta-data.

The workshop was organized by the Chinese Academy of Forestry in Beijing, China, from 10 to 20 October 2006. The workshop was attended by 25 information managers from China, Indonesia, Japan, Korea, Malaysia, Mongolia, Myanmar, Philippines and Thailand. Financial resources for the



training were provided by ITTO and the Korea Forest Research Institute and the Swiss Federal Office for the Environment. IUFRO and the Chinese Academy of Forestry acted as organizers.

119. The report concluded that the ITTO supported activity (PP-A/39-163B) had been successful and had generated the anticipated results. The completion of the strategic guidelines and upgraded GFIS gateway had significantly contributed to advancing the development of GFIS. However, further promotion of GFIS in Asia, Africa and Latin America was needed, in order to mainstream the GFIS service and expand the network of GFIS information providers.

**PREPARATIONS FOR THE ENTRY INTO FORCE OF ITTA, 2006 – DECISIONS 10(XXXIX) and 1(XLI)  
(Agenda Item 18)**

120. Mr. Jan Abrahamsen (Norway) presented the report of the Inter-sessional Working Group established to advise the Council on development of the thematic programmes within the framework of Article 20 of the ITTA, 2006.
121. The Working Group held its meeting in Chiang Mai, Thailand, from 26 to 30 March 2007 and elected Mr. Jan Abrahamsen (Norway) and Ms. Rócia Silva Oliveira (Brazil) as the co-Chairpersons. The Working Group was comprised of representatives from Ghana, India, Papua New Guinea, Brazil, Venezuela, France, Germany, Norway, Switzerland and U.S.A. and the consumer spokesperson. The producer spokesperson was unable to attend the meeting of the Working Group. The Working Group was greatly assisted in its deliberations by the background paper presented by the consultant, Mr. Patrick Hardcastle.
122. The report noted that the major rationale for establishing the thematic programme sub-account was to enhance and broaden the base of voluntary contributions to ITTO. The Working Group considered that a thematic programme in the ITTO context should have certain general characteristics, including:
- Consistent with ITTA, 2006, including Article 1;
  - Identified in the ITTO Action Plan and/or by Council Decision;
  - Of strategic importance to the Organization;
  - Of interest to both producer and Consumer Members;
  - Attractive to one or more donors;
  - Employ coordinated and integrated approach to advancing issues and solving identified problems;
  - Utilize a range of delivery mechanisms, including activities, pre-projects and projects as appropriate and relevant in each case;
  - Address regional and/or global activities as well as those national level activities where the findings and lessons could be readily extended to other countries;
  - All funding received for a given thematic programme would be pooled; and
  - Thematic programme implementation procedures should be flexible; specific operating procedures might vary from one thematic programme to another.
123. The Working Group identified eight steps in the development and operation of one ITTO thematic programme (TP). The group also tested the eight-step process against a hypothetical case study and found that the process could be made operational. The eight steps identified were:
- (i) Thematic programme (TP) identified;
  - (ii) Develop a profile for the thematic programme;
  - (iii) Determine funding potential for the thematic programme (TP)
  - (iv) Develop a strategic plan (SP) and specific operating structure (SOP) for the thematic programme;
  - (v) Approval of the strategic plan (SP) and specific operating structure (SOP) for the TP;
  - (vi) Implementation of the TP;
  - (vii) Monitoring and Evaluation of the TP; and
  - (viii) Reporting to Council.
124. The report also proposed procedures for operating the new ITTO thematic programme subaccount under the ITTA, 2006. These procedures would be in addition to existing procedures for operation of the Special Account under the ITTA, 1994 and would evolve over time based on experience gained. The Working Group proposed to the Council to give consideration to developing further

guidelines regarding project/activity formulation to monitoring and evaluation and to reporting. The report noted that the present system of monitoring and evaluation needed to be revised and adapted to the needs of thematic programmes.

125. The Working Group concluded that the Council should give consideration to the following next steps;
- Review, refine as needed and approve the proposals contained in the report for operating the thematic programme sub-account during the Forty-second Session of the Council;
  - Agree as soon as possible on a small number of themes, which would have broad based support from producer and Consumer Members and attractive to prospective donors;
  - Develop one or more thematic programmes to pilot the approved thematic programme process;
  - Request the Executive Director to be proactive in communicating ITTO plans to develop thematic programmes through contacts with the Collaboration Partnership on Forests, FAO and other relevant bodies and agencies; and
  - Request the Executive Director to engage, in contact with interested donors, with a view to identifying themes that would have financial support and could be implemented quickly and ascertain members' interest in such themes.
126. Mr. Ricardo Umali (Philippines) commended the Intersessional Working Group for the report. He endorsed the procedures developed by the Working Group in the development and operation of the ITTO thematic programme as well as the recommendations contained in the report. He urged the Council to adopt a decision for implementing further work. Mr. Umali, however, stated that although a work plan and an operating structure were necessary the proposals in the report for a new structure (the thematic programme advisory committee) to assist in the review and selection of activities, projects and pre-project proposals by members for financing under the TP would be duplicating the work of the Expert Panel for Technical Appraisal of Project and Preproject Proposals. He called for more in-depth study of the procedures proposed by the Inter-sessional Working Group.
127. Mr. Jürgen Hess (Germany), on behalf of the European Community, reiterated the importance of making the thematic programmes operational in order to enhance the sustainable management of the forest resource base and trade in tropical timber from a sustainably managed resource base. He noted that there would be benefits for all members from a flexible and responsive system for thematic programme funding. He indicated that that would meet the wishes of donors for reduced transaction costs and also give more responsibility to the Secretariat as well as meet the desire of Producer Members for rapid funding. Mr. Hess also commended the members of the Working Group for the report. He noted that the stepwise process recommended by the Working Group for the design and implementation of a thematic programme clearly laid out the necessary procedures and modalities and also presented sufficient flexibility to allow for innovative mechanisms that would lower transaction costs for donors and together with appropriate themes and content raise the attractiveness of ITTO as an implementing agency. He proposed that the approach recommended by the Working Group should be tested on a pilot basis in order to gain experiences and be able to draw lessons learnt which could then be fed back into the Council's conceptual discussions on thematic programmes. Mr. Hess also noted that the list of possible themes developed by the Working Group was of preliminary nature but offered a wide range of potential starting points, of interest to the Council and as well as to other stakeholders. He indicated that the agreed themes would make ITTO deliver useful results based on its comparative advantage and thereby raise the profile of the Organization.
128. Ms. Rócia Silva Oliveira (Brazil) endorsed the comment made by Germany and reiterated the importance of the thematic programme for the future of the Organization. She stated that the project evaluation process of ITTO was very complicated and should be simplified, and made more efficient, effective and quick in order to build an effective, efficient and streamlined organization that would allow member states to work at a strategic level. She called on Member Countries to examine critically the report of the Inter-sessional Working Group. She stated that implementing sustainable forest management and cooperation programmes was the overarching objective of ITTO and urged member states not to lose sight of this objective. She further noted that the thematic programme would make ITTO more flexible and leave behind the past, in which perhaps the Organization could not achieve the objectives for which it was established.

129. Mr. Hideaki Takai (Japan) commended the consultant and the Inter-sessional Working Group for the report. He indicated that the thematic programme provided significant additional merit of the ITTA, 2006 through broadening the donor base. He urged the Council to fully utilize this new mechanism in order to enhance ITTO to play greater roles under the ITTA, 2006. He cautioned that the thematic programme should be managed efficiently to minimize the additional work load and other logistics, including the Secretariat workload. He cited the thematic programme advisory committee proposed by the working group and stated that the advisory committee should be managed very carefully and efficiently. He indicated that the relationship between the Expert Panel for Technical Appraisal of Project and Pre-project Proposals and the thematic programme advisory committee was not clear and indicated that more clarification was needed. Mr. Takai stated that the selection of projects and pre-projects should be done in an objective and transparent process and proposed that the scoring system being used by the Expert Panel for Technical Appraisal of projects and pre-projects could be a useful tool. On the issue of the special account, Mr. Takai proposed that earmarked pledging of projects and pre-projects should remain valid for projects and pre-projects which were found to be eligible for funding from the thematic account. He further noted that project work of ITTO had been mainly borne by the voluntary contributions from Member Countries and suggested that ITTO should explore the possibility of getting new contributions from the private sector as well.
130. Mr. Daniel Birchmeier (Switzerland) commended the consultant and the Working Group for the report. He noted that effective thematic programmes would strengthen ITTOs policy implementation and further improve its effectiveness. He welcomed the report and indicated that the report clearly proposed practical steps for the operationalization of the thematic programme approach. He agreed with the outline proposed by the Working Group on the general characteristics of the ITTO thematic programmes and commended the Working Group for the stepwise approach for the development and operation of the ITTO thematic programme. Mr. Birchmeier also stated that in addition to the proposed mechanism for the operation of the thematic programme sub-account, a special attention should be given to the integration of the thematic programme into the usual ITTO policy work and activities. He noted that while the role of stakeholders in thematic programme processes had been well defined, the role of the Committees in thematic programme cycle had not been clearly defined and should be further strengthened. He endorsed the measures proposed by the Working Group as a way of moving forward.
131. Dr. David Brooks (U.S.A.) commended the Inter-sessional Working Group for the report and echoed similar sentiments that the thematic programme was one of the innovations of the ITTA, 2006 with great promise for the Organization. He also reiterated that the thematic programme must reflect an integrated approach, be flexible and most importantly be attractive to donors and of interest to both producers and consumers. Dr. Brooks stated that the thematic programme should be another attractive opportunity for ITTO in carrying out its objective of sustainable forest management. He indicated that the United States was ready to work with other members of the Council to carry out a pilot testing of the implementation of the thematic programme. He stated that the pilot testing would address some of the issues that had been raised by other delegations. He endorsed the stepwise approach but acknowledged that there were still some issues to be addressed. He indicated that the real benefit of a pilot test would be to iron out some of the issues raised by other delegates.

**PROMOTION OF TRADE IN SUSTAINABLY PRODUCED TIMBER – DECISIONS 10(XXXIV) and 2(XXXIX) (Agenda Item 19)**

132. Mr. James Singh (Guyana) presented a report on "Ensuring Legality in Forestry Activities – A Priority for Guyana". The report stated that in 2000, Guyana Forestry Commission identified the strengthening of forest law enforcement as a priority in order to fulfill its mandate of ensuring sustainable forestry and consequently, took steps to develop and implement a national chain of custody system which provided verification of the origin of forest produce as an important step towards ensuring legality in forestry activities. The log tracking system developed as part of the process, provided evidence on the legitimacy, location and magnitude of forest operations. The report noted that the system was being applied to all forestry operation including, State Forests Amerindian Reservations and Private Properties. It further noted that forest produce originating from Guyana could be tracked to the stump of the tree. Mr. Singh provided details of the log tracking system being implemented by the Forestry Commission of Guyana. The report noted that log tagging had been internationally recognized as a marketing tool and formed the basis for chain

of custody requirements and also allowed third party scrutiny and better monitoring of forestry activities to ensure forest legality.

133. The report stated that no audit of the system had been carried out since its implementation in 2001 although it was the intention of the GFC to continually enhance the system. It further noted that both the GFC and stakeholders had recognized that there were inconsistencies in some aspects of implementation of the log tagging/tracking system and that a review of the system to identify and address inconsistencies was deemed to be essential for its credibility. Consequently, the Government of Guyana submitted a proposal to ITTO to conduct an audit of Guyana's log tracking system pursuant to ITTC Decision 2(XXXIX). The proposal was approved by ITTO to carry out the following:

- Perform an audit of the existing log tracking system;
- Develop a database to record the current status of all log tags; and
- Train forest users in the effective use of the log tracking system.

134. The report stated that PROFOREST, a UK based consultancy firm, was contracted to conduct the audit of the log tracking system. The audit was conducted in consistency with the EU-FLEGT ( as well as the GFTN) requirements for legal assurance systems and the assessment included interviews with government, entities, NGOs and forestry stakeholders as well as field audit at the forest concession level and the processing end.

135. The main recommendations of the audit included:

- The mechanism for allocating annual yield and the number of accompanying transfer permits and log tags should be reflective of practical harvesting levels, and not the theoretical maximum allowable sustainable limit of 20 m<sup>3</sup> /ha;
- The system should be modified to disqualify outdated tags and to enable identification of these upon inspection;
- The chain of custody should be strengthened at the stage of processing of logs;
- A systematic and comprehensive reconciliation methodology must be developed and implemented, to enable reconciliation of data from between stages and across the entire supply chain;
- Additional training by the GFC to forest operators, on a periodic basis;
- A defined eligibility period for tags so as to identify tags being used from periods other than the current years; and
- Increased consistency in the reporting of tag information on the documents along the chain of custody.

136. The report stated that Resonant Technologies, a local information technology firm, was contracted to develop the database to record the status of tag usage. A training schedule was also formulated by the GFC in log tagging. The training emphasized the importance for proper implementation of the log tracking system in ensuring legality of forest activities and maintaining the integrity of the chain of custody.

137. The report identified the following steps forward:

- The GFC had developed an Action Plan to address the recommendations outlined by the audit. This had already been integrated into the work plan activities of the various divisions of the GFC, from 2007 onward;
- The GFC was working toward enhancing forest legality through utilizing barcode technology, remote sensing technology, and expanding its forest monitoring activities to additional areas; and
- Training had been identified as a regular feature for GFCs forest officers and stakeholders. This programme had already commenced in 2007.

#### **ITTO FELLOWSHIP PROGRAMME (Agenda Item 20)**

(a) Progress Report on the ITTO Fellowship Programme

138. The report, as contained in document ITTC(XLII)/11 was presented by Mr. E. Collins Ahadome (ITTO Secretariat). Three hundred and sixty-four (364) fellowships amounting to US\$2,097,901

had so far been awarded under the Freezailah Fellowship Fund. Seventy-seven percent of these awards were in the field of Reforestation and Forest Management, 15% in Forest Industry and 8% in Economic Information and Market Intelligence. In terms of geographical distribution of the awards, 30% were awarded to applicants from Africa, 29% from Asia-Pacific, 25% from Latin America, 10% from developing consumer countries and 3% from consumer countries. Females had accounted for 35% of the total awards.

(b) Report of Fellowship Selection Panel

139. The report was presented by Ms. Katharina Kueymayer, Chairperson of the Fellowship Selection Panel and Vice-chairperson of the Council. The report is contained in document ITTC(XLII)/12. The Selection Panel was composed of representatives of Côte d'Ivoire, Mexico, Papua New Guinea, Netherlands, Switzerland and U.S.A. The Panel met twice during the Forty-second Session of the ITTC and evaluated a total of one hundred and forty-three (143) applications. While reviewing these applications, the Panel took into account the balance among the three subject areas and regions as well as the opportunity to promote the participation of women. The Panel recommended to the Council the approval and award of twenty-eight (28) applications at a total cost of US\$150,150.00.

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

**DRAFT ANNUAL REPORT FOR 2006 (Agenda Item 21)**

141. The draft Annual Report for 2006 was presented by Mr. E. Collins Ahadome (ITTO Secretariat). The report is contained in document ITTC(XLII)/4. Mr. Ahadome presented the highlights of the work of the Organization in 2006, 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 2006. Also contained in the draft Annual Report was the work of the Committee and a summary of the World Timber Situation in 2006.

**SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (Agenda Item 22)**

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

142. There were no new pledges to the Special Account and the Bali Partnership Fund.

(b) Review of the Resources in the Bali Partnership Fund

143. The Chairperson referred to document CFA(XXI)/5 and the Council noted the resources in the Bali Partnership Fund as contained in the document

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

144. The report was presented by Mr. Marcel Vernooij (Netherlands), Vice-chairperson of the Committee on Finance and Administration. The Panel was composed of representatives of Japan, Switzerland, U.S.A., Brazil, Liberia and Papua New Guinea. The Panel noted that at the end of the Forty-first Session of the Council, forty activities (including activities in the Biennial Work Programme for 2006-2007), five pre-projects and five projects had been funded from the resources of the Sub-Account B of the Bali Partnership Fund with a total budget amount of US\$16,761,741.00. The Panel was advised by the Secretariat that the available resources of the Sub-Account B amounted to US\$922,053.13. The Secretariat further informed the Panel that since the establishment of the Sub-Account B, the total receipts to-date amounted to US\$17.33 million of which US\$14.33 million was from interest earned, and the balance of US\$3 million was from donors' contributions. The Panel also noted that the current funds available in the "Unearmarked Fund" amounted to US\$1,399,166.79 after taking into account the total allocations of US\$9.14 million, including those for the Biennial Work Programme for 2006-2007, made at the previous Sessions held from November 2003 to November 2005. The Panel further noted that the total funds available at the Session amounted to US\$2,321.219.92 and recommended that financing limit from the total available resources at the Forty-second Session of the Council should not exceed US\$500,000.00. The Panel recommended the financing from the resources of the Sub-Account B of the Bali Partnership Fund and/or Unearmarked Funds of the following:

PD 392//06 Rev.2 (F) Regional Project to Promote Reduced Impact Logging in the Congo Basin – Phase I (Gabon) – partial funding of US\$100,000.00

PD 124/01 Rev.2 (M) Promotion of Sustainable Management of African Forests (ITTO) Phase II – partial funding of US\$320,000.00

Freezailah Fellowship Fund (ITTO) – budget for year 2007, balance funding of US\$50,000.00

PP-A/42-191 Multipurpose Forest Inventory as a Tool for Sustainable Forest Management – Decision 3(XLII) – balance funding of US\$30,000.00

#### **REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 23)**

145. Ms. Chantal Adingra (Côte d'Ivoire), Chairperson of the Committee on Economic Information and Market Intelligence presented the report of the Committee as contained in document CEM-CFI(XL)/6. The Committee met in joint Session with the Committee on Forest Industry.

146. The Committee noted the summary of the ITTO Annual Market Discussion – 2007, held in joint Session of the Technical Committees on 9 May 2007. The theme of the Market Discussion was "Trade in Secondary Processed Wood Products: Trends and Perspectives" and it was moderated by Ms. Siti Syaliza Mustapha (Malaysia) and Mr. Richard McCarthy (PNG) and chaired by Ms. Chantal Adingra (Côte d'Ivoire). The Committee received the reports of three ex-post evaluations:

- (i) PD34/00 Rev.2 (M): Extension and Consultation of the National Statistical Information System (Bolivia);
- (ii) PD27/95 Rev.3 (M): Phase II Stage 2 – Establishment and Operation of a Forest Strategic Information Center (Peru); and
- (iii) PD80/01 Rev.6 (M): Consolidating Sustainable Forest Management Certification System in Indonesia

The Secretariat also made oral reports on the progress in the implementation of the ex-post evaluation of the following completed projects:

PD41/99 Rev.4 (M): Development and Implementation of the Pilot Project of the Forestry Statistics Information System (Philippines); and

PD48/99 Rev.1 (M, F): Sharing of Information and Experiences on Private Sector Success Stories in Sustainable Forest Management (Malaysia)

The Committee noted that the Secretariat was in the process of identifying the consultant to undertake the ex-post evaluation of the above projects.

147. The Committee recommended to the Council the approval and funding of two new project proposals and one new pre-project proposal. The Committee also recommended to the Council that funding be made immediately available for two projects approved at earlier Sessions.

148. 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; (v) studies on subsidies affecting tropical timber products; (vi) auditing of existing tracking systems in tropical forest industries (vii) consider further work on forest law enforcement and illegal trade in timber and timber products; (viii) enhancement of statistical work and training workshops on statistics; (ix) monitoring progress being made regarding comparability and equivalence of certification systems; and (x) economic valuation of the forest sector with particular reference to the Amazon Basin.

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

150. Dr. Flip Van Helden (Netherlands), Chairperson of the Committee on Reforestation and Forest Management presented the report of the Committee as contained in document CRF(XL)/4. The Committee considered the completion reports of eleven projects and three preprojects. The final financial audit reports of eight of these projects and one pre-project had not yet submitted their final financial audit reports. The Committee urged the Executing Agencies of these projects to submit

the final financial reports to the Secretariat prior to the Forty-first Session of the Committee. The eight projects and one pre-project whose final financial audit reports had been submitted to the Secretariat were duly declared complete. Those completed projects and pre-project were declared complete upon the reception of a satisfactory final financial audit report by the Secretariat. The Committee deferred the selection of new completed projects for ex-post evaluation until its Forty-first Session. The Committee recommended to the Council the approval and funding of thirteen (13) projects and three (3) pre-projects.

151. On policy work, the Committee on Reforestation and Forest Management considered the following issues:
- (i) Contributing appropriately to national and international efforts in the area of prevention and management of fire in relation to tropical timber –producing forests (Colombia, Guyana, Philippines and Peru);
  - (ii) Monitor and assess the social, economic and environmental costs and benefits of sustainable management of natural forests (cooperation with FAO's Asia-Pacific Forestry Commission, the Regional Community Forestry Training Center (RECOFTC) and other organizations to convene an international conference on managing forests for poverty reduction, capturing opportunities for the benefit of the poor);
  - (iii) Supporting the effective enforcement of forest laws and regulations that ensure sustainable forest management and securing the production base;
  - (iv) Assessing human resources development and institutional strengthening by conducting national, regional and international training activities and the provision of fellowships;
  - (v) Producing the exchange of experience at the regional level on the implementation of sustainable forest management through ITTO supported projects; and
  - (vi) Monitoring and assessing the environmental, social and economic costs and benefits of forest plantation development and utilizing that information to promote new plantations.
152. The report of the Committee was approved by the Council. The full report is contained in Annex IV.
153. Mr. Dani Pitoyo (Indonesia) presented the report of the Committee on Forest Industry as contained in document CEM-CFI(XL)/6. The Committee considered the completion reports on five (5) projects and one pre-project and declared them complete. 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 following ex-post evaluation reports were submitted to the Joint Session by the Committee on Forest Industry:
- (i) PD 58/99 Rev.1 (I): Introducing a Village Industry in the Community Around an Industrial Forest Plantation in Indonesia;
  - (ii) PD 85/01 Rev.2 (I): Strategies for the Development of Sustainable Wood-based Industries in Indonesia;
  - (iii) PD 56/99 Rev.1 (I): Promotion of the Utilization of Bamboo from Sustainable Sources in Thailand; and
  - (iv) PD 24/00 Rev.1 (I): Promotion of Sustainable Utilization of Rattan from Plantation in Thailand

Oral reports were made by the Secretariat on the progress in the implementation of the ex-post evaluation of five other completed projects. The Committee noted that the Secretariat was in the process of identifying consultants to undertake the ex-post evaluation of these projects.

154. The Committee on Forest Industry recommended to the Council the approval and funding of three (3) new projects and one pre-project. The Committee also recommended to the Council that funding be made immediately available for twelve (12) projects and two (2) pre-projects approved at earlier Sessions.
155. On policy work, the Committee on Forest Industry considered the following issues: (i) Promotion of Wood-based Bioenergy using Wood Residues and Wastes in Tropical Countries; (ii) Promotion of Private Investment through Facilitating Information Exchange on Investment Opportunities – Organization/Convening of Investment Promotion Forum/Seminars; (iii) Assessing Opportunities for and Promoting the Development of Non-Timber Forest Products and Forest Services which can

Improve the Economic Attractiveness of Maintaining the Forest Resource Base; and (iv) International Conference on the Transportation of Timber Products.

156. The Council approved the report of the Committee. (The full report is contained in Annex IV.)
157. Mr. Marcel Vernooij (Netherlands), Vice-Chairperson of the Council on Finance and Administration presented the report of the Committee as contained in document CFA(XXI)/7. The CFA reviewed Members' contributions to the Administrative Budget and noted that in 2007, a total amount of US\$1,313,240.69 had so far been received from Producing Members out of the total net assessment of US\$2,740,870.00; and US\$2,453,639.00 had been received from Consuming Members out of the net assessed amount of US\$2,719,268.00. The Committee also approved the assessed contribution of Poland, a new Member, in the amount of US\$30,542.00. The Committee further noted that the arrearages in contributions to previous years' budget from Producing Members amounted to US\$6,298,037.43 whilst arrearages from Consuming Members amounted to US\$143,276.00. On the current status of the Administrative Account, the Committee noted that the estimated expenditures for 2007 would amount to US\$4,931,581 (i.e. US\$528,557 less than the total amount approved in the budget for 2007). The Secretariat informed the Committee that taking into consideration the total contributions received together with contributions expected to be paid by Members before the end of 2007, it was anticipated that the contributions would fall short to finance the expenditures for 2007 in the amount of US\$243,193. The Secretariat, in this connexion, recalled Decision 2(XXXIV) through which the Council authorized the Executive Director to transfer, if and when necessary, an amount not exceeding US\$300,000 annually from the Working Capital Account to the current Account in the Administrative Account to meet the shortfall of funds. The Committee also noted that the current balance of the Working Capital Account amounted to US\$2,111,732.
158. The CFA reviewed the resources of the Special Account and the Bali Partnership Fund and noted that a total amount of US\$2,310,115.55 had been transferred from the remaining monitoring and evaluation funds of various projects into the "Pooled Sub-Accounts" for ex-post evaluations. The Committee further noted that as at the end of the Twentieth Session of the Committee, forty activities (including activities in the biennial work programme 2006-2007), five (5) projects and five (5) pre-projects had been funded from the resources of the Sub-Account B of the Bali Partnership Fund and that the current available resources of Sub-Account B of the BPF amounted to US\$922,053.13 and that of the "Unearmarked Funds" was US\$1,399,166.79.
159. The Committee reviewed the Auditor's Report for the Financial Year 2006 and recommended to the Council to approve the report. The Committee also recommended to the Council to appoint the firm "Arata Kansa Houjin (PWC Arata), Tokyo" to audit the Organization's accounts for the financial year 2007.
160. The Council approved the report of the Committee. (The full report is contained in Annex IV.)



**DATES AND VENUES OF THE FORTY-THIRD, FORTY-FOURTH AND FORTY-FIFTH SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 24)**

161. The Chairperson informed the Council that the Forty-third Session of the ITTC would be held in Yokohama, Japan, from 5 to 10 November 2007 and invited Members to confirm the dates and venue. He also recalled that the Council had decided at its Forty-first Session to continue discussions on the date and venue of the Forty-fourth Session following the submissions by Ghana and Gabon that the Forty-fourth Session should be held in an African member country.
162. Ms. Chiho Horiuchi (Japan) confirmed that the Forty-third Session of the Council would be held on 5-10 November 2007 in Yokohama, Japan, and welcomed all Members.
163. Mr. A. N. Attah (Ghana) stated that in accordance with the spirit and practice of the hosting of the Council Sessions under the ITTA, 1994 it was the turn of Africa to propose a venue of the hosting of Forty-fourth session of the Council. He reported that after a series of consultations among the African caucus it was decided that the Forty-fourth Session of the Council should be held in Accra, Ghana and dates would be proposed to the Council at the Forty-third Session of the ITTC. He recalled that Ghana first hosted the Session in May 1995 and extended an invitation to delegates to attend the Forty-fourth Session of the ITTC and experience the proverbial Ghanaian hospitality. He also informed the Council that Ghana was preparing the centenary celebration of forestry, with the establishment of the Forestry Department, in Ghana in 2008 and invited the Council to be part of the centenary celebrations of forestry in Ghana.
164. H.E. Mr. Mbella Mbella (Cameroon) concurred with the statements made by the delegation of Ghana and reiterated that it was the decision of the African Group that Ghana should host the Forty-fourth Session of the ITTC. He re-affirmed the African Group's respect for the principle of rotation and supported the nomination of Ghana as the host country for the Forty-fourth Session of the ITTC. He noted that Ghana was well known for its legendary culture and the stability of its political institutions as well as its dynamism in the world of business and therefore a perfect choice to host the Forty-fourth session of the Council. He said that the centenary celebrations of forestry in Ghana would be good opportunity for the Council to hold its Forty-fourth Session in that country. H.E. Mr. Mbella Mbella also stated that the Council should continue the practice of holding bi annual Council Sessions with one meeting at the Headquarters and the spring meeting at the invitation of a Member Country and that the system of rotating the venue of the spring meetings between the three producer regions would allow Members the opportunity to understand the reality prevailing in Member Countries. He hoped that within the framework of the ITTA, 1994 Ghana would receive support from generous donors toward the hosting of the Forty-fourth Session.
165. Ms. Chiho Horiuchi (Japan) expressed her gratitude to Ghana for offering to host the Forty-fourth Session of the Council in Accra, Ghana. At the same time, she reminded the Council that securing the necessary funding would be a prerequisite for making a final decision on a venue of the Council Session and reiterated that as the reason behind Japan's proposal for a decision on the hosting of Council Sessions outside the Headquarters in Yokohama, Japan. She indicated that Japan was seeking consensus on its proposal for a decision. She appealed to the Council to defer the final decision on the venue of the Forty-fourth Session until the Council had had the chance to reflect on the proposal for Decision by Japan on the financial arrangement related hosting of the Sessions outside the Headquarters and thus its financial arrangement would be ensured feasible.
166. The Chairperson proposed that a small group including Ghana and Japan should discuss the hosting and funding of the Forty-fourth session.
167. Ms. Chiho Horiuchi (Japan) recalled the position expressed by Japan during the Forty-first Session of the Council in Yokohama, Japan, that from 2007 onward the City of Yokohama would no longer be in the position to provide funds for the hosting of Council Sessions outside of the Headquarters. She reaffirmed the full commitment of the City of Yokohama to the activities of ITTO and would continue to give financial and material support towards the Organization of one Session per year to be held in Yokohama, Japan. She reiterated the position of Japan that it would no longer continue to finance the second Session of the Council held outside the Headquarters and she also recalled that this position had been broadly approved by Members. She, therefore, stated that further consultations between Japan and the African Group on the funding of the Forty-fourth Session was not appropriate; She stated that discussions on the hosting of the Forty-fourth Session should involve all Members of the Council and not a small group.

168. Ms. Chantal Adingra (Côte d'Ivoire) supported the proposal to convene the Forty-fourth Session of the Council in Accra, Ghana. She proposed that additional consultations should be held with other donors in order to ensure the convening of the Forty-fourth Session in Accra, Ghana.
169. Dato' Dr. B.C.Y. Freezailah (Malaysia) on behalf of the Producer Group informed the Council that the gracious invitation by Ghana to host the Forty-fourth Session of the Council had received the full support of the entire producer caucus. He recalled the warm hospitality accorded to delegates when the Council Session was convened in Accra in May 1995. He also recalled that the President of Ghana graced that ITTC Session with his presence. Dr. Freezailah also reported that as a result of discussions within the producer caucus, a small delegation of producers met with the delegation of Japan and appealed to the Host country of the Headquarters to continue with the practice of funding the biannual Sessions of the ITTC since the Council was still operating under the ITTA, 1994. He indicated that the situation could be reviewed on entry into force of the ITTA, 2006 and other sources of funding could then be explored. He noted that during the consultations and discussions with the delegation of Japan, the Producer Group gave compelling reasons on the need and the strategic value for convening an ITTC Session in a producer Member Country. He reiterated that the impact and message of tropical forestry must be given at the highest political level in order for sustainable forest management to receive support at the highest level of government. He also stated that in order to receive an additional amount of about US\$300,000 for Ghana to convene the Session it was too late for the activity to be put into the Country's budget in their normal financial system and therefore without financial support from a donor country the prospects of holding the Forty-fourth Session in Accra, Ghana would be somewhat dismal. On behalf of the Producer Group, Dr. Freezailah appealed to Japan to re-consider its position and sustain the current practice of holding two Sessions of the Council per year and also maintain the existing financial arrangements.
170. Mr. Felipe Hees (Brazil) supported the statement made by the delegation of Malaysia and also expressed gratitude to Ghana for the invitation to the Council to host the Forty-fourth Session of the Council in Accra, Ghana.
171. Mr. Daniel Birchmeier (Switzerland) expressed gratitude to the Government of Ghana for the offer to host the Forty-fourth Session of the Council in Accra, Ghana. He, however, associated himself with earlier comments made by Japan that the issues in the draft decision proposed by Japan should first be addressed. He urged the Council to have an in-depth look at the draft decision before tackling the issue of date and venue for the Forty-fourth Session.
172. Amb. Lucy Bogari (Papua New Guinea) supported the earlier comments made by the producer spokesperson. She indicated that PNG was part of the small working group that met with the delegation of Japan.
173. The Chairperson proposed that the decision on the date and venue for the Forty-fourth Session should be deferred to the Forty-third Session of the Council to be convened in Yokohama, Japan.

#### **OTHER BUSINESS (Agenda Item 25)**

174. The Chairperson invited the Council to discuss any other business. There was no other business.

#### **DECISIONS AND REPORT OF THE SESSION (Agenda Item 26)**

175. The Chairperson referred to documents ITTC(XLII)/15 – ITTC(XLII)/19 comprising the five (5) Decisions for consideration and adoption by the Council. The Council approved the five (5) Decisions. Amendments and editorial corrections were noted. Rule 33 of the Rules of Procedures is to be applied for the circulation of the Decisions and the report of the Council to Members.

#### **CLOSING OF THE SESSION (Agenda Item 27)**

##### **Statement by the Honorable Minister of Forestry and Wildlife of Cameroon**

176. H.E. Dr. Elvis Ngolle Ngolle, Minister of Forestry and Wildlife of Cameroon, on behalf of the Government of Cameroon expressed gratitude to the Council for selecting Mr. Emmanuel Ze Meka, a Cameroonian national, to be the next Executive Director of ITTO. He was glad that the process had been conducted in an open and transparent manner which had allowed the Council to elect

Mr. Ze Meka by acclamation. H.E. Dr. Ngolle Ngolle also commended the able leadership of the Chairperson of the Council. He also paid tribute to Dr. Manoel Sobral Filho, the out-going Executive Director for his dedication and effective leadership of the Organization during his period of tenure as the Executive Director of the Organization. He also commended the dedication and hard work of the Secretariat. H.E. Dr. Ngolle Ngolle also expressed his gratitude to the Government and People of Papua New Guinea for their hospitality and excellent arrangements during the Forty-second Session of the Council.

177. Mr. Daniel Birchmeier (Switzerland), on behalf of the delegation of Switzerland congratulated Mr. Emmanuel Ze Meka on his election by the Council to be the next Executive Director. He also expressed his confidence in Mr. Ze Meka and wished him every success during his tenure for the good of the Organization. He also congratulated the delegation of Cameroon for a well conducted campaign, during which the delegations of Switzerland and Cameroon had maintained their usual friendly contacts. Mr. Birchmeier also congratulated the Chairperson of the Council for the fairness and transparency with which he had presided over the Council's deliberations on matters related to Article 16 of the ITTA, 1994. On behalf of the Swiss delegation, he expressed his gratitude to all the delegations who had expressed their support to the Swiss candidate, Dr. Jürgen Blaser. He stated that the Swiss delegation shared a common vision with all those who had supported Dr. Jürgen Blaser on how the Organization should be run in future in order to reach the objectives of the ITTA, 2006. He assured the Council that Switzerland would continue to work for the success of ITTO.

#### **Closing Statement by the Executive Director**

178. The Executive Director expressed his gratitude to the Council for the opportunity to address his last Council Session as Executive Director. He noted that it had been a privilege for him to have associated himself with many fine women and men during his tenure in ITTO and to observe the excellence of their work. Dr. Sobral congratulated Mr. Emmanuel Ze Meka on his election as the next Executive Director.
179. Dr. Sobral underscored the excellent reputation of ITTO in the international forest policy community and noted that ITTO had gained this reputation through the commitment, hard work and sometimes the inspired thinking of its Members. He commended the Council's ability to put policy and principles into practice at the ground level and that ITTO's character had almost been defined by this ability. He recommended to delegations to read the ITTO 20Year report for a comprehensive review of the Organization's work. He cited the inclusion of case studies that featured the voices of beneficiaries – people who live in the villages, towns and cities of tropical Member Countries as one of the most interesting aspects of the 20-year report. He noted that reading through the testimonies of these people, it was difficult not to be moved by their passionate support for ITTO's work, and also difficult not to feel immensely proud of an organization that had had such a tangible effect on many lives. He underlined that the testimonies proved that ITTO could be, and had been an effective catalyst for sustainable development, assisting people to develop their local economies by using their forest resources efficiently and sustainably. Dr. Sobral also cited the ITTO fellowship programme as one of the Organization's first initiatives which had proved to be its longestlasting. The fellowship programme had been sponsoring young and middle-level professionals working for governments, research institutions, civil society and the private sector to pursue professional development opportunities and improve their career prospects. He noted that ITTO fellows were professionals who would lead the forestry sector in their countries over the next few decades. Dr. Sobral stated that so far, ITTO had provided fellowships to over a thousand people from more than forty (40) countries and the Council should be proud to have made a difference to the careers of so many young foresters. The Executive Director also highlighted ITTO's work in policy development. He recalled that when the Organization was created in 1983, there were no international policies on forest management anywhere, let alone in the tropics. ITTO led the way with its series of guidelines, its criteria and indicators on sustainable forest management and others, and had also worked with governments and other stakeholders to improve these policy initiatives, where they needed improving, and to start implementing them at the national and field levels. Dr. Sobral noted that bringing about change in policies and field practice was a long and inevitably painful process, but it was happening. He cited the survey published in 2006 on the status of forest management in the tropics which found that forest policies in the tropics were evolving in line with ITTO's policy work and also found that forest management was improving. He indicated that that was a demonstration that ITTO's work had not been in vain and underlined that most of the improvement was due to efforts of Member Countries themselves and the hundreds of thousands or millions of

people involved in the forestry sectors of these countries and the important role played by ITTO as well.

180. Dr. Sobral stated that although ITTO was in excellent health, its potential had not been fully tapped, and that if given additional resources, ITTO could be scaled up to a point where it would make a huge positive impact across the tropics. He further noted that with the increasing concern about global climate change and the role of tropical forests in the carbon cycle, there were exciting and challenging times ahead for ITTO and its partners and hoped that Member Countries would maintain and even increase their support in the coming years. He expressed his delight that efforts taken by the Council to broaden the Organization's funding base had already started to pay off and noted that about US\$6 million had been pledged by donors who had either never before contributed or whose contributions had previously been in the decline.
181. Dr. Sobral also paid tribute to the Council for the support he had received from the Council during his tenure as Executive Director. He stated that the Council Chairpersons and other office-bearers had always been dedicated to their work, constructive in their attitudes and pleasant to deal with. He further noted that the relationship between consumers and producers had never been more harmonious and that ITTO had set a standard of international cooperation that could and should be emulated elsewhere.
182. The Executive Director expressed his appreciation and gratitude to the Government of Japan and the City of Yokohama. He noted that during his tenure as Executive Director he had held many long discussions with officials from the Government of Japan and the City of Yokohama, as well as with many other Japanese forestry professionals, and expressed his gratitude for the highest courtesy accorded him. Dr. Sobral expressed his gratitude to the Secretariat for their efficiency and dedication. Dr. Sobral said "the Secretariat is small by most intergovernmental standards, but it must be ranked as one of the most efficient on the planet". He stated that it was his respect and high regard for the people in the Secretariat that moved him to propose a reform of the Secretariat's Pension Fund by extending its benefits to Japanese staff members, along with his decision to modernize the management and investment of the overall Pension Fund. He hoped that the Organization would become even more effective in its work in the future. Dr. Sobral also expressed his gratitude to the interpreters and translators for the support they had always provided to the Organization.
183. In conclusion, Dr. Sobral said "Mr. Chairman, I have spent 20 years – almost two-thirds of my professional life – with ITTO. It has been an honour. I am not planning to return as a delegate in the future, but I hope I do not lose contact with the friends I have made during my ITTO years. I look forward to meeting them again, perhaps more informally, in years to come, perhaps in my home in Brazil where the door will always be open".

#### **Closing Statement by the Chairperson**

184. In his closing address to the Council, the Chairperson, on behalf of the Council, expressed his deepest and heartfelt gratitude to the People and Government of Papua New Guinea for their kind hospitality and invaluable support to the Council during the Forty-second Session of the ITTC. He underscored the presence of the Honorable Grand Chief Sir Michael Thomas Somare, Prime Minister of Papua New Guinea at the Opening Session of the Council.
185. The Chairperson noted with appreciation that a total of US\$5.3 million had been pledged at the Session for funding new projects and activities aimed at the conservation and sustainable management, use and trade of tropical forest resources. He also stated that the total funds pledged were not sufficient and recalled his previous statement to the Council that 40% of approved projects could not be implemented due to the lack of financial resources as well as the limited area of tropical forests certified to be under sustainable management. He urged all Members of the Council to make greater efforts to address a problem that was becoming increasingly serious. The Chairperson also reiterated that the list of donors was very short, with Japan, Switzerland and the United States of America accounting for 90% of the total contributions. He thanked the other donors for their contributions as well and hoped that the list of donors and the contributions would increase in the future.
186. On the issue of dates and venue of Forty-fourth Session, the Chairperson hoped that the Council would be able to take a decision during the Forty-third session of the Council in Yokohama, following the invitation by the Government of Ghana to host the Forty-fourth Session.

187. The Chairperson noted that the most significant achievement of the Forty-second Session had undoubtedly been the appointment of Mr. Emmanuel Ze Meka as the next Executive Director of the Organization. He indicated that the task had been very difficult and complex to select the "*primus inter pares*" from among six candidates of excellence. He paid tribute to the generosity and open handedness of Dr. Jürgen Blaser who withdrew his candidature to allow the Council to reach a consensus and appoint Mr. Ze Meka by acclamation. He noted that Mr. Ze Meka was not only talented but also committed to the cause of ITTO, just as his predecessor, and was thoroughly familiar with the Organization's strengths and weaknesses. He urged the Council to fully support Mr. Ze Meka's work.
188. The Chairperson also paid tribute to Dr. Manoel Sobral Filho, the outgoing Executive Director and noted that Dr. Sobral had left an indelible mark as Executive Director of the Organization. He indicated that Dr. Sobral had been an excellent manager and had shown to be a man of conviction and undaunted by obstacles with a will to succeed even in the face of adversity. The Chairperson also stated that Dr. Sobral would leave ITTO with the satisfaction that he had fulfilled his duty and wished him all the best in his future endeavors.
189. The Chairperson officially closed the Forty-second Session of the Council.



## **ANNEX I**

### **LIST OF PARTICIPANTS**

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7 – 12 May 2007  
Port Moresby, Papua New Guinea

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Mr. Joe Macadam

### Translators

Ms. Claudia Adán  
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## **OFFICERS OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL AND ASSOCIATED COMMITTEES**

### **Council**

Chairperson	Mr. Luis Macchiavello
Vice-Chairperson	Ms. Katharina Kuehmayer

### **Economic Information and Market Intelligence**

Chairperson	Ms. Chantal Adingra
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### **Reforestation and Forest Management**

Chairperson	Mr. Flip van Helden
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### **Forestry Industry**

Chairperson	Mr. Dani Pitoyo
Vice-Chairperson	Dr. Jürgen Blaser

### **Finance and Administration**

Chairperson	Mr. James Singh
Vice-Chairperson	Marcel Vernooij

### **Spokespersons**

Producers	Dr. B.C.Y. Freezailah
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Consumers	Ms. Charlotte Cudby
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## ITTO SECRETARIAT

Dr. Manoel Sobral Filho  
Executive Director

Mr. Takeichi Ishikawa  
Assistant Director, Management Services

Mr. Amha Bin Buang  
Assistant Director, Economic Information and Market Intelligence

Mr. Emmanuel Ze Meka  
Assistant Director, Reforestation and Forest Management

Dr. Steven E. Johnson  
Editor/Communications Manager

Mr. Mahboob Hasan  
Financial/Administrative Officer

Mr. Charas Mayura  
Finance/Administrative Officer

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

Dr. Hiras Sidabutar  
Projects Manager, Reforestation and Forest Management

Dr. Hwan Ok Ma  
Projects Manager, Forest Industry

Dr. Jairo Castaño Galvez  
Market Information Services (MIS) Coordinator

Mr. Edmond Collins Ahadome  
Information Officer

Ms. Patricia Hanashiro  
Programme Officer

Dr. Lauren Flejzor  
Projects Manager, Forest Industry

Ms. Manami Oshima  
Research Assistant

Mr. Michiaki Fujimoto  
Secretary

Ms. Maiko Miura  
Finance Assistant

Ms. Kanako Sakaguchi  
Secretary

Ms. Naho Tamura  
Secretary



Ms. Utako Aoike  
Secretary

Mr. Simon Kawaguchi  
Secretary

\* \* \*



**ANNEX II**

**AGENDA**

**DOCUMENT: ITTC(XLII)/1 Rev.2**



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ITTC(XLII)/1  
5 March 2007

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FORTY-SECOND SESSION  
7 – 12 May 2007  
Port Moresby, Papua New Guinea

## PROVISIONAL 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 2007
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. Forest Law Enforcement in the Context of Sustainable Timber Production and Trade – Decision 6(XXXI)
12. ITTO Objective 2000 – Decision 2(XXIX)
13. ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII)
14. Civil Society/Private Sector Partnerships for Sustainable Forest Management – Decision 5(XXXIII)
15. Matters related to Article 16 of ITTA, 1994 – Decisions 3(XXV), 3(XXVII), 5(XXXIV) and 2(XLI)
16. 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)
17. ITTO Participation and Contribution to the IUFRO-led CPF initiative “Global Forest Information Service (GFIS)” – Decision 2(XXXIX)
18. Preparations for the Entry into Force of the ITTA, 2006 – Decisions 2(XXXIX) and 1(XLI)
19. Promotion of Trade in Sustainably Produced Timber – Decisions 10(XXXIV) and 2(XXXIX)
20. ITTO Fellowship Programme – Decision 4(XXVII)
  - (a) Progress Report on the ITTO Fellowship Programme;

- (b) Report by the Chairperson of the Fellowship Selection Panel
- 21. Draft Annual Report for 2006
- 22. Special Account and Bali Partnership Fund
  - (a) Pledges to the Special Account and the Bali Partnership Fund;
  - (b) Review of the resources in the Bali Partnership Fund;
  - (c) Report of the Panel on Sub-Account B of the Bali Partnership Fund (BPF)
- 23. Reports of the Associated Sessions of the Committees
- 24. Dates and Venues of the Forty-third, Forty-fourth and Forty-fifth Sessions of the Council and the Associated Sessions of the Committees
- 25. Other Business
- 26. Decisions and Report of the Session
- 27. Closing of the Session

## ANNOTATIONS TO THE AGENDA

### **Item 1 - Opening of the Session**

The Fort-second Session of the Council will be opened by the Chairperson of the Council, H. E. Amb. Luis Macchiavello Amoroz (Peru).

### **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(XLII)/1 Rev.2]

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** [Document ITTC(XLII)/14]

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

### **Item 5 - Report of the Credentials Committee** [Document ITTC(XLII)/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 2007** [Document ITTC(XLII)/1 Rev.2 Annex]

The proposed distribution of votes for the year 2007, 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 2008.

### **Item 7 - Admission of Observers** [Document ITTC(XLII)/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(XLII)/2]

Pursuant to Decision 5(XXVI), and in order to organize its work for the Session, the Council may consider the report of the Twentieth Meeting of the Informal Advisory Group (IAG), to be convened on Sunday, 6 May 2007.

The report of the Twentieth Meeting of the IAG will be presented by the Chairperson, H. E. Amb. Luis Macchiavello Amoroz (Peru).

**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.

The Secretariat has received notice from CITES that all species in the genus *Cedrela* and the timber species *Dalbergia retusa*, *Dalbergia granadillo*, *Dalbergia stevensonii*, *Caesalpinia echinata* and *Bulnesia sarmientoi* are proposed for listing in CITES Appendix II. These proposals will be considered by the Fourteenth meeting of the CITES Conference of the Parties (COP 14), 3-15 June 2007. Members may wish to consult on these proposals with a view to contribute with comments or other inputs on the proposals to CITES prior to COP 14.

The following issues relevant to ITTO are also to be considered at COP 14 (web links to documents provided where available):

1. A review of Peru's implementation of the Appendix II listing of big-leaf mahogany by the 55th session of the CITES Standing Committee (2 June);
2. A draft resolution (sponsored by the USA) on cooperation between CITES and ITTO regarding trade in tropical timber (<http://www.cites.org/eng/cop/14/doc/E14-18-2.pdf>);
3. Report of the June 2006 meeting of the Mahogany Working Group (co-sponsored by ITTO);
4. Report of the April 2007 international expert meeting on non-detriment findings (Mexico, co-sponsored by ITTO); (<http://www.cites.org/eng/cop/14/doc/E14-35.pdf>); and
5. Physical inspection of timber shipments (Germany) (<http://www.cites.org/eng/cop/14/doc/E14-42.pdf>).

Members may wish to review and consult on these issues with a view to providing inputs to CITES and/or their delegations who will attend CITES COP 14.

**Item 11 - Forest Law Enforcement in the Context of Sustainable Timber Production and Trade - Decision 6(XXXI)**

[Documents ITTC(XLII)/5 and ITTC(XLII)/6]

Pursuant to its Decision 6(XXXI) which authorized the Executive Director, upon request by Producing Countries, to conduct studies and to assist those countries in devising ways to enhance forest law enforcement, taking into account, when necessary, illegal timber trade and its impacts, the Council will receive the report on the assistance provided to the Governments of Brazil and Papua New Guinea.

**Item 12 - ITTO Objective 2000 – Decision 2(XXIX)**

[Document ITTC(XLII)/7]

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 report on the assistance provided to the Government of Papua New Guinea.

**Item 13 - ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII)**

The Council will receive the final report on the implementation of the training workshops to promote the understanding and use of the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests.



**Item 14 - Civil Society/Private Sector Partnerships for Sustainable Forest Management – Decision 5(XXXIII)**

The Council will be updated on the progress and lessons learned in the implementation of pilot programmes to support the development of Civil Society/Private Sector partnerships to help to implement sustainable forest management.

**Item 15 - Matters Related to Article 16 of the ITTA, 1994 – Decisions 3(XXV), 3(XXVII), 5(XXXIV) and 2(XLI)**  
[Document ITTC(XLII)/8]

The Council may wish to receive the report of the Panel established under Decision 2(XLI) to consider matters related to Article 16 of the ITTA, 1994. The Council will also receive the conclusions of the Producer and Consumer Caucuses on the indicative short list of candidates prepared by the Panel that examined the applications for the position of Executive Director and select the Executive Director, if possible at the Forty-second Session, if not by consensus, by special vote.

**Item 16 - Developments in the UNFCCC Regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy – Decisions 2(XXXIX), 1(XLI)**  
[Document ITTC(XLII)/9]

The Council may wish to consider the report on the developments in the UNFCCC since COP -11 regarding forests and their potential implications for the tropical forests and the world tropical timber economy.

**Item 17 - ITTO Participation and Contribution to the IUFRO-led CPF initiative “Global Forest Information Service (GFIS)” – Decision 2(XXXIX)**

The Council will receive information on ITTO contribution and support to the IUFRO-led development of a Global Forest Information Service (GFIS) implemented under the Collaborative Partnership on Forests (CPF)

**Item 18 - Preparations for the Entry into Force of ITTA, 2006 – Decisions 2(XXXIX) and 1(XLI)**  
[Document ITTC(XLII)/10]

The Council will receive and consider the report of the Intersessional Working Group established to advise the Council on development of the thematic programmes within the framework of Article 20 of the ITTA, 2006.

**Item 19 - Promotion of Trade in Sustainably Produced Timber– Decisions 10(XXXIV) and 2(XXXIX)**

Pursuant to Council Decision 2(XXXIX) requesting the Executive Director to render assistance, upon request, from Producing and Developing Consuming member countries to develop systems to demonstrate the legality of timber exports, the Council will receive information on assistance provided to the Government of Guyana.

**Item 20 - ITTO Fellowship Programme – Decision 4(XXVII)**  
[Documents ITTC(XLII)/11 and ITTC(XLII)/12]

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(XLII)/11]; and (b) the report of the Fellowship Selection Panel presented by its Chairperson [Document ITTC(XLII)/12]. The Council will announce the final selection of awards based on the Chairperson's report.

**Item 21 - Draft Annual Report for 2006**  
[Document ITTC(XLII)/4]

The Secretariat will present to the Council the draft Annual Report for 2006.

**Item 22 - Special Account and Bali Partnership Fund**

[Document ITTC(XLII)/13]

- (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) Review of the resources in the Bali Partnership Fund

The Council may conduct a review of the adequacy of the resources in the Bali Partnership Fund to meet the needs of Producing Members to achieve the purpose of the Fund, as called for in the ITTA, 1994, Article 21. [Information on the resources of the Bali Partnership Fund are contained in Document CFA(XXI)/5 ].

- (c) 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(XLII)/13].

**Item 23 - 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 24 - Dates and Venues of the Forty-third, Forty-fourth and Forty-fifth Sessions of the Council and the Associated Sessions of the Committees**

The Council has already approved the date and venue of the Forty-third Session to be held in Yokohama, Japan from 5 to 10 November 2007. The Council may wish to confirm these dates and venue. The Council also decided to continue discussions on the date and venue of the Forty-fourth Session following submissions by Ghana and Gabon that the Forty-fourth Session should be held in an African member country.

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-fourth and Forty-fifth Sessions.

**Item 25 - Other Business**

The Council may consider any matters brought under this item.

**Item 26 - 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 and identifies which, if any, can be handled per 4.a of the decision.
- 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 27 - Closing of the Session**

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

**Annex**

**PROPOSED DISTRIBUTION OF VOTES FOR 2007**

	<u>No. of Votes</u>	
	2006	2007 (Proposed)
<b><u>PRODUCING MEMBERS</u></b>		
<b>Africa</b>		
Cameroon	25	26
Central African Republic	24	25
Congo	25	26
Côte d'Ivoire	25	25
Democratic Republic of the Congo	25	25
Gabon	25	25
Ghana	25	25
Liberia	25	25
Nigeria	24	25
Togo	24	25
<b>Asia &amp; Pacific</b>		
Cambodia	15	16
Fiji	14	14
India	22	28
Indonesia	108	106
Malaysia	122	122
Myanmar	34	37
Papua New Guinea	26	25
Philippines	14	15
Thailand	16	16
Vanuatu	13	14
<b>Latin America/Caribbean</b>		
Bolivia	22	25
Brazil	170	145
Colombia	22	24
Ecuador	15	15
Guatemala	11	11
Guyana	15	15
Honduras	11	11
Mexico	18	24
Panama	11	11
Peru	28	29
Suriname	14	14
Trinidad and Tobago	10	10
Venezuela	22	21
<b>Total:</b>	<b>1,000</b>	<b>1,000</b>

	<u>No. of Votes</u>	
	2005	2006 (Proposed)
<u>CONSUMING MEMBERS</u>		
Australia	15	17
Canada	18	17
China	234	241
Egypt	11	17
European Community		
Austria	10	10
Belgium/Luxembourg	17	17
Denmark	15	15
Finland	10	10
France	33	34
Germany	19	20
Greece	13	13
Ireland	14	14
Italy	28	30
Netherlands	29	30
Portugal	21	18
Spain	24	23
Sweden	11	11
United Kingdom	32	28
Japan	235	221
Nepal	10	10
New Zealand	10	11
Norway	10	10
Republic of Korea	88	87
Switzerland	11	11
United States of America	82	85
	Total:	1,000
		1,000

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## **ANNEX III**

### **TEXT OF THE DECISIONS**

#### **ADOPTED BY THE COUNCIL AT ITS FORTY-SECOND SESSION**

**DOCUMENT: ITTC(XLII)/15**  
**DOCUMENT: ITTC(XLII)/16**  
**DOCUMENT: ITTC(XLII)/17**  
**DOCUMENT: ITTC(XLII)/18**  
**DOCUMENT: ITTC(XLII)/19**





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FORTY-SECOND SESSION  
7 – 12 May 2007  
Port Moresby, Papua New Guinea

## DECISION 1(XLII)

### PROJECTS, PRE-PROJECTS AND ACTIVITIES

The International Tropical Timber Council,

Having considered at its Forty-second Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(XL)/6, and CRF(XL)/4; and the report of the Twelfth Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTC(XLII)/13;

1. Decides:

(i) to approve the following Projects:

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 (Guyana) ITTO Budget: \$574,101.00
PD 443/07 Rev.1 (M)	Strengthening of the Forest Statistics and Information Center - CIEF (Honduras) ITTO Budget: \$230,023.00
PD 308/04 Rev.3 (F)	Management of Secondary and Degraded Forests in the Peruvian Amazon Region by Indigenous Communities (Peru) ITTO Budget: \$576,876.00
PD 341/05 Rev.3 (F)	Restoration and Sustainable Management of Mangrove Forests in the Tumbes Region (Peru) ITTO Budget: \$525,884.00
PD 405/06 Rev.3 (F)	Extending the Area under Sustainable Forest Management in the Forestlands of the Emberá-Wounaan Corarca, Darien, Panama (Panama) ITTO Budget: \$520,992.00
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) ITTO Budget: \$540,864.00
PD 421/06 Rev.2 (F)	Strengthening of the Production Chain for Timber from Forest Concessions and Other Forests under Management (Peru) ITTO Budget: \$580,532.00

PD 423/06 Rev.2 (F)	Training on Demonstration, Application and Extension of ITTO Manual on Restoring Forest Landscapes in Tropics of China (China) ITTO Budget: \$372,060.00
PD 424/06 Rev.2 (F)	Conservation and Utilization of Medicinal Plants in Ghanaian Forests Fringe Communities (Ghana) ITTO Budget: \$429,138.00
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) ITTO Budget: \$502,978.00
PD 434/06 Rev.1 (F)	Strengthening of the Aimex Seed Laboratory and Nursery (Brazil) ITTO Budget: \$396,201.00
PD 436/06 Rev.1 (F)	Forest Partnership Pinhão Manso (Brazil) ITTO Budget: \$ 500,174.00
PD 438/06 Rev.2 (F)	Sustainable Forest Management for the Forest Production Area of the Northern and Northeastern Regions of the Department of Antioquia, Colombia (Colombia) ITTO Budget: \$547,917.00
PD 451/07 Rev.1 (F)	Transboundary Biodiversity Conservation Area: The Pulong Tau National Park, Sarawak State, Malaysia-Phase II (Malaysia) ITTO Budget: \$874,800.00
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) ITTO Budget: \$1,080,741.00
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 (The Philippines) ITTO Budget: \$ 222,993.00
PD 413/06 Rev.2 (I)	Optimization of Wood Residue Utilization and Investments in Ghana: Commercial Options for Industrial and Community Uptake (Ghana) ITTO Budget: \$488,806.00

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

PD 440/07 Rev.1 (M,I)	\$574,101.00
PD 443/07 Rev.1 (M)	\$230,023.00
PD 423/06 Rev.2 (F)	\$372,060.00

- (iii) to 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 308/04 Rev.3 (F)	\$576,876.00
PD 341/05 Rev.3 (F)	\$525,884.00
PD 405/06 Rev.3 (F)	\$520,992.00
PD 420/06 Rev.2 (F)	\$540,864.00
PD 421/06 Rev.2 (F)	\$580,532.00
PD 424/06 Rev.2 (F)	\$429,138.00
PD 428/06 Rev.2 (F)	\$502,978.00
PD 434/06 Rev.1 (F)	\$396,201.00

PD 436/06 Rev.1 (F)	\$500,174.00
PD 438/06 Rev.2 (F)	\$547,917.00
PD 451/07 Rev.1 (F)	\$874,800.00
PD 456/07 Rev.1 (F)	\$1,080,741.00
PD 373/05 Rev.3 (I)	\$222,993.00
PD 413/06 Rev.2 (I)	\$488,806.00

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

PD 156/02 Rev.3 (F) Phase II	\$316,887.00
PD 394/06 Rev.1 (F)	\$549,974.00
PD 398/06 Rev.2 (I)	\$291,060.00

- (v) to authorize the amendment in the budget and financing for immediate implementation of the following Project which was approved at an earlier Session:

PD 268/04 Rev.3 (I)	\$147,960.00
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- (vi) to authorize the re-submission 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 299/04 Rev.4 (I)	\$608,970.00
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2. Decides:

- (i) to approve the following Pre-Projects:

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 (Indonesia) ITTO Budget: \$ 69,001.00
PPD 129/06 Rev.1 (F)	Forest Promotion and Development by Native Communities in Peru (Peru) ITTO Budget: \$ 56,538.00
PPD 131/06 Rev.2 (F)	Restoration of Forest Landscape in Local Communities in Ghana (Ghana) ITTO Budget: \$ 91,368.00
PPD 134/07 Rev.1 (F)	Guidelines for the Restoration of Mangroves and Other Coastal Forests Damaged by Tsunamis and Other Natural Hazards in the Asia-Pacific Region (Japan) ITTO Budget: \$129,038.00
PPD 133/07 Rev.1 (I)	Training Needs Analysis for the Builders' Woodworks Industry in the Philippines (The Philippines) ITTO Budget: \$79,199.00

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

PPD 134/07 Rev.1 (F)	\$129,038.00
PPD 133/07 Rev.1 (I)	\$79,199.00

- (iii) to authorize the financing for immediate implementation as soon as earmarked funds are available with the Special Account of the following Pre-Projects which were approved at earlier Sessions:

PPD 129/06 Rev.1 (F)	\$56,538.00
PPD 131/06 Rev.2 (F)	\$91,368.00
PPD 132/07 Rev.1 (M,I)	\$69,001.00

(iv) to authorize the release of \$200,000.00 from resources obtained through voluntary contributions, and/or of the Sub-Account B of the Bali Partnership Fund, and/or Unearmarked Funds in the Special Account for the continued implementation of the Freezailah Fellowship Fund;

(v) to authorize financing for immediate implementation of the following Activity from resources obtained through voluntary contributions, and/or of the Sub-Account B of the Bali Partnership Fund, and/or Unearmarked Funds in the Special Account:

Multipurpose Forest Inventory as a Tool for Sustainable Forest Management [Decision 3(XLII)] PP-A/42-191	\$105,000.00
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(vi) to authorize financing for the continued implementation of the following Project from resources of the Sub-Account B of the Bali Partnership Fund:

PD 124/01 Rev.2 (M) Phase II - partially funded	\$320,000.00
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(vii) to authorize the amendment in the budget and financing for immediate implementation of the following Project as soon as earmarked funds are available from resources obtained through voluntary contributions, and/or of the Sub-Account B of the Bali Partnership Fund, and/or Unearmarked Funds in the Special Account:

PD 392/06 Rev.2 (F)	\$950,087.00
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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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12 May 2007

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FORTY-SECOND SESSION  
7 – 12 May 2007  
Port Moresby, Papua New Guinea

## DECISION 2 (XLII)

### APPOINTMENT OF AUDITOR FOR THE FINANCIAL YEAR 2007

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;

Decides 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; and

Further decides that the appointment of an Audit firm for the financial years 2008 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-fourth Session of the Council.

\* \* \*

FORTY-SECOND SESSION  
7 – 12 May 2007  
Port Moresby, Papua New Guinea

### DECISION 3 (XLII)

#### MULTIPURPOSE FOREST INVENTORY AS A TOOL FOR SUSTAINABLE FOREST MANAGEMENT

The International Tropical Timber Council,

Recalling Decision 2(XXIX), which indicates the full commitment of the Council to move as rapidly as possible to achieve ITTO's Objective 2000;

Recognizing that the broader issues around multipurpose forest inventories, and the fundamental importance of accurate and reliable data, are of great interest to many Members;

Further recognizing the resource intensive nature of forest inventory and the importance of thorough planning and preparation prior to execution of such inventories;

Noting that an accurate and up-to-date multipurpose forest inventory is essential to securing sustainable forest management in the wider context of improved governance and the capture of environmental service values in addition to securing a sustainable timber supply and up-to-date information on the status of high value species;

Further noting the ongoing dialogue on reducing greenhouse gas (GHG) emissions from deforestation and degradation of forests in the context of climate change;

Recognizing the valuable information and expertise available in FAO;

Welcoming the recent Report of the Diagnostic Mission, which recommends that Papua New Guinea undertake prioritized actions towards achieving sustainable management of its tropical forest;

Noting that updated, wide-ranging forest inventory information has been identified by the ITTO Diagnostic Mission to Papua New Guinea as the most urgent priority;

Decides to:

1. Request the 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, as detailed in the annex;
2. Further request the Executive Director to provide for reporting of the outputs from these activities, if possible, at the Forty-third Session of Council in Yokohama in November 2007.
3. Authorize the Executive Director to seek from Member countries voluntary contributions not exceeding US\$105,000.00 to meet the expenses related to the afore-mentioned activities.

## ANNEX

### A. Terms of Reference for the Consultants on the review of practices

Through contact with organisations such as FAO, as well as interested Members:

- Identify the implications for inventory design and implementation of the information needs of policymakers and stakeholders for forest uses over and above timber harvesting, including:
  - rates of deforestation and degradation of forests;
  - the utilization of inventories in promoting improved and transparent forest governance;
  - strategic inventories on high value and/or endangered species; and
  - the requirements for accessing new and additional sources of funding, such as those potentially available for reducing greenhouse gas (GHG) emissions from deforestation and degradation of forests in the context of climate change.

### B. Terms of Reference for the Consultants on the Papua New Guinea case study

- In close cooperation with the relevant authorities in Papua New Guinea and with key stakeholders and actors relevant to the sector;
- Analyze and summarise the forest information base currently available in Papua New Guinea on forest cover, growing stock, regeneration and forest disturbance patterns;
- Identify and define the criteria for the areas to be included in the inventory and the values to be inventoried;
- Consult with stakeholders to identify ownership, tenure and access issues related to forest inventory;
- Prepare a plan of action, including a budget, for a multipurpose inventory in Papua New Guinea, taking account of the findings on international experience, stakeholder views identified, skills availability and the scope for capacity building;
- Consider a range of alternative inventory design options in the plan of action and their implications in terms of skills, cost and effectiveness for different users;
- Present the plan of action in a format that can be readily disaggregated into discrete sub components for funding by a range of donors and others;
- Work with two assigned local counterpart consultants during the whole period in Papua New Guinea as an aid to skills transfer and capacity building;
- Facilitate jointly a multi-stakeholder workshop to discuss findings and refine the plan of action.

Indicative Budget

Element	Unit Cost	No of Units	Cost	Cost by category
<u>Fees</u>				40,000
Two International consultants, two months each	10,000	4	40,000	
<u>Travel</u>				21,400
International airfares (PNG, Japan)	5,800	3	17,400	
Airfares in country			4,000	
<u>Subsistence</u>				13,200
DSA	220	60	13,200	
<u>Other Items</u>				20,000
Local consultant months	5,000	2	10,000	
Workshop costs			10,000	
Sub-total			94,600	94,600
Administrative costs (11%)			10,400	10,400
<b>Total</b>			<b>105,000</b>	<b>105,000</b>

This indicative budget assumes that the Government of Papua New Guinea will provide office accommodation, administrative and logistical support for the consultants during their time in the country and meet the costs of surface transport.

\* \* \*



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7 – 12 May 2007  
Port Moresby, Papua New Guinea

## DECISION 4(XLII)

### FINANCIAL ARRANGEMENTS RELATED TO HOSTING COUNCIL SESSIONS OUTSIDE THE HEADQUARTERS OF THE ORGANIZATION

The International Tropical Timber Council,

Recalling Decisions on frequency and duration of Council and Committee sessions, in particular Decision 5(XXIX), 9(XXXI) and 7(XXXIII);

Appreciating the generous offers of Members to host Council sessions in their respective countries and noting the significance of holding Sessions in Producer Countries;

Recalling that the Government of Japan decided to bear costs for only one Council session per year to be held at the Headquarters of the Organization from January 2007 onward;

Acknowledging the difficulties to confirm the holding of a Council session before securing the necessary funding;

Recognizing the need to assure that arrangements for hosting Council sessions outside Headquarters are in place before the Council decides the dates and venues for such sessions;

Decides to:

Set dates and venues for Council sessions outside Headquarters only after adequate funding is confirmed.

\* \* \*

FORTY-SECOND SESSION  
7 – 12 May 2007  
Port Moresby, Papua New Guinea

## DECISION 5 (XLII)

### APPOINTMENT OF THE EXECUTIVE DIRECTOR

The International Tropical Timber Council,

Recalling its Decision 3(XXVII) of 6 November 1999 which appointed Dr. Manoel Sobral Filho to the post of Executive Director of ITTO for a period of four years beginning on 6 November 1999;

Recalling also its Decision 5(XXXIV) of 17 May 2003 which renewed the mandate of Dr. Manoel Sobral Filho with effect from 6 November 2003 to 5 November 2007, as the second term of his appointment;

Noting, with appreciation, his dedication and untiring contribution to the management of the Organization;

Acting pursuant to Article 16, paragraphs 1 and 2 of the International Tropical Timber Agreement (ITTA), 1994;

Further recalling Decisions 8(XXVI) and 3(XXV) on matters related to Article 16 of the ITTA, 1994, and in particular the Annex to Decision 8(XXVI) regarding the procedures for selecting future Executive Directors;

Also further recalling the Report of the Panel on Matters Related to Article 16 of the ITTA, 1994, [ITTC(XLII)/8];

Underscoring the strategic role of the Executive Director as the Head of the Organization;

Noting the applications for Executive Director from nationals of ITTO Member countries and endorsed by respective Governments;

Decides to appoint by consensus Mr. Emmanuel Ze Meka as Executive Director of the International Tropical Timber Organization for a period of four years, beginning on 6 November 2007, in accordance with the terms and conditions contained in the letter of appointment approved by the Council.

\* \* \*

## **ANNEX IV**

### **REPORTS OF THE ASSOCIATED SESSIONS OF THE FOUR COMMITTEES**

**Documents: CEM-CFI(XL)/6**

**CRF(XL)/4**

**CFA(XXI)/7**



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## **REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL**

### **FORTIETH SESSION OF THE COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE AND THE COMMITTEE ON FOREST INDUSTRY**

#### **Table of Contents**

#### **Report**

**Appendix A: Report on the ITTO Annual Market Discussion– 2007**

**Appendix B: Technical Assessment of Project Proposals in the Areas of Economic Information and Market Intelligence and Forest Industry and Summary Table**



## REPORT

### 1. Opening of the Session

The Fortieth Session of the Committees was opened on 7 May 2007 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. Chantal Adingra (Côte d'Ivoire), 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. Chantal Adingra (Côte d'Ivoire) 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. Chantal Adingra (Côte d'Ivoire), Chairperson of CEM and Mr. Dani Pitoyo (Indonesia), Chairperson of CFI. The list of participants is presented in document ITTC(XLII)/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(XL)/1, CFA(XXI)/1 and CRF(XL)/1 was duly adopted.

### 3. Admission of Observers

The Committees admitted the observers listed in document ITTC(XLII)/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 Mr. Hideaki Takai (Japan), member of the Expert Panel on behalf of Dr. Bipin Behari (India), Chairman of the Expert Panel on the Report of the Expert Panel (EP) for Technical Appraisal of Project Proposals at its Thirty-third Meeting held on 5-9 February 2007 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XL)/1. In summary, the report of the Expert Panel indicated:

- (i) a total number of 37 proposals evaluated comprising 32 project and 5 preproject proposals, compared with 51 proposals assessed at the previous EP meeting.
- (ii) a total number of 18 proposals (49% of proposals evaluated) comprising 14 project and 4 pre-project proposals were accorded category 1 rating, compared with 45% so accorded at the previous EP meeting.
- (iii) eleven (11) out of the 18 proposals accorded category 1 rating (61%) were revised proposals.
- (iv) the percentage of proposals requiring amendment or reformulation was still high.
- (v) sixteen (16) proposals were returned to proponents for revisions and three (3) were not recommended for approval by the Committees.

Mr. Takai presented the general comments made by the Expert Panel at its Thirty-third Meeting including:

- (i) the common weaknesses of many proposals already pointed out by previous EPs.
- (ii) lack of clear and comprehensive problem analysis of 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) weak project sustainability.
- (vii) Inadequate presentation of budget items and supporting terms of reference (TORs).

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

On the experience of the EP in the application of the new (revised) ITTO system for technical appraisal of project and pre-project proposals, Mr. Takai indicated that the new system did significantly facilitate the systematic analysis of proposals but there was room for improvement.

The EP expected that the ITTO manual for project formulation being revised and the ITTO manual of procedures being formulated would assist in the application of the new appraisal system.

The delegation of the Philippines commented that the combined usage of the current and new appraisal systems had resulted in recommendations made under the new system being qualitative instead of quantitative as intended. The delegation called for the adoption of the new system and its synchronization with the ITTO manual on project formulation currently being revised in time for the next meeting of the EP. The delegation of Brazil emphasized the importance of having clear rules and procedures for project proposal appraisal as two appraised systems were being used at the same time, creating some confusion. The Committees noted the clarification made by the Secretariat that the implementation of the new system, as decided by the Council, was still undertaken on a trial basis and that the ITTO manual on project formulation being revised was being tested in some member countries with a view to refining it. It was, however, noted that the application of the new appraisal system need not necessarily be tied with the on-going revision of the ITTO manual on project formulation and other relevant manuals that had to be undertaken with due care.

The delegation of Brazil expressed disagreement with the comments, recommendations and conclusion of the EP in respect of PD 437/06 Rev.1 (F) "Strengthening capacity to apply criteria and indicators to consolidate sustainable forest management in the Amazon (Brazil and Peru) and indicated its intention to further revise the proposal and, if it was still not accepted by the EP, forward it to the CRF for final appraisal at its next session. The Secretariat acknowledged that guidance on regional projects in the existing ITTO manual on project formulation was inadequate and this was being addressed to in the context of the on-going revision of the manual.

#### 5. ITTO Annual Market Discussion- 2007

The Committees noted the summary of the ITTO Annual Market Discussion- 2007, held in the Joint Session of the Technical Committees on 9 May 2007, as contained in Appendix A. The theme of the Market Discussion was "Trade in Secondary Processed Wood Products: Trends and Perspectives" Ms. Chantal Adingra (Chairperson of CEM) chaired the meeting and Ms. Siti Syaliza Mustapha (Malaysia) and Mr. Richard McCarthy (PNG) served as the moderators for the presentation and panel discussion sessions during the Market Discussion, respectively. The following feature presentations were made during the Market Discussion:

Mr. Bob Tate (FIAPNG)	"The PNG Forest Sector: an Overview"
Mr. Bruce Telfer (SGS, PNG)	"Forest and Log Export Monitoring System in PNG"
Dr. Jairo Castaño (ITTO Secretariat)	"ITTO Overview of the SPWP Trade"
Prof. Shi Kunshan (Chinese Academy of Forestry)	"China's Trade in SPWP and the Role of US Hardwoods"
Mr. Huyoh van Hanh (Handicraft & Wood Industry, Vietnam)	"Vietnam's Booming SPWP Trade"

The presentations were followed by a panel discussion on regional perspectives for SPWP, namely:

Mr. Alhassan Attah (Ghana Forestry Commission)	"Perspectives for SPWP in Africa"
Mr. Richard McCarthy (McCarthy & Associates, PNG)	"Perspectives for SPWP in Asia Pacific"
Dr. Jairo Castaño (ITTO Secretariat)	"Perspectives for SPWP in Latin America"

#### 6. Report on Completed Projects and Preprojects

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



## Committee on Forest Industry

PD 46/97 Rev.3 (I)                      Community Forest Products Processing in the Puerto Dias Extractive Reserve (Brazil)

The Secretariat reported on the implementation of the project and noted that some delays were experienced due to personnel issues and changing government priorities. The delegation of Brazil noted the importance of this project in promoting community forest enterprises. She indicated that lessons from this project could be included in the upcoming ITTO Community Forest Enterprise Conference to be held in the State of Acre in July 2007. The representative from Japan asked for further details on the number of community members trained in forest products processing, the status of distributing the pre-fabricated houses manufactured by the communities, the media used to disseminate knowledge about the project, and the reasons behind the personnel problems. The Secretariat noted that the completion report in Spanish and final audit report were still outstanding. The Committees declared the project complete, subject to the receipt of the final completion and audit reports.

PD 58/97 Rev.1 (I)                      The Establishment of the Database of Tropical Industrial Lesser-used Wood Species (Japan/Global)

The Secretariat reported on the implementation of the project. The Committees noted that the project had contributed to the compiling and dissemination of data and technical information on almost 1,000 tropical timber species, including more than 700 lesser-used species by creating a comprehensive database in both English and Japanese. The Committees recommended that dissemination of this database be continued, as it would be valuable to on-going efforts towards promoting lesser-used species throughout the tropics. The Committees declared this project complete.

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

The delegate of China reported on the implementation of the project. The Committees noted that the project had contributed to disseminating knowledge and technologies to promote the sustainable management and efficient utilization of sympodial bamboos which were distributed widely in Southern China. The Committee also noted that the completion report of this project and its final audited financial statements had been submitted to the Secretariat in accordance with the project agreement. The Committees declared this project complete.

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

The delegate of Thailand reported on the implementation of the project. The Committees noted that during the course of project implementation, several training courses were carried out to address many technical aspects of the rubberwood industry in Thailand, from sawmilling techniques to marking and products developments in collaboration with the Thai Parawood Association and the Thai Furniture Industries Association. The Committees noted that the final report of this project and its final audited financial statements had been submitted to the Secretariat in accordance with the project agreement. The Committees declared this project complete.

PD 325/04 (I)                              Capacity Strengthening of Forestry Stakeholders to Support the Implementation of the National Code for Practice for Forest Harvesting (China)

The Secretariat provided an overview of the project, indicating that the project had achieved its objectives. The Committees noted that a training development board had been established and a core team of trainers were selected to conduct two workshops to train over 200 people, who were involved in the implementation of the Code. The representative of the Netherlands congratulated China for the successful implementation of the project. The Secretariat noted that the final completion and audit reports had been received for the project, and the Committees declared the project complete.

PPD 58/02 Rev.2 (I)                      Improving the Utilization Efficiency in Wood Industries in the South Pacific Region (Fiji/PNG/Vanuatu)

The representative of the Secretariat of the Pacific Community reported on the implementation of the pre-project. The Committees noted that the preproject produced two outputs: (i) three country assessment reports on the current state of efficiency including the identification of techniques for more efficient processing of tropical timbers in the Pacific; and (ii) an ITTO project proposal on efficient timber processing techniques for participating countries within the Pacific region. The Committees also noted the importance of establishing public-private partnerships in implementing training activities with more active engagement of the private sector. The Committees further noted that the completion report of this preproject and its final audited financial statements had been submitted to the Secretariat in accordance with the preproject agreement. The Committees declared this pre-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 Ex-post Evaluation Reports [Executive Summary] as contained in document CEM-CFI(XL)/3.

**Committee on Economic Information and Market Intelligence**

A presentation before the Committees was made by the consultants, Ing. Yajaira Díaz (Venezuela) and Ing. Francisco Quiroga (Colombia), in respect of their joint ex post evaluation report on the following projects:

- |      |  |  |
|------|--|--|
| (i)  | PD 34/00 Rev.2 (M)                     | Extension and Consolidation of the National Statistical Information System (Bolivia)                 |
| (ii) | PD 27/95 Rev.3 (M)<br>Phase II Stage 2 | Establishment and Operation of a Forest Strategic Information Center (CIEF), Phase II Stage 2 (Peru) |

The consultants highlighted the following outputs of the Bolivian project, namely: (i) information system (SiforBol) installed in institutions generating information; (ii) decentralization of information on improved operative and technical processes as well as data flow and processing; (iii) basic information modules associated with the productive forest chain; (iv) technical cooperation agreements signed with key stakeholders; (v) sustainability of the project, consolidation and website operating. Outputs of the Peruvian project (CIEF) included: (i) better sources of data, contents, availability, coverage and accessibility of forest statistical information; (ii) CIEF institutionalized and operating under INRENA, ensuring sustainability; (iii) cartographic database integrated to the system. The consultants made some recommendations, including: (i) adjust or integrate the Joint Questionnaire in the systems' report modules to facilitate its processing; (ii) maintain periodic newsletters, using website and other electronic means; (iii) reactivate the user committees to maintain the alliances established and ensure sustainability; (iv) maintain security procedures with measures of control, regulation and backup. The Committees commended the consultants for their report and presentation.

- |       |                    |   |
|-------|--------------------|---|
| (iii) | PD 80/01 Rev.6 (M) | Consolidating Sustainable Forest Management Certification System in Indonesia |
|-------|--------------------|---|

A presentation before the Committee was made by the consultant, Mr. Olav Bakken Jensen (Norway) in respect of his ex post evaluation report on this project. The key recommendations made by the consultant for the Indonesian Ecotourism Institute (LEI) as the implementing agency of the project included (i) revising its criteria and indicators to strengthen the social functions, particularly regarding indigenous peoples; (ii) setting concrete targets for certification; (iii) increasing training to achieve these targets; (iv) expanding and strengthening the provincial communication forums (PCFs) principally by recruiting foresters; and (v) increasing efforts towards overcoming conflicts between non-governmental organizations (NGOs) and the Ministry of Forestry, Indonesia by means of appropriate conflict resolution techniques.

The consultant's recommendations for the Government of Indonesia included: (i) responding positively to the sound advice on improving conditions in the forest sector coming from various

quarters; (ii) creating financial and other incentives for certification; (iii) enacting fully the National Forest Programme and reviewing of forest policies and laws; (iv) addressing and rectifying the land tenure situation; (v) ratifying ILO Convention 169 and seeking advice on land tenure rights from ILO, FAO and others; (vi) considering the revocation of all existing forest concessions and an overhaul of land rights; (vii) scaling back forest industry through statutory measures tied to the annual allowable cut (ACC) and (viii) considering drastic reform or abolishment of the forest service.

As for ITTO, the consultant's recommendations included: (i) continuing policy discussion on certification, particularly the relationship between certification and statutory regulations; (ii) undertaking a scientific study on potential benefits of certification, particularly financial benefits (price premiums) which were uncertain; and (iii) disseminating results of the LEI system and experiences in Indonesia, including potentials and obstacles. The Committees commended the consultant for his presentation and ex post evaluation report.

The delegation of Indonesia expressed appreciation to the consultant and indicated the actions being taken to address the issues raised in the ex post evaluation. However, the delegation was not in agreement with some of the drastic recommendations presented by the consultant. The delegation of Brazil pointed out that since certification was a voluntary market-based tool to achieving sustainable forest management, the recommendations of the report should be directed to forest concession companies and not the government. The delegate of Japan enquired on the financial benefits of the project and whether certified timber was able to gain market benefits in the form of better prices.

The delegation of Switzerland recalled the several revisions that were made to the project proposal prior to its approval and pointed out that its successful implementation validated the role of ITTO in providing assistance to its members in undertaking forest and timber certification. The Committees agreed that the results and lessons learned from the project should be disseminated for the benefit of ITTO member countries.

Oral reports were 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 a related project PD 133/02 Rev.3 (M) once that project was reported complete and selected for ex-post evaluation at the next session of the Committees.

PD 48/99 Rev.1 (M,F)                      Sharing of Information and Experiences on Private Sector Success Stories in Sustainable Forest Management (Malaysia)

The Committees noted that the Secretariat was in the process of identifying a consultant to undertake the ex-post evaluation of this project.

#### **Committee on Forest Industry**

The Committees considered the Ex-post Evaluation Reports [Executive Summary] as contained in document CEM-CFI(XL)/3. A joint presentation before the Committees was made by the consultants, Prof. Floriano Pastore Jr. (Brazil) and Prof. YOUN Yeo-Chang (Korea), in respect of their ex-post evaluation reports on the following projects:

(i) PD 58/99 Rev.1 (I)                      Introducing a Village Industry in the Community Around an Industrial Forest Plantation in Indonesia

The Committees noted that key findings made by the consultants included: (i) the community around the factory could not simply be changed from primary and subsistence farmers to industry runners; (ii) the bark as part of the plantations belonged to the company; (iii) the technology and utilization pattern of the bark were not fixed, and could change if the company decided to change priorities; and (iv) the executing agency specialized in technological development but not in social development. These findings produced a general constraint in the attainment of Specific Objective 2 (to establish a pilot plant to produce tannin, adhesive material, pelleted feed and fertilizer from the bark of selected species that can be operated by villagers).

The Committees commended the consultants for their presentation and ex-post evaluation report. The delegation of Indonesia noted that social aspects of the project were not properly addressed in spite of the government's policies in supporting community development. The delegation further informed that some technologies developed by the project were introduced to other local communities. The delegation of Japan noted that the ex-post evaluation of this project, which showed the project's failure in the establishment of a village industry, provided a very important lesson to many parties engaged in project formulation and that in designing similar projects in the future, realistic situation of the intended project sites should be fully taken into account to ensure effective technology transfer. The delegation of Brazil questioned whether recommendations to national governments could be made by ex-post evaluation and recommended that terms of reference for ex-post evaluation should be improved by clearly specifying its task. The delegation further expressed the view that ex-post evaluation practices should contribute more to the work of the Organization.

(ii) PD 85/01 Rev.2 (I) Strategies for the Development of Sustainable Wood-based Industries in Indonesia

The Committees noted that the project was regarded by the consultants as a success since the impacts of the project were apparent and substantial to government policy development related to industry structural adjustments. Factors which made the project successful included: (i) a well-coordinated teamwork of the Executing Agency with an effective leadership of a full time project coordinator; (ii) active participation and continuous support from key stakeholders including international donor agencies; and (iii) dissemination of project's outputs and recommendations to decision makers, including the Minister of Forestry. Recommended followup project work included: (i) action plan for sustainable wood-based industry in major forest-abundant regions; (ii) study on marketing of forest products; (iii) forest certification; (iv) study on forest resource fiscal and trade policy; (v) international networking against illegal timber trading from Indonesia; and (vi) development of forestry database systems.

The Committees commended the consultants for their presentation and ex-post evaluation report. The delegation of Indonesia provided information on the recent policies of the government related to the establishment of industrial plantations and on recent developments regarding recommended follow-up projects as in (iii) and (v) above. The delegation further recommended that the recommended follow-up projects (iv) and (vi) be formalized with further assistance from ITTO.

A presentation before the Committees was made by the consultant, Dr. Florence P. Soriano (Philippines), in respect of her ex-post evaluation reports on the following projects:

(iii) PD 56/99 Rev.1 (I) Promotion of the Utilisation of Bamboo from Sustainable Sources in Thailand

The Committees noted that the key recommendations made by the consultant included: (i) in projects involving community-based enterprise development, the duration, scope and pilot site should be carefully selected for direct and more straightforward links between enterprise and conservation to exist; (ii) multi-stakeholder participation would be critical during project formulation, and equally important would be the involvement of an expert on socio-economic aspects, business development and marketing in providing the balance towards achieving the intended outcomes; and (iii) aside from technological support, entrepreneurship and business skills development would be vital components in enabling subsistence-oriented communities to progress into enterprise-oriented entities.

The Committees commended the consultant for her presentation and ex-post evaluation report. The delegation of Thailand expressed appreciation for the support extended to the implementation of the ex-post evaluation and indicated that the Royal Forest Department was taking appropriate steps to implement the recommended follow-up actions.

(iv) PD 24/00 Rev.1 (I) Promotion of Sustainable Utilization of Rattan from Plantation in Thailand

The Committees noted that the key recommendations made by the consultant were similar to those for PD 56/99 Rev.1 (I) as the project was related to the development of community-based non-wood forest products enterprises. The recommended followup actions included: (i) the Executing

Agency, through its NWFP program, should embark on the preparation of a country-wide inventory of rattan resources, and continue to monitor and assess growth performance of the rattan demonstration plots established under this project; (ii) the EA should find ways to highlight and replicate the success of the BKS Group by maintaining/expanding its productive collaboration with key stakeholders; (iii) in its techno-transfer activities, the EA should target wider diffusion of information and technologies by partnering with industry associations such as the Thai Furniture Industry Club and the Thai Furniture Industries Association, as well as other organized groups; and (iv) the ITTO should continue to promote and support research and development studies on NWFPs with a view to improving forest management, as well as increasing the capacity of forest-dependent communities to conserve and enhance forest values.

The Committees commended the consultant for her presentation and ex-post evaluation report. The delegation of Thailand expressed appreciation for the support extended to the implementation of the ex-post evaluation and indicated that the Royal Forest Department was taking appropriate steps to implement the recommended follow-up actions.

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 69/01 Rev.1 (I)	Improved and Diversified Use of Tropical Plantation Timbers in China to Supplement Diminishing Supplies from Natural Forests

The Committees noted that the Secretariat was in the process of identifying consultants to undertake the ex-post evaluation of these projects and that reports of the ex-post evaluation of PD 34/99 Rev.2 (I) and PD 35/99 Rev.4 (I) were expected to be presented at the next session of the Committees.

#### **(B) Selection of Projects for Expost Evaluation**

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

##### **Committee on Forest Industry**

PD 46/97 Rev.3 (I)	Community Forest Products Processing in the Puerto Dias Extractive Reserve (Brazil)
PD 10/00 Rev.2 (F,I)	Sustainable Management and Utilization of Sympodial Bamboos in South China
PD 51/00 Rev.2 (I,M)	Improvement of Rubberwood Utilization and Marketing in Thailand

The delegation of Brazil reiterated the importance of improving the terms of reference (TOR) for ex-post evaluation. The delegation said that the using of the logical framework matrix would be an important tool for ex-post evaluation. The delegation further recommended that the TOR for PD 46/97 Rev.3 (I) should be formulated in consultation with concerned parties in Brazil.

#### **8. Consideration of Project and Preproject Proposals**

The Committees considered the following four project proposals and two pre-project proposals that had been evaluated and commended by the Thirty-third Expert Panel for the Technical Appraisal of

Project Proposals as contained in document CEM-CFI(XL)/4. 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 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               |
| PD 443/07 Rev.1 (M)    | Strengthening of the Forest Statistics and Information Center – CIEF (Honduras)   |
| 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**

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|----------------------|--|
| 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) |
| PD 413/06 Rev.2 (I)  | Optimization of Wood Residue Utilization and Investments in Ghana: Commercial Options for Industrial and Community Uptake  |
| PPD 133/07 Rev.1 (I) | Training Needs Analysis for the Builders' Woodworks Industry in the Philippines  |

The Committees considered in detail the comments and recommendations of the Fifty-third 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 and preproject proposals that had been evaluated by the Thirty-third 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.

- |                      |  |
|----------------------|--|
| PD 444/07 (I,M,F)    | Increasing Capacity and Collaboration among Governments and Civil Society: Toward Improved Quality on Project Proposal Development and Implementation (Cameroon) |
| PPD 110/05 Rev.2 (I) | Promoting Sustainable Forest Resource Management in the ASEAN Region through the Application of Bamboo Production and Utilization Technologies (Philippines)     |

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

The Committees further considered the following two project proposals that had been evaluated by the Thirty-first Expert Panel for the Technical Appraisal of Project Proposals which concluded that the proposals were weak and recommended that the proposals should not be approved by the Committees.

**Committee on Economic Information and Market Intelligence**

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| PD 357/05 Rev.2 (M,F) | Support Project to the Establishment and Initial Operation of a Voluntary and Independent Monitoring System for the Forest Concessions of Central Africa (FORCOMS) (CAR) |
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**Committee on Forest Industry**

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|---------------------|---|
| PD 355/05 Rev.2 (I) | Capacity Building for Environmental and Forestry Training Institutions in Central Africa and Continuous Training for Forest |
|---------------------|---|

## Concession Personnel (CAR)

In the absence of the delegation of CAR, the Committees decided to defer consideration of these proposals and requested the Government of CAR to submit revised proposals addressing the concerns of the Expert Panel and the Committees for final consideration at the next session of the Committees.

The Committees considered the following revised project proposal which had been submitted from the Government of Côte d'Ivoire based on the recommendations of the Committees at the previous Session.

PD 268/04 Rev.3 (I) International Workshop on Innovations in Tropical Forestry and Forest Product Industries (Innovations for Tropical Timber) (Côte d'Ivoire)

The Committees recommended the proposal as amended be approved by the Council for immediate implementation.

The Committees considered the following project proposal which had been approved at the Thirty-eighth Session of the Council from 19-21 June 2005 and which had been re-submitted without any amendment by the submitting Member Country on 4 December 2006, pursuant to paragraph 2, Annex 2 of Decision 2(X) which allows Member Countries to resubmit approved proposals with a view to extending their validity period and status as approved projects.

PD 299/04 Rev.4 (I) Reduction of Timber Wastes in both Logging and Mechanical Processing Operations (Republic of Congo)

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.

## 9. Policy Work

Three issues and eight strategic policy activities under the CEM and four 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 remained stalled in spite of efforts by key trading countries to revive these talks. The Committees reiterated the need for exporters of tropical timber products to be reminded of the enforcement of the CE marking (strength and safety certification) of all structural timber entering the EU from 1 September 2007.

#### (ii) Forest and Timber Certification

The Committees noted that while further progress had been achieved, the overall share of certified tropical forests to the total area of certified forests in the world remained at less than ten percent. The Committees underscored the need for close and continuous monitoring of progress achieved in the certification of tropical forests and tropical forest products to enhance the contribution of forest and timber certification as a market-based tool towards achieving the sustainable management of tropical forests as the ultimate goal.

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

Due to time constraint, the Committees agreed to defer consideration of this issue to the next Session.

- (iv) Assist the Trade Advisory Group (TA-G) in Organizing and Holding the ITTO Annual Market Discussion – 2007 on the World Tropical Timber Trade during the Fortieth Session of the ITTC in May/June 2007

The Committees noted that the theme for the ITTO Annual Market Discussion – 2007 was “Trade in Secondary Processed Wood Products: Trends and Perspectives” and the discussion was held on 9 May 2007 (see item 5). Thereport of the Market Discussion is contained in Appendix A.

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

The Committees considered the ‘Report on the Review of the US Market for Tropical Timber Products’ as contained in document CEMCFI(XL)/5. A presentation before the Committees was made by one of the two assigned consultants, Mr. Åkan Ekström (USA) covering topics on the US wood markets, imports of hardwood products, opportunities and challenges and recommendations.

He highlighted the key figures featuring the huge US wood market including (i) the value of domestic shipments of wood products amounting to US\$100 billion in 2006 and that of imports at US\$23 billion; (ii) more than 90% of new homes using woodframe materials; (iii) about 75% of new housing being single-family units and (iv) the expanding size (floor area) of the averagedme to 226m<sup>2</sup> in 2006.

In terms of opportunities, Mr. Ekstöm indicated that these were driven by (i) the large market characterized by high demand for wood products; (ii) the trend toward larger and more expensive homes; (iii) the steady increase in demand for tropical wood products; and (iv) promising market segments particularly flooring and decking. Challenges for tropical timber products in the US market were also formidable, stemming from: (i) the slowing economy and weakening US dollar; (ii) stricte regulations on formaldehyde emission in California; (iii) increasing awareness of illegal logging and (iv) concerns regarding consistency in quality and sustainable supply.

The consultant ended his presentation by offering a number of recommendations ~~on~~ on: (i) complying with California’s new formaldehyde regulations; (ii) ensuring wood products were produced from legally sourced timber; (iii) promoting lesseknown species; and (iv) expanding product quality and consistency. The Committees commended the consultant for his presentation.

The delegation of Malaysia thanked the consultants for their report which could be useful in assisting tropical timber exporters to secure access to the large US market and meet the challenges. The delegation also suggested that projections concerning the market be included. The delegation of the USA commended the work of the consultants in highlighting the dynamic, competitive and open nature of the US market for wood products. The delegation suggested that the terms of reference for future reviews of timber markets be revised to include relevant projections of the markets.

- (vi) Studies on Subsidies Affecting Tropical Timber Products [PPA/39-172]

At the request of the delegation of New Zealand, the Committees agreed to defer consideration of the need for additional ITTO work on subsidies to the next Session in order to allow for further inter-sessional consultations amongst interested Members.

- (vii) Auditing of Existing Tracking Systems in Tropical Forest Industries [PP-A/37-156]

The Committees noted that the Report on the Auditing of Existing Tracking Systems in Tropical Forest Industries had been finalized as document CEMCFI(XXXIX)/7 Rev.1 which took into account comments received from Members.

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

The Committees noted that three proposals had been received from small and medium private sector forest companies operating in ITTO producing and developing consuming member countries to participate in the ITTO pilot schemes on the feasibility of adopting timber tracking systems. As the activity provided for ITTO to assist up to five (5) pilot schemes, the Committees requested the Secretariat to disseminate information on the activity with a view to attracting greater interest and participation from eligible companies in all three tropical regions.



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

The Secretariat reported that in 2006 this activity had continued to facilitate ITTO's subscription to the Global Trade Atlas (GTA), participation in the work of the Intergovernmental Working Group on Forest Statistics (IWG) and co-sponsorship of a statistical training workshop in Chile with FAO. All of these work areas had continued in 2007. The Secretariat attended a meeting of the IWG in February 2007 at which the 2007 Joint Forest Sector Questionnaire (JQ) was finalized. The 2007 JQ would be distributed worldwide by the end of May and all members were urged to provide responses in a timely manner. India had requested a statistical training workshop under this Work Programme element and this would be held in the second half of 2007. A related Council Work Programme activity PP-A/39-167 "Further Improve Dissemination of Statistics, Studies and Information on Tropical Timber and Tropical Forests" was contributing to the development of a web-based statistical database.

In response to a query from the delegation of Mexico, the Secretariat reported that follow-up activities related to the recommendations of the statistical workshop held in Chile would be considered in consultations between ITTO and FAO on their next biennial work programmes. The Secretariat welcomed an expression of interest from the delegation of Brazil to host a national statistical training workshop under this strategic policy activity. The delegation of the Netherlands sought information on the potential extent of ITTO statistical inputs to the forestry related aspects of ongoing climate change negotiations. The Secretariat noted that this might be a useful topic for Council to consider, possibly during its agenda item on "Developments in the UNFCCC Regarding Forests and their Potential Implications for Tropical Forests and the World Tropical Timber Economy" at this Session. Collaborative work with UNFCCC, FAO and others was already ongoing with regard to attempts to streamline information requests and harmonize definitions on information relating to forest areas and forest management. It was noted that data on production of tropical logs and growth and yield of tropical forests, likely to be of most interest to UNFCCC and those involved in climate change negotiations, were generally weak or non-existent for most countries and that collaboration with UNFCCC and others might focus on ways to improve their availability and quality.

(x) Monitor Progress Being Made Regarding the Comparability and Equivalence of Certification Systems [PP-A/39-175]

The Committees were informed that the Secretariat was in the process of engaging consultants to undertake the implementation of this policy activity.

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

The Committees noted that the strategic policy activity would be implemented by the Amazon Cooperation Treaty Organization (ACTO) and a regional workshop under the activity was envisaged to be convened in Ecuador in 2007. The delegation of Brazil called for greater synchronization between the activity and other relevant ITTO work in the Amazon region in order to generate synergies and achieve greater impact.

### **Committee on Forest Industry**

(i) Promote Wood-based Bioenergy using Wood Residues and Wastes in Tropical Countries [PP-A/39-183]

The Committees were briefed by the Secretariat on the progress in the organization of the International Conference on Wood-based Bioenergy which would take place in Hannover, Germany on 17-19 May 2007 in conjunction with the LIGNA+ 2007. The Committees were pleased to learn that the Conference was hosted by the German Federal Ministry of Economics and Technology and organized in collaboration with FAO with the aim of raising the awareness of policy-makers about the economic and technical potential of wood-based bioenergy generation from wood residue and waste. The Committees took note that experiences in promoting bioenergy in developed countries, particularly in Europe, where the sector was developing rapidly, as well as wood energy-related case studies from selected ITTO producing member countries, would be presented at the Conference. The Committees noted that the report of the Conference was expected to be made available in due course and a presentation on the outcomes of the Conference would be made at the next session of the Committees in order to stimulate the development of a sustainable wood based bioenergy sector in the tropics. The delegation of Germany expressed appreciation for the

collaborative effort by ITTO and Germany in organizing this International Conference and looked forward to the success of the conference.

- (ii) Promote Private Investment Through Facilitating Information Exchange on Investment Opportunities – Organization/Convening of Investment Promotion Forum/Seminar [PP-A/39-184]

The Committees were updated by the Secretariat on the preparations for two regional fora to promote investments in the sustainable management and development of natural tropical forests. The Secretariat informed the Committees that the Asia-Pacific Tropical Forest Investment Forum would be held in Bangkok, Thailand from 6-8 August 2007. The Secretariat also informed the Committees that the West and Central Africa Tropical Investment Forum would be held in Accra, Ghana from 28 to 30 August 2007. The objective of both forums would be to build on lessons learned from previous investment forums and to increase understanding on the opportunities and constraints to investment in natural tropical forests in the two regions.

The Governments of Thailand and Ghana welcomed delegates to participate in both forums. The delegation of USA questioned how the outcomes of the various forums would be measured. The delegation of Mexico enquired how recommendations from the Latin American regional investment forum had been taken up by the Secretariat. The Secretariat informed that further work would be conducted in this regard, after the conclusion of the two regional forums in August 2007.

- (iii) Assess Opportunities for and Promote Development of Non-Timber Forest Products and Forest Services which can improve the economic attractiveness of maintaining the forest resource base [PP-A/39-185]

The Secretariat informed the Committees that the Conference to Promote the Development of Non-Timber Forest Products and Forest Services would be held at the International Rattan and Bamboo Tower in Beijing, China from 19 to 21 September 2007. The ITTO Secretariat was collaborating closely with the Government of China and relevant agencies on the technical and logistical preparations for the convening of the conference. The Government of Mexico offered assistance and input, drawing on its experience in forest services.

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

The Secretariat reported on the progress made in the draft analytical study on international transportation of timber products. The Secretariat recalled that at the previous session of the Committees, agreement was reached regarding the terms of reference for the analytical study, which would help in deliberating whether a conference on the international transportation of tropical timber products could be convened. The Committees were invited to take a decision on this issue, based on a presentation of the analytical study's results. The consultants commissioned to undertake the study, ATIBT, presented the contents and recommendations of the study, explaining the process for tropical timber shipping, documentation required for shipping, different shipping methods, statistical discrepancies in trade data, and available mechanisms for ensuring legality of shipped timber. The consultants presented their recommendations, which included the need for capacity building initiatives, more accurate declaration of volumes for shipped products and logs, and an attestation of legal origin and conformity of the product.

Due to the lack of time, the Committees decided to defer further discussions and decision on the issue of an international conference to the next session of the Committees.

#### 10. Dates and Venues of the Forty-first, Forty-second and Forty-third Sessions of the Committees

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

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

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

11. Other Business

No other business was considered by the Committees.

12. Recommendations to the International Tropical Timber Council

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

**Committee on Economic Information and Market Intelligence**

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|------------------------|--|
| 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 [US\$574,101]              |
| PD 443/07 Rev.1 (M)    | Strengthening of the Forest Statistics and Information Center – CIEF (Honduras) [US\$230,023]  |
| 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**

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|----------------------|--|
| 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]  |
| PPD 133/07 Rev.1 (I) | Training Needs Analysis for the Builders' Woodworks Industry in the Philippines [US\$79,199]   |
| PD 299/04 Rev.4 (I)  | Reduction of Timber Wastes in both Logging and Mechanical Processing Operations (Republic of Congo) [US\$608,970]  |
- (ii) The Committees recommended that the following proposal as amended be approved for immediate implementation at this Session:
- |                     |  |
|---------------------|--|
| PD 268/04 Rev.3 (I) | International Workshop on Innovations in Tropical Forestry and Forest Product Industries (Innovations for Tropical Timber) (Côte d'Ivoire) [US\$147,960] |
|---------------------|--|
- (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**

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| PD 124/01 Rev.2 (M)<br>Phase II, Phase III | Promotion of Sustainable Management of African Forests (Africa) [Phase II - US\$864,070, Phase III - US\$1,444,144] |
| PD 379/05 Rev.3 (M)                        | Enhancing Papua New Guinea's Timber Marketing Information System (MkIS) [US\$637,308]                               |

**Committee on Forest Industry**

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|---------------------|--|
| PD 285/04 Rev.3 (I) | Introduction of a Village Industry in the Community around an Industrial Forest Plantation in Sumatra, Indonesia [US\$319,221] |
|---------------------|--|

PD 313/04 Rev.3 (I)	Development of the Rubberwood Industry in Côte d'Ivoire – Phase II [US\$503,736]
PD 316/04 Rev.2 (I)	Which Species to Log in Tomorrow's Central African Forests? (Tools for the Sustainable Management of the Central African Republic's Rainforests) [US\$772,238]
PD 343/05 Rev.1 (I)	Bamboo for Development through Community Driven Industries (Philippines) [US\$508,651]
PD 348/05 Rev.2 (I)	Composites from Wood Residues and Recycled Plastics for Increasing Utilization Efficiency of Wood Resources (Philippines) [US\$99,792]
PD 363/05 Rev.3 (I)	Harmonizing Forestry Training in order to Develop National SFM Capacities in Congo (Republic of Congo) [US\$493,042]
PD 364/05 Rev.3 (I)	Providing Village Communities with Basic Technological Training for Extracting Valuable Essential Oils from Eucalyptus Citriodora Plantations in Rural Areas of Congo (Republic of Congo) [US\$391,510]
PD 385/05 Rev.3 (I,F)	Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species (Mexico) [US\$493,517]
PD 398/06 Rev.2 (I)	Promoting the Utilization of Plantation Timber Resources by Extending Environmentally Sound Preservation Technology (China) [US\$291,060]
PD 401/06 Rev.2 (I)	Value Adding and Kiln Drying of Commercial Timbers by Small Scale Community Saw Millers in Guyana [US\$347,004]
PD 422/06 Rev.1 (I)	Sustainable Management and Utilization of Tropical Bamboo in Yunnan Province of China [US\$511,920]
PD 425/06 Rev.1 (I)	Production and Utilization Technology for Sustainable Development of Eaglewood (Gaharu) in Indonesia [US\$499,975]
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 (Guatemala) [US\$54,000]
PPD 122/06 Rev.1 (I)	Wood Technology (Guatemala) [US\$49,926]

13. 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 2007 9 May 2007, Port Moresby, Papua New Guinea

The ITTO Annual Market Discussion-2007 was held on 9 May 2007 with the theme 'Trade in Secondary Processed Wood Products: Trends and Perspectives'. The discussion featured 5 speakers namely Mr. Bob Tate (PNG Forest Industries Association), Mr. Bruce Telfer (SGS, PNG), Dr. Jairo Castaño (ITTO Secretariat), Professor Shi Kunshan (Chinese Academy of Forestry) and Mr. Huynh Van Hanh (Handicraft & Wood Industry Association, Vietnam). The presentations were followed by a Panel Discussion on Regional Perspectives for SPWP, featuring Mr. Alhassan Attah (Ghana Forestry Commission) on Africa, Dr. Jairo Castaño (ITTO Secretariat) on Latin America and Mr. Richard McCarthy (McCarthy & Associates, PNG) on Asia-Pacific. Ms. Siti Syaliza Mustapha (MTC, Malaysia) and M. Richard McCarthy served as the moderators for the presentation and panel discussion sessions, respectively.

Mr. Tate presented an overview of the forest sector in PNG, including the country's forest resources, wood production and log exports. Log exports were at 2.5-3 million m<sup>3</sup> a year (around US\$160 million), of which 80% went to China and 10% to Japan. Exports to China had been growing while those to Japan had been declining. Forest lands were mostly owned by landowners but the monitoring of forest operations was under the responsibility of the PNG Forest Authority (PNGFA). Since 1994, PNGFA had engaged SGS to monitor all export log shipments. Landowners received 10 kina per m<sup>3</sup> in royalty, 8 kina per m<sup>3</sup> as development levy and around 14 kina per m<sup>3</sup> in cash and kind payment. Log export tax was 28.5% of the FOB value while plantation logs were exempted from export tax and levy. Production and exports of processed wood products had been growing, with exports reaching \$32.1 million in 2005. This included veneer (44% of exports), lumber (30%), plywood (19%), woodchips (9%) and furniture (1%). Exports of processed products went mainly to Australia, Taiwan PoC, Korea, China, Japan and the EU.

Mr. Telfer made a presentation on the log export monitoring in PNG. He indicated that the role of export monitoring for PNG's logs was shared between the PNGFA and SGS. The monitoring system involved the following: (i) provision of log tags; (ii) pre-shipment log inspection; and (iii) monitoring of ship loading to verify log scaling as well as species and volumes actually loaded. No logs could be exported from PNG until all the prescribed procedures involving 22 steps had been followed. According to Mr. Telfer, in the last 12 years, SGS had not uncovered large-scale log smuggling in the log export trade in PNG. SGS provided monthly statistical reports to the relevant PNG government agencies on all log shipments. Mr. Telfer indicated that since 1995, SGS had inspected more than 26 million m<sup>3</sup> of logs from 80 logging camps with an FOB value of more than \$1.54 billion, bringing additional export earnings to the government and landowners.

Mr. Telfer acknowledged that although effective in minimising log smuggling, the SGS monitoring system could not provide a guarantee that all forestry activities in PNG were legal. The system had received some criticisms, such as not fully addressing demands of resource acquisition and consultation processes with traditional landowners; compliance of timber companies with social and environmental regulations; the need for a definition of legality in PNG; lack of formal link between log production records (PNGFA) and export records (SGS); and the non-inclusion of processed wood products in the monitoring system. He informed that the PNG Forest Industries Association was actively exploring the concept of developing a legal verification system for PNG forest operations. This would start by having a pilot company entering the SGS TLTV (Timber Legality and Traceability Verification) service.

Dr. Castaño gave an overview of the SPWP trade which indicated that exports of these products by ITTO producers now exceeded those of primary products. The growth had been driven by multi-fold increases in exports from Indonesia, Malaysia, Brazil and Mexico, among others. Asia-Pacific (69%) and Latin America (31%) were the dominant exporting regions in the tropics in 2005. Around 55% of the SPWP exports by ITTO producers were furniture. However, producers faced intense competition from relative newcomers such as Vietnam, Poland and, particularly, China. China was the world's largest exporter of almost all SPWP categories in 2005, except builder's woodwork. Vietnam, in turn, displaced Malaysia in 2005 as the largest tropical exporter of furniture. Dr. Castaño pointed out that although ITTO producers had made important inroads in SPWP trade, they had lost shares to countries such as China, Poland and Vietnam in key markets. This was despite the fact that China and Vietnam imported most of their timber raw materials. Dr. Castaño identified some prospects in the SPWP trade, including: (i) producers to continue expanding exports at the expense of industrialized countries; (ii) growth driven by competitive

prices, excellent timber quality, use of forest plantations, supportive policies, among others; (iii) producers' trade still remaining well below its potential level due to tariff differentials and lack of product design; and (iv) recent elimination of furniture import tariffs by China which would provide opportunities for ITTO producers in that huge market in spite of the country continuing to be a major competitor to producers.

Professor Shi made his presentation on China's timber trade. Since 2006, China had become a net exporter of timber products, particularly of wood panels and processed products (notably furniture). Imports of raw materials such as logs and sawnwood continued to grow. Logs came mainly from Russia and PNG. PNG overtook Malaysia as China's largest supplier of tropical logs. Sawnwood imports came primarily from Russia, the USA, Thailand and Indonesia. Professor Shi indicated that China exported furniture worth \$17.5 billion in 2006, with wooden furniture accounting for 33%, down from 47% in 2005. He said that China was increasing the imports of hardwoods from the USA, particularly lumber (70% of the imports) and logs (20%). Walnut and red oak were the main US log species while western red alder was the main sawnwood species.

Mr. Hanh explained that furniture was Vietnam's main SPWP export category. About 600 out of 1,600 furniture factories exported products to 120 markets. Vietnam furniture exports jumped sharply from \$219 million in 2000 to almost \$2 billion in 2006. Chairs (29%), living and dining (28%) and bedroom furniture (15%) were the main export products last year. Mr. Hanh mentioned three reasons for booming exports in Vietnam and other developing countries, namely lower production costs, better quality and flexible prices. Exports by Vietnam, in particular, had been helped by stable policies; relatively good and efficient marketing channels; entrepreneurship; skilled and low cost labour; and growing foreign direct investment. However, Mr. Hanh acknowledged some weaknesses, including small scale manufacturers, deficient market transparency as well as lack of timber resources, management, designing and marketing skills. He indicated that Malaysia (\$134 million), the USA (\$68 million), China (\$66 million), Laos (\$61 million) and Cambodia (\$57 million) were Vietnam's main wood suppliers. Imports consisted of panels, rubberwood, eucalyptus and pine products as well as US hardwoods. Mr. Hanh said that booming furniture exports to the US market were fuelling Vietnam's demand for US hardwoods.

During the panel discussion on regional perspectives for SPWP, Mr. Attah presented the African case. He said that log export bans and policies promoting domestic processing were supporting SPWP trade. However, Africa accounted for less than 1% of the ITTO producers' exports of these products. Mr. Attah identified some constraints to the development of SPWP in Africa, including securing the supply of raw materials; political and legal framework; competition from imported SPWP; lack of appropriate production technologies; and weak domestic market for SPWP. He mentioned future drivers of change in the development of SPWP in Africa, such as government policies, achieving the right "carrot and stick" balance, growth in domestic demand, development of plantation timber, future roles of China (competitor) and India (emerging market) and certification.

Dr. Castaño presented the Latin American perspectives for SPWP, showing that the region's exports of SPWP had grown three-fold since 1995 to over \$3.14 billion in 2006. This meant that the region's market share of ITTO producers' exports grew from 13% to 31% during the period, at the expense of Asia Pacific. Brazil (57% of Latin American SPWP exports) and Mexico (34%) were the main exporters. Dr. Castaño clarified that SPWP exports from these two countries included significant amounts of species from their temperate regions, primarily from plantations. Furniture was the mainstay of the exports.

On the Asia-Pacific perspectives for SPWP, Mr. McCarthy said that demographic factors contributed significantly to the high consumption of SPWP in the region. He said that the timber resource situation in Asia-Pacific was being affected by issues such as economic changes, demand for shelter and fuelwood, continuing changing status of producers and consumer countries, and development of industrial plantation. Overall, Mr. McCarthy said there was a demand-supply imbalance, resulting in Asia-Pacific being a net importer of SPWP. He said the SPWP sector was facing challenges such as higher production costs; lack of policies for sound use of wood, wood promotion and building codes; certification; transportation; durability; and legal origin of timber.

In the ensuing discussion, it was noted that data on PNG's annual allowable cut (AAC) implied that the increment of the natural forest was known, which was subsequently confirmed by Mr. Tate. Ghana informed that they had carried out studies of natural forest increments since 1960s. The delegation of Malaysia said that timber traceability was lost in SPWP production, especially when this took place in a third country and was seldom questioned. In response to a question by the delegation of Malaysia, Professor Shi indicated that imports of tropical logs were falling in China due to scarcity of supply.

## 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 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

The Committees noted the presentation made by the delegate of Guyana. The Committees further noted that the recommendations and comments made by the Thirty-third 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 443/07 Rev.1 (M) Strengthening of the Forest Statistics and Information Center – CIEF (Honduras)

The Committees noted that the recommendations and comments made by the Thirty-third 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) 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

The Committees noted the presentation made by the delegate of Indonesia. The Committees further noted that the recommendations and comments made by the Thirty-third 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 357/05 Rev.2 (M,F) Support Project to the Establishment and Initial Operation of a Voluntary and Independent Monitoring System for the Forest Concessions of Central Africa (FORCOMS) (Central African Republic)

In the absence of the delegation of the Central African Republic (CAR), the Committees agreed to defer consideration of this proposal and requested the delegation of CAR to submit a revised proposal addressing the concerns expressed by the Expert Panel for final consideration at the next session of the Committees.

#### Committee on Forest Industry

- (i) 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)

The Committees noted the presentation made by the Secretariat. The Committees further noted that the recommendations and comments made by the Thirty-third 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 413/06 Rev.2 (I) Optimization of Wood Residue Utilization and Investments in Ghana: Commercial Options for Industrial and Community Uptake

The Committees noted the presentation made by the delegate of Ghana. The Committees further noted that the recommendations and comments made by the Thirty-third 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) PPD 133/07 Rev.1 (I) Training Needs Analysis for the Builders' Woodworks Industry in the Philippines

The Committees noted the presentation made by the delegate of the Philippines. The Committees further noted that the recommendations and comments made by the Thirty-third 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 444/07 (I,M,F) Increasing Capacity and Collaboration among Governments and Civil Society: Toward Improved Quality on Project Proposal Development and Implementation (Cameroon)

The Secretariat informed the Committees of the main objectives of the project and the assessment made by the Thirty-third Expert Panel for Technical Appraisal of Project Proposals. The Committees recommended that the proposal should not be further considered by ITTO, taking into account the Expert Panel's assessment and conclusion.

- (v) PPD 110/05 Rev.2 (I) Promoting Sustainable Forest Resource Management in the ASEAN Region through the Application of Bamboo Production and Utilization Technologies (Philippines)

At the request of the Philippines, the Committees decided to withdraw the pre-project. The Philippines noted that it would submit a new project proposal, based on similar themes of the withdrawn project, for consideration by the Expert Panel.

- (vi) PD 355/05 Rev.2 (I) Capacity Building for Environmental and Forestry Training Institutions in Central Africa and Continuous Training for Forest Concession Personnel (Central African Republic)

In the absence of the delegation of the Central African Republic (CAR), the Committees agreed to defer consideration of this proposal and requested the delegation of CAR to submit a revised proposal addressing the concerns expressed by the Expert Panel for final consideration at the next session of the Committees.

- (vii) PD 268/04 Rev.3 (I) International Workshop on Innovations in Tropical Forestry and Forest Product Industries (Innovations for Tropical Timber) (Côte d'Ivoire)

The delegate of Côte d'Ivoire introduced the background information on the submission of a revised proposal and the main objectives of the revised proposal focusing on the organization of an international workshop on technical innovations in forestry product industries. The delegate of Switzerland supported the implementation of the revised proposal. The Committees were pleased with the revised proposal and recommended that the proposal be approved for immediate implementation.

- (viii) PD 299/04 Rev.4 (I) Reduction of Timber Wastes in both Logging and Mechanical Processing Operations (Republic of Congo)

The Committees noted that the proposal had been approved at the Thirty-eighth Session of the Council in June 2005 and re-submitted in December 2006 in accordance with Paragraph 2, Annex 2 of Decision 2(X) allows Member Countries to re-submit approved proposals with a view to extending their validity period and status as approved projects. The Committees recommended that the proposal be approved for immediate funding and implementation.

\* \* \*



**SUMMARY TABLE**  
**TECHNICAL EVALUATION OF PROJECTS AND PREPROJECTS**

PROJECT DOCUMENT	ITTA OBJECTIVES Article 1	ITTO BUDGET US\$	DURATION (MONTHS)	GEOGRAPHIC COVERAGE	RECOMMENDATION(*)
<b>Committee on Economic Information and Market Intelligence</b>					
PD 440/07 Rev.1 (M,l)	c,d,e,h,k	574,101	18	Guyana	1
PD 443/07 Rev.1 (M)	a,c,e,f,h,j,k,l	230,023	24	Honduras	1
PPD 132/07 Rev.1 (M,l)	c,f,l	69,001	12	Indonesia	1
PD 357/05 Rev.2 (M,F)	a,b,c,d,e,f,g,h	514,076	36	CAR	4
<b>Committee on Forest Industry</b>					
PD 373/05 Rev.3 (l)	f,k,l,j	222,993	36	Philippines	1
PD 413/06 Rev.2 (l)	c,d,f,i	488,806	36	Ghana	1
PPD 133/07 Rev.1 (l)	c,f,i	79,199	12	Philippines	1
PD 444/07 (l,M,F)	a,c,g,j	150,000	12	Cameroon	5
PPD 110/05 Rev.2 (l)	c,f	123,444	12	Philippines	5
PD 355/05 Rev.2 (l)	a,b,c,d,e	526,267	18	CAR	4
PD 268/04 Rev.3 (l)	b,c,f,k,m	147,960	12	Côte d'Ivoire	1
PD 299/04 Rev.4 (l)	c,d,f,i,m	608,970	24	Republic of Congo	1

- (\*)
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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Port Moresby, Papua New Guinea

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL FROM  
THE FORTIETH 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 Fortieth Session of the Committees was opened on 7 May 2007 at the Joint Session of the Committee on Reforestation and Forest Management (CRF), the Committee on Economic Information and Market Intelligence (CEM), the Committee on Forest Industry (CFI), and the Committee on Finance and Administration (CFA), chaired by Ms. Chantal Adingra (Côte d'Ivoire), Chairperson of the Committee on Economic Information and Market Intelligence (CEM). The subsequent meetings of the CRF were chaired by Dr. Flip Van Helden (The Netherlands) Chairperson of CRF. The Ecuadorean delegation informed the Committee that its current Vice-Chairperson, Mr. Alfredo Carrasco Valdivieso, was unable to be present at this Session but will be present at the next Session. The list of participants is presented in document ITTC(XLII)/Info. 2.

### Item 2 - Adoption of Agenda and Organization of Work

At the first meeting of the Joint Session of the Committees on 7 May 2007, the Committee formally adopted the Agenda of its Fortieth Session as contained in document CRF(XL)/1 Rev.1.

### Item 3 - Admission of Observers

The Committees admitted the observers listed in document ITTC(XLII)/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 Mr. Hideaki Takai (Japan), member of the Expert Panel on behalf of Dr. Bipin Behari (India), Chairman of the Expert Panel on the Report of the Expert Panel (EP) for Technical Appraisal of Project Proposals at its Thirty-third Meeting held on 5-9 February 2007 in Yokohama, Japan as contained in document CEM, CRF, CFI, CFA(XL)/1. In summary, the report of the Expert Panel indicated:

- (i) a total number of 37 proposals evaluated comprising 32 project and 5 preproject proposals, compared with 51 proposals assessed at the previous EP meeting.
- (ii) a total number of 18 proposals (49% of proposals evaluated) comprising 14 project and 4 pre-project proposals were accorded category 1 rating, compared with 45% so accorded at the previous EP meeting.
- (iii) eleven (11) out of the 18 proposals accorded category 1 rating (61%) were revised proposals.
- (iv) the percentage of proposals requiring amendment or reformulation was still high
- (v) sixteen (16) proposals were returned to proponents for revisions and three (3) were not recommended for approval by the Committees.

Mr. Takai presented the general comments made by the Expert Panel at its Thirty-third Meeting including:

- (i) the common weaknesses of many proposals already pointed out by previous EPs.
- (ii) lack of clear and comprehensive problem analysis of 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) weak project sustainability.
- (vii) Inadequate presentation of budget items and supporting terms of reference (TORs).

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 information such as country priorities, recommendations of ITTO missions as well as completion reports and ex post evaluation reports of relevant projects.

On the experience of the EP in the application of the new (revised) ITTO system for technical appraisal of project and pre-project proposals, Mr. Takai indicated that the new system did significantly

facilitate the systematic analysis of proposals but there was room for improvement. The EP expected that the ITTO manual for project formulation being revised and the ITTO manual of procedures being formulated would assist in the application of the new appraisal system.

The delegation of the Philippines commented that the combined usage of the current and new appraisal systems had resulted in recommendations made under the new system being qualitative instead of quantitative as intended. The delegation called for the adoption of the new system and its synchronization with the ITTO manual on project formulation being revised in time for the next meeting of the EP. The delegation of Brazil emphasized the importance of having clear rules and procedures for project proposal appraisal as two appraised systems were being used at the same time, creating some confusion. The Committees noted the clarification made by the Secretariat that the implementation of the new system, as decided by the Council, was still undertaken on a trial basis and that the ITTO manual on project formulation being revised was being tested in some member countries with a view to refining it. It was, however, noted that the application of the new appraisal system need not necessarily be tied with the on-going revision of the ITTO manual on project formulation and other relevant manuals that had to be undertaken with due care.

The delegation of Brazil expressed disagreement with the comments, recommendations and conclusion of the EP in respect of PD 437/06 Rev.1 (F) "Strengthening capacity to apply criteria and indicators to consolidate sustainable forest management in the Amazon (Brazil and Peru) and indicated its intention to further revise the proposal and, if it was still not accepted by the EP, forward it to the CRF for final appraisal at its next session. The Secretariat acknowledged that guidance on regional projects in the existing ITTO manual on project formulation was inadequate and this was being addressed to in the context of the on-going revision of the manual.

#### **Item 5 - ITTO Annual Market Discussion - 2007**

The Committees noted the summary of the ITTO Annual Market Discussion- 2007, held in the Joint Session of the Technical Committees on 9 May 2007, as contained in Appendix A of the Report of the Committees on Economic Information and Market Intelligence and Forest Industry [document CEMCFI(XL)/6]. The theme of the Market Discussion was "Trade in Secondary Processed Wood Products: Trends and Perspectives". Ms. Chantal Adingra (Chairperson of CEM) chaired the meeting and Ms. Siti Syaliza Mustapha (Malaysia) and Mr. Richard McCarthy (PNG) served as the moderators for the presentation and panel discussion sessions during the Market Discussion, respectively. The following feature presentations were made during the Market Discussion:

Mr. Bob Tate (FIAPNG)	"The PNG Forest Sector: an Overview"
Mr. Bruce Telfer (SGS, PNG)	"Forest and Log Export Monitoring System in PNG"
Dr. Jairo Castaño (ITTO Secretariat)	"ITTO Overview of the SPWP Trade"
Prof. Shi Kunshan (Chinese Academy of Forestry)	"China's Trade in SPWP and the Role of US Hardwoods"
Mr. Huyoh van Hanh (Handicraft & Wood Industry, Vietnam)	"Vietnam's Booming SPWP Trade"

The presentations were followed by a panel discussion on regional perspectives for SPWP, namely:

Mr. Alhassan Attah (Ghana Forestry Commission)	"Perspectives for SPWP in Africa"
Mr. Richard McCarthy (McCarthy & Associates, PNG)	"Perspectives for SPWP in Asia Pacific"
Dr. Jairo Castaño (ITTO Secretariat)	"Perspectives for SPWP in Latin America"

## **Item 6 - Report on Completed Projects and Pre-projects**

The Secretariat informed the Committee that the completed projects and pre-projects are listed in document CRF(XL)/3 Rev.1, "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 preprojects:

### **6.1 Completed Projects**

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

- 1) **PD 68/89 Rev.1 (F) Management of the Tapajós National Forest for Sustainable Production of Industrial Timber (Brazil)**

The Committee took note that the Completion Report, some Technical Reports and the Final Financial Audit Report have been submitted by the Executing Agency. The Committee decided to consider the project as completed.

- 2) **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 Completion Report, some Technical Reports and the Final Financial Audit Report have been submitted by the Executing Agency. However, referring to the summary of the completion report included in CRF(XL)/3 Rev.1, the Japanese delegate noted that, while the project completion report had indicated that all outputs had been satisfactorily achieved, the products related to these outputs had still to be submitted to the Secretariat for verification and potential dissemination.

In view of these comments, the Committee requested the Secretariat to continue soliciting the submission of the aforementioned project products and outputs and review these prior to reporting this project as completed. The Committee decided to defer its decision regarding the completion of this project at its next Session in November 2007, and requested the Government of Bolivia and the Executing Agency to submit the aforementioned pending project outputs and products as soon as possible, with a view towards reporting this project as completed at the next session.

- 3) **PD 49/99 Rev.2 (F) Pilot Plan for the Sustainable Management of 10,000 hectares of Secondary Forest in San Lorenzo, Esmeraldas (Ecuador)**

The Committee took note that the Completion Report, a series of Technical Reports, a Supplementary Completion Report (as per the Project Addendum), and the Final Financial Audit Report have been submitted by the Executing Agency. The Committee decided to consider the project as completed.

- 4) **PD 17/00 Rev.3 (F) Conservation and Development in the Natural Protected Areas System of Tambopata (Peru) – Madidi (Bolivia) (Peru and Bolivia)**

The Committee took note that the Completion Report, a series of Technical Reports and the Final Financial Audit Report have been submitted by the Executing Agency. The Committee decided to consider the project as completed.

- 5) **PD 39/00 Rev.3 (F) Sustainable Collaborative Forest Management: Meeting the Challenges of Decentralization in the Bulungan Model Forest (Indonesia)**

The Committee took note that the Completion Report, the Technical Reports and the Final Financial Audit Report have been submitted by the Executing Agency. The delegates of Switzerland and Japan both



suggested that the indicators of outputs and objective(s) as specified in the project document should be taken into account in future reporting of project completion. The delegate of Japan also pointed out one important lesson learned from the project implementation which is the need to strengthen risk analysis and mitigating measures in future project formulation. The Committee decided to consider the project as completed.

- 6) **PD 44/00 Rev.3 (F) The Implementation of a Community-based Transboundary Management Plan for the Betung Kerihun National Park, West Kalimantan, Indonesia, Phase II (Indonesia)**

The Committee took note that this project was reported as completed at its Thirtyeighth and Thirty-ninth Sessions and that the Technical Reports and Final Financial Audit Report have been submitted by the Executing Agency. At the request of the Government of Switzerland, the Executing Agency has amended the Completion Report. The delegate of Switzerland informed the Committee that the Report has been significantly improved and is now acceptable. The Committee therefore decided to consider the project as completed.

- 7) **PD 225/03 Rev.1 (F) Adoption and Implementation of an Appropriate System of Criteria and Indicators for the Philippines (The Philippines)**

The Committee took note that the Completion Report, the Technical Reports and the Final Financial Audit Report have been submitted by the Executing Agency. The Committee commended the presentation of the project findings by the Executing Agency. The Committee decided to consider the project as completed.

- 8) **PD 239/03 Rev.1 (F) Development and Installation of a Forest Resources Monitoring System (FORMS) by Utilizing the Forest Canopy Density (FCD) Model Developed in ITTO Project PD 66/99 Rev.1 (F) (The Philippines)**

The Committee took note that the Completion Report, the Technical Reports and the Final Financial Audit Report have been submitted by the Executing Agency. The Committee decided to consider the project as completed.

(B) Completed Projects, Pending Financial Audit

- 1) **PD 44/95 Rev.3 (F) Management and Conservation of Mangroves in the Gulf of Fonseca, Honduras - Phases I & II (Honduras)**

The Committee took note that this project was reported as completed at its Thirtyeighth Session, but the Final Financial Audit Report is still being carried out. In this light, the Committee urged the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session.

- 2) **PD 14/98 Rev.1 (F) Sustainable Use and Reforestation of Amazon Forests by Indigenous Communities (Peru)**

The Committee took note that field activities have been completed and the Executing Agency has submitted the completion report and several technical reports, but the Final Financial Audit Report is still pending. The Committee therefore decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

- 3) **PD 22/98 Rev.1 (F) Development of Teak Cloning and Establishment of Industrial Plantations (Côte d'Ivoire)**

The Committee took note that the project was reported as completed at its Thirty-ninth Session, but the Final Financial Audit Report is still pending. In this light, the Committee asked the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session.

In view of the importance of the project results, the delegate from Côte d'Ivoire briefly presented the main outcomes of the project as requested by the Thirty-ninth Session of the Committee. Members praised the very important work made under the project. They noted that high quality planting material resulting from

the project is being used to further develop teak plantations in Côte d'Ivoire with the establishment of about 1,500 ha per year.

## 6.2 Completed Pre-projects

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

- (1) PPD 114/05 Rev.1 (F) **Demonstration of Integrated Models for Sustainable Management of Mangrove in China (China)**

The Committee took note that the Completion Report, the Technical Reports, a project proposal and the Final Financial Audit Report have been submitted by the Executing Agency. The Committee decided to consider the pre-project as completed.

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

- 1) PPD 2/99 Rev.1 (F) **A Model Forest Management Area in Papua New Guinea (Papua New Guinea)**

The Committee took note that the Completion Report and the Technical Report have been submitted by the Executing Agency but the final financial audit report is still pending. The Committee therefore decided to consider the pre-project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

- 2) PPD 84/03 Rev.1 (F) **Formulation of a Sustainable Forest Management Project for the Production Forest Area in the Northern and North-Eastern Regions of the Department of Antioquia, Colombia (Colombia)**

The Committee took note that the Completion Report, several Technical Reports and a project proposal have been submitted by the Executing Agency pending the Final Financial Audit Report. The Committee therefore decided to consider the pre-project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

- 3) PPD 92/04 Rev.1 (F) **Identification of a Rehabilitation and Management Project for the Degraded Secondary Forests of the Mvila Department in Cameroon (Cameroon)**

The Committee took note that the pre-project activities had been completed, and the Executing Agency had submitted the pre-project Completion Report, Final Technical Report, Consultant Reports and draft project proposal for the next ITTO Project Cycle. The Committee therefore decided to consider the pre-project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat

## Item 7 - Ex-post Evaluation

### (A) Ex-post Evaluation

The following project was selected for ex-post evaluation by the Committee at its Thirty-ninth Session:

- PD 4/00 Rev.1 (F) **Biodiversity Management and Conservation in a Forest Concession Adjacent to a Totally Protected Area (Nouabale-Ndoki National Park), Northern Congo (Republic of Congo)**

The Secretariat informed the Committee that consultants to conduct the ex-post evaluation have been selected. The Secretariat also indicated that it found it difficult to integrate in the terms of reference of the ex-post evaluation a complete feasibility study including an environmental impact assessment and covering technological and social aspects related to the establishment of a sawmill, as proposed by the Government of Congo.

The Secretariat suggested that above aspects could be better addressed in a separate independent study and that the ex-post evaluation should proceed on the basis of usual terms of reference for ex-post evaluations and providing only general recommendations, based on the results of the study, on conservation

measures to be implemented in the case of establishing timber industries in the vicinity of protected areas. The Committee agreed that the ex-post evaluation should proceed as suggested

### **(B) Selection of Projects for Ex-Post Evaluation**

According to Decision 3(XXVIII), "Ex-post Evaluation of Projects", the Committees are requested to consider as candidates for ex-post evaluation all completed individual projects or group of projects. The Committee, at its Thirty-seventh Session, decided to select further projects for ex-post evaluation during the Forty-first Session, based on an updated short list to be prepared by the Secretariat of projects completed since 2004 in the Reforestation and Forest Management Division and not previously selected for ex-post evaluation. The Committee also requested the Secretariat to consider a new theme under which it should group completed projects in the short list to be prepared, this being that of Criteria and Indicators of Sustainable Forest Management.

In accordance to above, the Committee decides to defer the selection of projects for ex-post evaluation until its Forty-first Session. However, notwithstanding this Decision, the Committee considered the special request submitted by the Common Fund for Commodities to conduct the ex-post evaluation of PD 14/98 Rev.1 (F) "Sustainable Use and Reforestation of Amazon Forests by Indigenous Communities" (Peru). The Committee therefore decided that the proposed ex-post evaluation should be conducted, either independently or part of thematic group ex-post evaluation, together with other completed projects selected at its next session.

### **Item 8 - Consideration of Project and Pre-project Proposals**

The Categories of Recommendations on Projects and Pre-projects from the Committee to the Council as accepted by the Committee at its Twentieth Session are listed by Appendix I, Table B.

The Secretariat clarified that these categories are considered as templates and that the Committee may decide to adopt a different wording in individual cases. With this in mind, the Committee continued to review the project and pre-project proposals.

The Committee recalled its recommendation to the Council during its Eleventh Session in Yokohama in November 1992, requesting the Secretariat not to forward any revisions of proposals requiring complete reformulation until these revisions had again been technically evaluated by the Expert Panel. In compliance with this, thirteen 'Category One' project proposals and three 'Category One' pre-project proposals were considered by the Committee; similarly one 'Category Five' project proposal was considered.

#### **• CATEGORY ONE PROJECTS AND PRE-PROJECTS ASSESSED BY THE COMMITTEE**

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 308/04 Rev.3 (F)	Management of Secondary and Degraded Forests in the Peruvian Amazon Region by Indigenous Communities	Peru
PD 341/05 Rev.3 (F)	Restoration and Sustainable Management of Mangrove Forests in the Tumbes Region, Peru	Peru
PD 405/06 Rev.3 (F)	Extending the Area under Sustainable Forest Management in the Forest Lands of the Emberá-Wounaan Comarca, Darien, Panama	Panama
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
PD 421/06 Rev.2 (F)	Strengthening of the Production Chain for Timber from Forest Concessions and Other Forests under Management	Peru
PD 423/06 Rev.2 (F)	Training on Demonstration, Application and Extension of ITTO Manual on Restoring Forest Landscapes In Tropics of China (China)	China
PD 424/06 Rev.2 (F)	Conservation and Utilization of Medicinal Plants in Ghanaian Forests Fringe Communities	Ghana
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

PD 434/06 Rev.1 (F)	Strengthening of the Aimex Seed Laboratory and Nursery	Brazil
PD 436/06 Rev.1 (F)	Forestry Partnership Pinhão Manso – Biodiesel Plant	Brazil
PD 438/06 Rev.2 (F)	Sustainable Forest Management for the Forest Production Area of the Northern and Northeastern Regions of the Department of Antioquia, Colombia	Colombia
PD 451/07 Rev.1 (F)	Transboundary Biodiversity Conservation Area : The Pulong Tau National Park, Sarawak State, Malaysia - Phase II	Malaysia
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
PPD 129/06 Rev.1 (F)	Forest Promotion and Development by Native Communities in Peru	Peru
PPD 131/06 Rev.2 (F)	Restoration of Forest Landscape in Local Communities in Ghana	Ghana
PPD 134/07 Rev.1 (F)	Guidelines for the Restoration of Mangroves and Other Coastal Forests Damaged by Tsunamis and Other Natural Hazards in the Asia-Pacific Region	Japan

• **RESUBMISSION OF A PROJECT APPROVED AT AN EARLIER SESSION**

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 392/06 Rev.2 (F)	Phase I: Regional Project to Promote Reduced Impact Logging in the Congo Basin	Gabon

• **CATEGORY FIVE PROJECT ASSESSED BY THE COMMITTEE**

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 409/06 Rev.2 (F)	Forest Governance to Create Favourable Conditions for the Implementation of the National Forest Strategy in Peru	Peru

Details of the technical evaluation of these proposals are presented in Appendix I of this report. The Committee's recommendations regarding approval of these proposals are presented in Item 12 below.

**Item 9 - Policy Work**

In accordance with its Biennial Work Programme for the year 2006-2007 and its decisions at the last Session, the Committee considered the following matters:

- (i) Contribute appropriately to national and international efforts in the area of prevention and management of fire in relation to tropical timber-producing forests (Colombia, Guyana, Philippines and Peru);

The Committee took note that the Government of Guyana recently requested ITTO assistance in this regard and that consultations are currently underway with the Guyana Forestry Commission and the USDA Forest Service so as to finalize a memorandum of understanding that will set the framework for the development of a comprehensive strategy for Guyana to prevent, manage and monitor forest fires nationwide.

- (ii) Monitor and assess the social, economic and environmental costs and benefits of sustainable management of natural forests. [Cooperate with FAO's Asia-Pacific Forestry Commission, the Regional Community Forestry Training Center (RECOFTC) and other organizations to convene an international conference on managing forests for poverty reduction, capturing opportunities for the benefit of the poor];

The Secretariat briefed the Committee on the organization of the International Conference on Managing Forests for Poverty Reduction that was held in Ho Chi Minh City (Vietnam) on 3-6 October 2006,

highlighting the good cooperation that prevailed between ITTO and other partner institutions such as IUCN, RECOFTC, SNV, etc. for the organization of the Conference. The Conference included the following five thematic sessions:

- I. Policies and legislation
- II. Economic issues
- III. Forest management modalities
- IV. Technical aspects: appropriate practices and affordable equipment
- V. Accessing markets.

The Conference resulted in a statement by participants and identified future lines of action as follows:

- Strengthen policy process
- Information sharing
- Developing pilot projects
- Conduct economic research
- Raise awareness of the importance of poverty-focussed forest enterprise among consumers in both developed and developing country markets.

The Secretariat informed the Committee that the proceedings of the Conference are being finalized and will be available for dissemination soon.

- (iii) Support the effective enforcement of forest laws and regulations that ensure sustainable forest management and secure the production base [Cooperate with CIFOR, the Regional Community Forestry Training Centre (RECOFTC) and FAO's Asia Pacific Forestry Commission in the development and considering an activity that supports SFM in decentralized government bodies].

The Secretariat informed the Committee that, after consultation with the FAO Regional Office for Asia and Pacific and RECOFTC, the workshop on "Forest Governance and Decentralization in Asia and the Pacific Region" was organized in cooperation with CIFOR and the Ministry of Forestry of Indonesia (MOFRI). The workshop has been successfully conducted in Yogyakarta, Indonesia from 4 to 6 September 2006. An adequate financial audit report on ITTO's contribution has been submitted by MOFRI and proceedings of the workshop are forthcoming.

- (iv) Assess human resources development and institutional strengthening by conducting national, regional and international training activities and the provision of fellowships. [Cooperate with FAO's Asia Pacific Forestry Commission in the Development and conducting of a two week forest policy short course];

The Secretariat informed the Committee that the Short Policy Training Course has been completed in Bangkok (Thailand) and was organized in cooperation with the FAO Regional Office for Asia and the Pacific, the Thailand Environmental Institute (TEI), the USDA Forest Service, etc. The Committee took note of comments made by the delegate of USA indicating that the course was very well organized and focused on very important issues such as policy analysis, policy formulation and effective communication.

- (v) Promote the exchange of experience at the regional level on the implementation of sustainable forest management through ITTO supported projects; and

The Secretariat informed the Committee that the 3 regional workshops are currently being organized, as follows:

African Region: Lomé, Togo, 29-31 May 2007, to be hosted by ODEF

Asian Region: Denpasar, Bali, Indonesia, 04-07 June 2007, to be hosted by Bureau for International Cooperation, Ministry of Forestry

Latin American Region: Medellin, Colombia 10-13, July 2007, to be hosted by CORNARE

The Brazilian delegation further informed the Committee that at its previous session the Latin American Informal Working Group had recommended the Latin American Workshop be held in Guatemala. However, it appeared that this request had not been reflected in the report of the Committee. The Secretariat further informed the Committee that three Latin American countries had expressed their

interest in hosting the workshop, and that Guatemala was among them. In this light, the Secretariat assessed all three countries based on the facilities offered by the hosts, the number of operational projects and potential field visit sites in each country, and the overall cost-effectiveness that would allow the participation of the highest number of participants, and that, based on this analysis, it had selected Colombia.

- (vi) Monitor and assess the environmental, social and economic costs and benefits of forest plantation development and utilize that information to promote new plantations.

The Secretariat informed the Committee that the report has been revised based on comments received from members during the last Session of the Committee or directly sent to the Secretariat. The final report is being edited and will soon be available for dissemination.

#### **Item 10 - Dates and Venues of the Fortyfirst, Forty-second and Fortythird Sessions of the Committee**

The dates and venues of the Fortyfirst, Forty-second and Fortythird Sessions of the Committee are determined in relation to the dates and venues fixed by the Council for its Fortythird, Forty-fourth and Forty-fifth Sessions.

#### **Item 11 - Other Business**

Under this item the Committee discussed the following topics:

Review of future status of project PD 9/97 Rev.1 (F) "Landowner Education and Training for Sustainable Forest Management" (Fiji) taking into account outcomes of the Secretariat's consultation with the Focal Points as requested by the Committee at its 39<sup>th</sup> Session.

The Secretariat reported that its consultation with the Fijian Focal Points for ITTO and with H.E. Minister of Fisheries and Forest through several official letters was completely unfruitful. In light of the collapse of communication between the Executing Agency and the Secretariat and the unsatisfactory progress in implementation of the project, continued approval and funding of the project no longer serve the objectives of the project agreement signed by the Government of Fiji, the Executing Agency and ITTO. The delegate of Fiji informed the Committee that the main problems facing the implementation of the project are: i) inability of the Executing Agency to secure the needed demonstration forest and thus to deliver several related outputs as specified in the project document; and ii) the lack of capable support staff for implementation and monitoring. The Committee therefore decided to terminate the ITTO approval and funding of the project and request the Secretariat to apply Articles IX(2) and X(2) of the project agreement for the dosing of the project.

Review of future status of project PD 152/02 Rev.3 (F) "Demonstration Project for the Rehabilitation and Multipurpose Sustainable Management of Mangrove Forest Ecosystems on the Coast of Ecuador" (Ecuador) taking into account outcomes of ITTO's most recent evaluation mission.

The Secretariat informed the Committee that in relation to project PD 152/02 Rev.3 (F) "Demonstration Project for the Rehabilitation and Multipurpose Sustainable Management of Mangrove Forest Ecosystems on the Coast of Ecuador" implemented by CORMADERA, and based on the outcomes of its latest monitoring mission carried out in March 2007 which had provided enough elements for suspension under the project agreement, the Executive Director decided to suspend the project in April 2007. The Secretariat further informed the Committee that a comprehensive review of the project will be carried out in June 2007 in order to precisely determine the causes of the project's underperformance and its future status. The Ecuadorian Delegation highlighted its concern in this regard and offered to closely collaborate with the upcoming mission through its Ministries of Foreign Affairs and Environment.

Review of future status of project PD 20/99 Rev.2 (F) "Establishment and Management of Production-Protection Community Forests in Lower and Middle Atrato, Department of Choco, Colombia" (Colombia) and PD 32/99 Rev.2 (F) "Productive Forest Management for the Rural Reserve Area of Guaviare" (Colombia) taking into account outcomes of ITTO's most recent evaluation mission.

As regards the of future status of suspended projects PD 20/99 Rev.2 (F) "Establishment and Management of Production-Protection Community Forests in Lower and Middle Atrato, Department of Choco, Colombia" (Colombia) and PD 32/99 Rev.2 (F) "Productive Forest Management for the Rural

Reserve Area of Guaviare" (Colombia), the Secretariat informed the Committee that the Government of Colombia had recently submitted all the requested documentation, as follows

1. Final audits of all ITTO funds transferred to the Executing Agencies;
2. Return of all unspent funds to the projects' ITTO accounts in Colombia;
3. Final technical reports from the Executing Agency 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.

In this light, the Secretariat has initiated an assessment of the aforementioned voluminous documentation with a view towards lifting the suspension of both projects.

Review of proposal for extension of time with additional funds of project PD 12/99 Rev.4 (F) "Model Forest Management Area (MFMA) - Phase III" (Malaysia) as suggested by the Committee at its 39<sup>th</sup> Session.

The delegate of Malaysia informed the Committee that, after reviewing the progress in implementation and the financial status of the project, the Project Steering Committee (PSC) has reviewed the proposal by the Executing Agency for extension in time without additional funds at its meeting on 1 March 2007. The PSC concluded that i) extension in time with additional funds is unnecessary; and ii) the Executing Agency should be able to complete all planned activities by end of May 2007 and to submit the technical reports as specified in the project document by end of August 2007. The Committee decided to endorse the conclusions of the PSC.

- The Committee took note that the IAG [document ITTC(XLII)/2] commended it to review and enhance the draft Decision regarding PNG's request for assistance in designing its national forest inventory. The Committee organized a small working group comprised of the delegates from Finland, Ghana, Indonesia, Japan, Malaysia, PNG, UK, USA and Switzerland. This small working group presented its work to the Committee from which it obtained further comments. These comments were taken into consideration in finalizing the draft Decision for consideration by Council.

#### **Item 12 - Recommendations to the International Tropical Timber Council**

##### **(A) The Committee recommended that funding be made immediately available for the following projects approved at this Session:**

- |                     |  |
|---------------------|--|
| PD 308/04 Rev.3 (F) | Management of Secondary and Degraded Forests in the Peruvian Amazon Region by Indigenous Communities (Peru) [US\$576,876]  |
| PD 341/05 Rev.3 (F) | Restoration and Sustainable Management of Mangrove Forests in the Tumbes Region, Peru (Peru) [US\$525,884]   |
| PD 405/06 Rev.3 (F) | Extending the Area under Sustainable Forest Management in the Forest Lands of the Emberá-Wounaan Comarca, Darien, Panama (Panama) [US\$520,992]                                |
| 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) [US\$540,864] |
| PD 421/06 Rev.2 (F) | Strengthening of the Production Chain for Timber from Forest Concessions and Other Forests under Management (Peru) [US\$580,532]   |
| PD 423/06 Rev.2 (F) | Training on Demonstration, Application and Extension of ITTO Manual on Restoring Forest Landscapes In Tropics of China (China) [US\$372,060]                                   |
| PD 424/06 Rev.2 (F) | Conservation and Utilization of Medicinal Plants in Ghanaian Forest Fringe Communities (Ghana) [US\$429,138]   |
| 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) [US\$502,978]                               |

- PD 434/06 Rev.1 (F) Strengthening of the Aimex Seed Laboratory and Nursery. (Brazil)  
[US\$396,201]
- PD 436/06 Rev.1 (F) Forestry Partnership Pinhão Manso – Biodiesel Plant (Brazil)  
[US\$500,174]
- PD 438/06 Rev.2 (F) Sustainable Forest Management for the Forest Production Area of the  
Northern and Northeastern Regions of the Department of Antioquia, Colombia  
(Colombia) [US\$547,917]
- PD 451/07 Rev.1 (F) Transboundary Biodiversity Conservation Area : The Pulong Tau National  
Park, Sarawak State, Malaysia - Phase II (Malaysia) [US\$874,800]
- 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)  
[US\$1,080,741]

**(B) The Committee recommended that funding be made immediately available for the following pre-projects approved at this Session:**

- PPD 129/06 Rev.1 (F) Forest Promotion and Development by Native Communities in Peru (Peru)  
[US\$56,538]
- PPD 131/06 Rev.2 (F) Restoration of Forest Landscape in Local Communities in Ghana (Ghana)  
[US\$91,368]
- PPD 134/07 Rev.1 (F) Guidelines for the Restoration of Mangroves and Other Coastal Forests  
Damaged by Tsunamis and Other Natural Hazards in the Asia-Pacific Region  
(Japan) [US\$129,038]

**(C) The Committee recommended the approval of a revised version of the following project approved at an earlier Session:**

- PD 392/06 Rev.2 (F) Phase I: Regional Project to Promote Reduced Impact Logging in the Congo  
Basin (Gabon) [US\$950,087]

**Item 13 - Report of the Session**

The Committee accepted this Report for submission to the Council.



## Appendix I

### TECHNICAL ASSESSMENT OF PROJECT AND PRE-PROJECT PROPOSALS

#### (A) 'CATEGORY ONE' PROJECT PROPOSALS

1. **PD 308/04 Rev.3 (F) Management of Secondary and Degraded Forests in the Peruvian Amazon Region by Indigenous Communities (Peru)**

##### Conclusion of the Fortieth 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 308/04 Rev.3 (F) and recommended the Council to allocate US\$576,876 for its immediate implementation.

2. **PD 341/05 Rev.3 (F) Restoration and Sustainable Management of Mangrove Forests in the Tumbes Region, Peru (Peru)**

##### Conclusion of the Fortieth 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 341/05 Rev.3 (F) and recommended the Council to allocate US\$525,884 for its immediate implementation.

3. **PD 405/06 Rev.3 (F) Extending the Area under Sustainable Forest Management in the Forest Lands of the Emberá-Wounaan Comarca, Darien, Panama (Panama)**

##### Conclusion of the Fortieth 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 406/06 Rev.3 (F) and recommended the Council to allocate US\$520,992 for its immediate implementation.

4. **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)**

##### Conclusion of the Fortieth 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 420/06 Rev.2 (F) and recommended the Council to allocate US\$540,864 for its immediate implementation.

5. **PD 421/06 Rev.2 (F) Strengthening of the Production Chain for Timber from Forest Concessions and Other Forests under Management (Peru)**

##### Conclusion of the Fortieth 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 421/06 Rev.2 (F) and recommended the Council to allocate US\$580,532 for its immediate implementation.

6. PD 423/06 Rev.2 (F) **Training on Demonstration, Application and Extension of ITTO Manual on Restoring Forest Landscapes In Tropics of China (China)**

Conclusion of the Fortieth 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 423/06 Rev.2 (F) and recommended the Council to allocate US\$372,060 for its immediate implementation.

7. PD 424/06 Rev.2 (F) **Conservation and Utilization of Medicinal Plants in Ghanaian Forests Fringe Communities (Ghana)**

Conclusion of the Fortieth 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 424/06 Rev.2 (F) and recommended the Council to allocate US\$429,138 for its immediate implementation.

8. 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)**

Conclusion of the Fortieth 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 428/06 Rev.2 (F) and recommended the Council to allocate US\$502,978 for its immediate implementation.

9. PD 434/06 Rev.1 (F) **Strengthening of the Aimex Seed Laboratory and Nursery (Brazil)**

Conclusion of the Fortieth 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 434/06 Rev.1 (F) and recommended the Council to allocate US\$396,201 for its immediate implementation.

10. PD 436/06 Rev.1 (F) **Forestry Partnership Pinhão Manso – Biodiesel Plant (Brazil)**

Conclusion of the Fortieth 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 436/06 Rev.1 (F) and recommended the Council to allocate US\$500,174 for its immediate implementation.

11. PD 438/06 Rev.2 (F) **Sustainable Forest Management for the Forest Production Area of the Northern and Northeastern Regions of the Department of Antioquia, Colombia (Colombia)**

Conclusion of the Fortieth 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 438/06 Rev.2 (F) and recommended the Council to allocate US\$547,917 for its immediate implementation.

- 12. PD 451/07 Rev.1 (F) Transboundary Biodiversity Conservation Area : The Pulong Tau National Park, Sarawak State, Malaysia - Phase II (Malaysia)**

Conclusion of the Fortieth 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 451/07 Rev.1 (F) and recommended the Council to allocate US\$874,800 for its immediate implementation.

- 13. 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)**

Conclusion of the Fortieth 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 456/07 Rev.1 (F) and recommended the Council to allocate US\$1,080,741 for its immediate implementation.

**(B) 'CATEGORY ONE' PRE-PROJECT PROPOSALS**

- 1. PPD 129/06 Rev.1 (F) Forest Promotion and Development by Native Communities in Peru (Peru)**

Conclusion of the Fortieth 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 PPD129/06 Rev.1 (F) and recommended the Council to allocate US\$56,538 for its immediate implementation.

- 2. PPD 131/06 Rev.2 (F) Restoration of Forest Landscape in Local Communities in Ghana (Ghana)**

Conclusion of the Fortieth 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 PPD131/06 Rev.2 (F) and recommended the Council to allocate US\$91,368 for its immediate implementation.

- 3. PPD 134/07 Rev.1 (F) Guidelines for the Restoration of Mangroves and Other Coastal Forests Damaged by Tsunamis and Other Natural Hazards in the Asia-Pacific Region (Japan)**

Conclusion of the Fortieth 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 PPD134/07 Rev.1 (F) and recommended the Council to allocate US\$129,038 for its immediate implementation.

**(C) RESUBMISSION OF A PROJECT APPROVED AT AN EARLIER SESSION**

1. PD 392/06 Rev.2 (F) Phase I: Regional Project to Promote Reduced Impact Logging in the Congo Basin (Gabon)

Conclusion of the Fortieth Committee

The Committee noted that the project was approved during the 40<sup>th</sup> Session of the Council. Moreover, the Committee also noted that the Executing Agency has made budget adjustments to the original project document with a view to scaling down the ITTO contribution. The Committee further noted that the changes made were acceptable and would not affect the project objectives, outputs and activities. Therefore, the Committee approved the project PD 392/06 Rev.2 (F) and recommended the Council to allocate US\$950,087 for its immediate implementation.

**(D) 'CATEGORY FIVE' PROJECT PROPOSAL**

1. PD 409/06 Rev.2 (F) Forest Governance to Create Favourable Conditions for the Implementation of the National Forest Strategy in Peru (Peru)

Conclusion of the Fortieth Committee

The Committee noted that the 33rd 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.

**TABLE A**  
**TECHNICAL EVALUATION OF PROJECT AND PRE-PROJECT PROPOSALS**  
**IN THE FIELD OF REFORESTATION AND FOREST MANAGEMENT**  
**CONSIDERED DURING THE FORTIETH SESSION OF THE COMMITTEE**

PROJECT DOCUMENT	BUDGET ITTO CONTRIBUTION (US\$)	GEOGRAPHICAL COVERAGE	DURATION (months)	RECOMMENDATION*	
				33rd EP	40th CRF
PD 308/04 Rev.3 (F)	576,876	Peru	36	1**	1
PD 341/05 Rev.3 (F)	525,884	Peru	36	1	1
PD 405/06 Rev.3 (F)	520,992	Panama	24	1	1
PD 420/06 Rev.2 (F)	540,864	The Philippines	36	1	1
PD 421/06 Rev.2 (F)	580,532	Peru	30	1	1
PD 423/06 Rev.2 (F)	372,060	China	30	1	1
PD 424/06 Rev.2 (F)	429,138	Ghana	48	1	1
PD 428/06 Rev.2 (F)	502,978	Peru	36	1	1
PD 434/06 Rev.1 (F)	396,201	Brazil	12	1**	1
PD 436/06 Rev.1 (F)	500,174	Brazil	30	1**	1
PD 438/06 Rev.2 (F)	547,917	Colombia	36	1	1
PD 451/07 Rev.1 (F)	874,800	Malaysia	36	1	1
PD 456/07 Rev.1 (F)	1,080,741	ITTO	36	1	1
PPD 129/06 Rev.1 (F)	56,538	Peru	6	1**	1
PPD 131/06 Rev.2 (F)	91,368	Ghana	12	1	1
PPD 134/07 Rev.1 (F)	129,038	Japan	12	1	1
PD 392/06 Rev.2 (F)	950,087	Gabon	24	-	1
PD 409/06 Rev.2 (F)	370,190.85	Peru	24	5	5

\* For Categories of Recommendation see Table B.

\*\* Thirty-second Expert Panel's Recommendation: 1. The Panel concluded that, with the incorporation of amendments noted, the project proposal could be commended to the Committee for final appraisal.

TABLE B

Categories of Decision for 33rd Expert Panel (old system)	Categories of Decision for 33rd Expert Panel (new system)
<p>1. The Panel concluded that, with the incorporation of (any minor) (the) amendments noted, the (pre-) project proposal could be commended to the Committee for final appraisal. (In the view of the Panel, this (pre) project proposal is eligible for consideration for financing from the Bali Partnership Fund in accordance with Decision 8(XXV).)</p> <p>2. The Panel concluded that the (pre) project proposal requires essential modifications (which are necessary for the project to succeed) and the Panel will need to assess the modified (pre) project proposal before it can commend it to the Committee for final appraisal.</p> <p>3. The Panel concluded that a reformulation of the (pre) project proposal is essential and the Panel will need to assess the reformulated proposal before it can commend it to the Committee for appraisal.</p> <p>4. The Panel concluded that a preproject (not exceeding US\$ ..... ) is necessary in order to assess the situation and the viability of the proposed work and the possible formulation of a project proposal</p> <p style="padding-left: 20px;">a: (Such a pre-project proposal could be commended to the Committee for final appraisal.)</p> <p style="padding-left: 20px;">b: (The Panel will need to assess the preproject proposal before it can commend it to the Committee for appraisal.)</p> <p>5. The Panel concluded that it could not commend the modified or revised (pre) project proposal and submits it to the Committee for further appraisal.</p> <p>6. The Panel concluded that the (pre) project proposal (, in its present form,) is not sufficiently relevant to the mandate of ITTO. (The Panel encourages the submitting agency to seek other sources of project support.)</p> <p>7. The Panel concluded that there is insufficient information to assess the (pre) project proposal adequately.</p> <p>(Text in Parentheses is optional.)</p>	<p><b>Rating schedule of the revised ITTO System for Technical Appraisal of Project and Pre-project Proposals [doc.ITTC(XL)/5 of 13 April 2006]</b></p> <p><b>Rating schedule for Project proposals</b></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 preproject 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><b>Rating schedule for Preproject proposals</b></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 preproject proposal is not commended to the Committee. The proposal is submitted with the recommendation not to approve the pre-project proposal.</p>

**Categories of Recommendation from 40th CRF to the Council**

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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Port Moresby, Papua New Guinea

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL**

**TWENTY-FIRST SESSION OF THE  
COMMITTEE ON FINANCE AND ADMINISTRATION**

**(7-12 May 2007, Port Moresby, Papua New Guinea)**



REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

TWENTY-FIRST SESSION OF THE  
COMMITTEE ON FINANCE AND ADMINISTRATION

**Item 1: Opening of the Session**

1. The Chairperson, Mr. James Singh of Guyana, welcomed all delegates to the Twentyfirst 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(XXI)/1/Rev.1. The Committee, after the intervention of the representatives of Indonesia and Brazil, decided to take up the Agenda item 11 "Review of the various Rules of the Organization" at the Twenty-second Session in November 2007; and accordingly, revised the agenda as shown in the Annex [CFA(XXI)/1/Rev.2]. The Vice-Chairperson of the Committee, Mr. Marcel Vernooij of The Netherlands 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 SubAccount 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 scope of work of the Panel was subsequently expanded at the Thirty-fifth Session of the Council in November 2003, to include allocation from the Unearmarked Funds in the Special Account. The Panel would be chaired by the Chairperson of the Committee and would report directly to the Council. It would convene its first meeting on Wednesday, 9 May 2007. 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 ITTC(XLII)/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-third Meeting of the Expert Panel for Technical Appraisal of Project Proposals [Document CEM,CRF,CFI,CFA(XL)/1] were deliberated and concluded in the joint Session of the Committees on 7 May 2007. The joint Session had not requested the CFA for any follow-up.

**Item 5: Review of Contributions to the Administrative Budgets**

6. The Secretariat introduced document CFA(XXI)/3/Rev.1, prepared on 7 May 2007, which detailed the history of Members' contributions to the Administrative Budgets for the financial years from 1986 to 2007, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed that in 2007, \$1,313,240.69 had been received to date from Producing Members out of the total net assessment of \$2,740,870.00; and \$2,453,639.00 had been received from Consuming Members out of the net assessed amount of \$2,719,268.00. Furthermore, assessment of a new Member, Poland, was approved by the Council for \$30,542.00. As shown in the document, arrearages in contributions to previous years' budgets from Producing Members amount to \$6,298,037.43; and arrearages from Consuming Members amount to \$143,276.00. Furthermore, the outstanding payment of interest charges levied on late contributions under the ITTA, 1983, amount to \$169,585.11.

7. The Committee took note of the report.

**Item 6: Current Status of the Administrative Account**

8. The Secretariat presented document CFA(XXI)/4/Rev.1 reporting the current status of the Administrative Budget for 2007, as at 7 May 2007, 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 \$4,931,581 (i.e. \$528,557 less than the total amount approved in the budget for 2007). This was due to the stringent cost saving efforts exercised by the Secretariat.

9. The Secretariat further informed the Committee that total contributions received to-date is \$3,766,879.69, and together with contributions expected to be paid by members before the end of 2007 (of \$921,508.31), it is still anticipated that contributions would fall short to finance the expenditures for 2007 in the amount of \$243,193. The Secretariat, in this connexion, recalled Decision 2(XXXIV) in which the Council authorized the Executive Director to transfer, if and when necessary, an amount not exceeding US\$300,000 annually from the Working Capital Account to the current account in the Administrative Account to meet the shortfall of funds.

10. The Secretariat also informed the Committee that the Council, in the same Decision 2(XXXIV), requested the Executive Director to review the status of the Working Capital Account and report to Council should its balance fall below US\$2,500,000 at any time. Since the current balance of the WCA amount to US\$2,111,732 which is \$388,268 less than US\$2.5 million, any further utilization of its resources at this stage would bring it considerably below US\$2,500,000.

11. The Committee took note of the report.

#### **Item 7: Resources of the Special Account and the Bali Partnership Fund**

12. The Secretariat presented document CFA(XXI)/5, which was 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 showed the prorated 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\$2,310,115.55 and regular ex-post evaluations of projects, as approved, are being carried out. Accordingly, the current available balance in this account amounts to US\$1,070,163.87.

13. 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 Activities (including Activities for biennial work programme 2006-2007), five Pre-Projects and five Projects had been funded from the resources of Sub-Account B of the Bali Partnership Fund. Accordingly, the current available resources of Sub-Account B amount to US\$922,053.13. The Secretariat further informed the Committee that Panel on Sub-Account B of the BPF would be working during this Session of the Committee on identification of projects, pre-projects and activities that would be eligible for financing from these resources. The Secretariat added that the Council at its Thirty-fifth Session 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\$1,399,166.79. The Panel would report directly to the Council.

14. The Vice-Chairperson drew the attention of the members of the Committee on the summary of resources available on the Special Account, and also to the statement on the Bali Partnership Fund, with a view to take note on the availability of the funds.

15. The Secretariat also 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.

16. The Committee took note of the document.

#### **Item 8: Auditor's Report for the Financial Year 2006**

17. The Secretariat introduced document CFA(XXI)/2 which was the report of the auditor, Grant Thornton ASG Audit Corporation, Tokyo who was appointed by the Council in July 2004, under Decision 2(XXXVI) to audit the accounts of the Organization for the financial year 2006. In accordance with this Decision, the audit firm was appointed to audit the Accounts of the Organization for three consecutive years, subject to satisfactory performance, beginning with the accounts for the Financial Year 2004. The Secretariat informed the Committee that the audit work on the accounts for 2006 was carried out during February to April 2007, by the auditor with the assistance of the Secretariat. The document included a consolidated financial statement 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. The consolidated financial statement showed a comprehensive picture of the overall financial status of the Organization.

18. The Committee took note of the Auditor's reports and decided to recommend their approval to the Council.

#### **Item 9: Appointment of a New Auditor**

19. The Secretariat introduced document CFA(XXI)/6 which stated that in accordance with Council Decision 10(XXXI) and Decision 2(XXXIV), the audit firm Grant Thornton ASG Audit Corporation, Tokyo, had completed the audit of the Organization for the term of three consecutive years (2004-2006). Accordingly, the Council would need to appoint a new Auditor to audit the Accounts of the Organization for the following term of three consecutive years (2007-2009). With a view to facilitate the decision by the Council at this Session, the Secretariat had initially contacted five of the biggest audit firms in Japan. However, in view of the poor response received, the Secretariat had subsequently contacted four more of the large to medium-size audit firms of recognized standing. The Secretariat also invited the audit firms to submit estimates of fees for the three consecutive years.

20. Again, responses from the prospective audit firms were mostly negative except for two, viz.: (i) Arata Kansa Houjin (PWC Arata); and (ii) Misuzu Kansa Houjin (former PWC/Chuo Aoyama). Unfortunately, the offer of Misuzu Kansa Houjin could no longer be considered since it was reported in the media in Japan on 22 February 2007, that this audit firm which was the new incarnation of the audit firm Chou Aoyama PricewaterhouseCoopers, will be effectively forced to disband in the near future due to its earlier inability to discover financial misconduct in the third largest brokerage company (Nikko Cordial Corp.) in Japan. Misuzu Kansa Houjin had confirmed through its press release that it had requested three other major audit firms to take over its corporate audit operations and most of its staff, and the firm is likely to be dissolved at the end of July 2007. 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, Chou Aoyama PricewaterhouseCoopers. As a result of these extraordinary situations, the other audit firms in Japan are currently 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.

21. The fees quoted by the audit firm Arata Kansa Houjin (PWC Arata) amount to Yen 9,800,000 (approximately US\$82,500). It may be noted that the current audit costs charged by the audit firm Grant Thornton ASG Audit Corporation, Tokyo, in total amount to around Yen 7,000,000 (US\$59,400) per year.

22. In response to the intervention of the representative of Indonesia about the process of selection of audit firms adopted by the Secretariat including the suitability of the audit firm Arata Kansa Houjin (PWC Arata) Tokyo, the Secretariat responded that the total number nine prospective audit firms were selected on the basis of their suitability including international connections, though some of the firms are of medium sizes, and was of the view that that the audit firm Arata Kansa Houjin (PWC Arata) Tokyo, would be able to perform satisfactorily.

23. The representative of Japan reiterated the unusual circumstances in Japan in the sector of the audit profession and informed that they will have no objection to the appointment of the audit firm Arata Kansa Houjin (PWC Arata), Tokyo, if selected.

24. In response to the intervention of the representative of Germany regarding the possibility of appointing an audit firm from another member country, the Secretariat informed that while this is a possibility, it is likely to incur substantial additional costs since a number of the audit staff 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.

25. On the recommendation of the Vice-Chairperson, the Committee, after taking note of the present unusual circumstances in Japan, 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 Year 2007; and further recommended that the appointment of an Audit firm for the financial years 2008 and beyond or the re-engagement of this same Auditor, on annual basis, would be subject to satisfactory performance, and shall be confirmed at the Forty-fourth Session of the Council.

#### **Item 10: Debt Relief Request by the Government of Liberia**

26. The Secretariat informed that further to the recommendations of the Committee on Finance and Administration in November 2006, a member of the Secretariat (Mr. Mahboob Hasan, Finance/Administrative

Officer) visited Monrovia, Liberia, during 11-13 April 2007, with a view to addressing the various requests of the Committee. The report of the visit by the ITTO Official was made available to the Committee.

27. The Secretariat summarized the outcomes of the meetings and discussions held in Monrovia as follows:
- a) The Government of Liberia confirmed that Hon. John T. Woods, Managing Director, Forestry Development Authority, Liberia (as head of the delegation) and Mr. Bledée V. Dagbe, Manager, Forestry Development Authority (as member of the delegation) would attend the Forty-second Session of the ITTC scheduled to be held from 7 to 12 May 2007, in Port Moresby, Papua New Guinea;
  - b) The Government of Liberia confirmed its intention to actively participate in ITTO activities and on 7 May 2007 made a payment in the amount of US\$67,650 to settle its arrearage to the ITTO Administrative Budget for the year 2006. Liberia also promised to provide information supporting its request for the debt relief, at the Forty-second Session of the ITTC;
  - c) On 12 April 2007, the Forestry Development Authority (FDA) had requested the relevant Ministry for the approval of and accession to the ITTA, 2006, and is confident that the process would be completed in May 2007;
  - d) Since the ITTO Diagnostic mission report on Liberia that was published in June 2005, considerable developments have taken place. As part of the postconflict reconstruction efforts in Liberia, the World Bank is financing a number of activities in support of the Forestry Sector. The activities are contributing to the multi-donor Liberia Forest Initiative (LFI). The LFI is an informal partnership between the Government of the United States of America, World Bank, European Commission, Conservation International, Environmental Law Institute, IUCN and several Liberian NGOs, working together with the FDA to increase transparency and accountability of forest management. The impressive developments since the ITTO Diagnostic mission are mainly with regard to reforms, policy works and preparation of regulations; and
  - e) In view of the developments that have already taken place in the forestry sector through the LFI, the FDA is of the opinion that another ITTO Technical Mission, albeit in a smaller scale, might be appropriate, more appropriately with a view to develop relevant project proposals.

28. The representative of Liberia, Hon. John T. Woods, Managing Director, Forestry Development Authority, Liberia, made a detailed presentation on the current economic status of Liberia, the on-going reconstruction and recovery process including in the forestry sector and the valuable assistance provided by a number of countries and the international institutions in the process. He reconfirmed the commitment of the Government of Liberia to actively participate in the activities of ITTO, both under the current ITTA, 1994 and in the future ITTA, 2006. He recalled the recent settlement of the contribution to the Administrative Budget of 2006 and confirmed their intention to settle that of 2007 in the near future, and urged the Committee to recommend to the Council for the writing off the arrears of the earlier years in the amount of \$999,288.35 incurred during the conflict years.

29. A number of representatives from the European Union informed the Committee that it would need to consult with their relevant ministries and accordingly, would be able to express their views regarding the request for writing off of the debt at the next Session.

30. In response to the clarifications sought by the representatives of Japan and Switzerland, the Secretariat informed the Committee that a proposed decision of the Government of Liberia was made subsequent to the recommendation of the CFA at its Seventeenth Session held in Brazzaville in June 2005, and was approved by the Council. The recommendation was as follows:

"To recommend that if a formal declaration was received by the Government of Liberia and Democratic Republic of the Congo, of the application of *force majeure* with documented justifications, it should consider whether to apply Article 33 of the ITTA, 1994."

31. The Chairperson concluded that the Committee was impressed by the progress made by the Government of Liberia, including the implementation of various measures for the recovery of the forestry sector on the basis of the national forestry policy and implementation strategy. Furthermore, he added that the four recommendations of the Committee made at its Twentieth Session had been met satisfactorily, and another technical country mission was not considered necessary.

32. The Committee decided to make the following recommendations to the Council, taking note of the recent settlement by the Government of Liberia of the contributions to the Administrative budget for the year 2006:

- i. To encourage the Government of Liberia to settle their contribution for the year 2007 as soon as possible;
- ii. To conclude that the provisions under Article 33 of ITTA, 1994, "Relief from obligations" are applicable;
- iii. To waive immediately the interest charged to the Contributions in arrears during the period from 1986 to 1996 in the amount of \$35,295.35;
- iv. To request the Government of Liberia to develop a proposal to reschedule the outstanding arrears for the years 1989-2005 in the amount of \$896,343.00. This proposal will include a clear time horizon and could include the possibilities to make full use of the provisions under Decision 7 (XXXIII), Annex I, paragraph 1 of Part C – "Measures Regarding Arrears to the Administrative Account", and a possible discount mechanism, and could also take into account the exceptional circumstances which existed from mid-2003 to mid-2006, during which period Liberia did not earn revenues in the absence of tropical timber trading;
- v. To request the Executive Director to assist the Government of Liberia in developing such a proposal;
- vi. To adopt at its Forty-third Session a rescheduling plan for the settlement of the arrears on the basis of the proposal of the Government of Liberia; and
- vii. To make Liberia eligible for the funding for Projects and Pre-projects, provided that the settlement of the contributions to the Administrative Account are not in arrears from 2007 onwards.

33. During the deliberations on this matter, several other options were proposed by members, which were as follows:

- a) A full waiver of the total arrears in the amount of \$896,343.00;
- b) To waive the obligations of Liberia for the period during 1997-2003 in the amount of \$382,770.00, which were the conflict years and as a result the revenues from tropical timber trading were misappropriated and used in intensifying the civil war; and
- c) To waive the obligations of Liberia for the years 2003, 2004, 2005 to the Administrative budget in the amount of \$193,952.00, in view of the exceptional circumstances which existed from mid-2003 to mid-2006, during which period Liberia did not earn revenues in the absence of tropical timber trading, provided that Liberia settles its contributions for 2002 and 2007, as soon as possible.

#### **Item 11: Dates and Venue of the Twenty-second, Twenty-third and Twenty-fourth Sessions**

34. The Committee agreed that the Twenty-second, Twenty-third and Twenty-fourth Sessions would be held on the same dates and at the same venues as the Forty-third, Forty-fourth and Forty-fifth Sessions of the Council.

#### **Item 12: Other Business**

35. There was no other business.

#### **Item 13: Recommendations to the International Tropical Timber Council**

36. The Committee decided to make the following recommendation to the Council, to:

- (1) Adopt the Report of the Independent Public Accountants on the Accounts of the Organization for the Financial Year 2006 as contained in document CFA(XXI)/2;
- (2) 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, keeping in view that the appointment of an Audit firm for the financial years 2008 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-fourth Session of the Council;

37. The Committee decided to make the following further recommendations to the Council, taking note of the recent settlement by the Government of Liberia of the contributions to the Administrative budget for the year 2006:

- i. To encourage the Government of Liberia to settle their contribution for the year 2007 as soon as possible;
- ii. To conclude that the provisions under Article 33 of ITTA, 1994, "Relief from obligations" are applicable;
- iii. To waive immediately the interest charged to the Contributions in arrears during the period from 1986 to 1996 in the amount of \$35,295.35;
- iv. To request the Government of Liberia to develop a proposal to reschedule the outstanding arrears for the years 1989-2005 in the amount of \$896,343.00. This proposal will include a clear time horizon and could include the possibilities to make full use of the provisions under Decision 7 (XXXII), Annex I, paragraph 1 of Part C – "Measures Regarding Arrears to the Administrative Account", and a possible discount mechanism, and could also take into account the exceptional circumstances which existed from mid-2003 to mid-2006, during which period Liberia did not earn revenues in the absence of tropical timber trading;
- v. To request the Executive Director to assist the Government of Liberia in developing such a proposal;
- vi. To adopt at its Forty-third Session a rescheduling plan for the settlement of the arrears on the basis of the proposal of the Government of Liberia; and
- vii. To make Liberia eligible for the funding for Projects and Pre-projects, provided that the settlement of the contributions to the Administrative Account are not in arrears from 2007 onwards.

**Item 15: Report of the Session**

38. The Committee adopted this report as amended.



**ANNEX V**

**REPORT OF THE INFORMAL ADVISORY GROUP (IAG)**

**DOCUMENT: ITTC(XLII)/2**



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FORTY-SECOND SESSION  
7 – 12 May 2007  
Port Moresby, Papua New Guinea

**REPORT OF THE INFORMAL ADVISORY GROUP (IAG)  
AT ITS TWENTIETH MEETING**

**6 May 2007  
Port Moresby, Papua New Guinea**

**Twentieth Meeting of the Informal Advisory Group (IAG)  
Port Moresby, Papua New Guinea, 6 May 2007**

**Report of the Chairperson**

**Introduction**

1. The Twentieth Meeting of the IAG was convened on Sunday, 6 May 2007 at the Kamasan Suite of the Crowne Plaza Hotel at 11:00 a.m. chaired by Ambassador Luis Macchiavello Amoroz (Peru), Chairperson of the Council. The meeting was attended by Ms. Katharina Kuehmayer (Austria), Vice-Chairperson of the Council, Ms. Chantal Adingra (Côte d'Ivoire), Chairperson of the Committee on Economic Information and Market Intelligence (CEM), Mr. Dani Pitoyo (Indonesia), Chairperson of the Committee on Forest Industry (CFI), Mr. Flip van Helden (Netherlands), Chairperson of the Committee on Reforestation and Forest Management (CRF), Dr. B.C.Y. Freezailah (Malaysia), Producer Spokesperson, Ms. Charlotte Cudby (New Zealand), Consumer Spokesperson, Mr. Yasuhiro Hamura (Japan), Representative of the Host Government of the Headquarters and Dr. Manoel Sobral Filho, the Executive Director. Mr. Dike Kari (Papua New Guinea), Representative of the Host Government of the Forty-second Session of the Council was also in attendance at the invitation of the Chairperson.
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 Nineteenth Meeting, 5 November 2006;
    - General observation by IAG Members;
  - ii. Frequency, duration and financing of Council Sessions;
  - iii. Council decision-making process – ITTC Decision 7(XXXIII);
  - iv. 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”;
  - v. List of possible decisions for the Forty-second Session of the ITTC and report to the Council; 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 Nineteenth Meeting held on 5 November 2006 in Yokohama, Japan as contained in document ITTC(XLI)/2 dated 5 November 2006. 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.

**Frequency, Duration and Financing of Council Sessions**

4. The IAG noted that the issue of the frequency, duration and financing of the sessions of the Council had remained unresolved and decisions by the Council in this regard had been taken in recent years on an *ad hoc* basis. It, therefore, underlined the need for the issue to be considered by the Council through further consultations and discussions with a view to arriving at a definitive decision. However, due to other pressing matters to be deliberated upon by the Council at its Forty-second Session, the IAG recommended that the issue be taken up by the Council at its next session when more information, including on financing, was expected to become available to assist the Council in its consideration. In the meantime, the IAG noted that the Council would continue to operate on the basis and procedures of ITTA, 1994 until the date of the entry into force of ITTA, 2006. The IAG further noted the link between the issue and the draft decision on “Financial Arrangement related to Hosting Council Sessions Outside the Headquarters of the Organization” submitted by the Government of Japan for consideration by the Council at its Forty-second Session.

**Council Decision-Making Process – ITTC Decision 7(XXXIII)**

5. The IAG noted that the issue relating to the implementation of the “Streamlining Council Decision-Making Procedures” as contained in paragraph 4 of Annex 1 to ITTC Decision 7(XXXIII) on “Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization” for the sessions of the Council with a duration of less than six (6) days was another matter before the Council that was still pending.

Since the resolution of this matter would be contingent upon the resolution of the issue relating to the frequency, duration and financing of the sessions of the Council, the IAG recommended that the matter on the Council Decision-making Process be considered by the Council in conjunction with its deliberation on the issue concerning the frequency, duration and financing of its sessions.

**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”**

6. The IAG was informed that two draft decisions had been submitted for the consideration and adoption by the Council at its Forty-second Session as follows:
- (i) Assistance to Papua New Guinea to Undertake a Forest Inventory submitted by the Government of Papua New Guinea; and
  - (ii) Financial Arrangement Related to Hosting Council Session Outside the Headquarters of the Organization submitted by the Government of Japan.

These draft decisions are contained in Annexes A and B to this report, respectively.

7. The IAG noted that the draft decisions had been submitted in accordance with the “Streamlining Council Decision-Making Procedures” contained in paragraph 4, Annex 1 to ITTC Decision 7(XXXIII). In addition and pursuant to established procedures, the IAG deemed that the draft decisions did not fall into the category of ‘routine or non-controversial matters not having financial implications’ that could be incorporated into the Report of the Council at its Forty-second Session. Accordingly, the IAG recommended that the draft decisions be presented by the Chairman to the Council as part of the Report of the IAG at its Twentieth Meeting with a view to facilitating the consideration of these draft decisions by the Council at its Forty-second Session under item 26 of its Agenda.
8. The IAG noted that the draft decision from the Government of Papua New Guinea was submitted as a follow-up to the ITTO diagnostic mission despatched to the country pursuant to ITTC Decision 2(XXIX) on ‘ITTO Objective 2000’ and that the report on the mission would be presented for the consideration of the Council at its Forty-second Session under item 12 of its Agenda. The Representative of the Host Government of the Forty-second Session of the Council informed the IAG that some amendments to the draft decision would be provided to refine and enhance its formulation and that there had thus far been no indication of interest from donors to fund the activity proposed in the draft decision. The IAG underlined the need for detailed terms of reference and budget for the proposed activity to be worked out during the course of the Forty-second Session of the Council to serve as a basis for determining the funding required for the implementation of the proposed activity. In this connection, the IAG recommended to the Council that the assistance of CRF be sought in developing the terms of reference and budget for the activity proposed in the draft decision.
9. With regard to the draft decision from the Government of Japan, the Representative of the Host Government of the Headquarters informed the IAG that the proposal was submitted pursuant to the decision taken by his Government to bear the costs of only one session of the Council a year to be held at the Headquarters of the Organization in Yokohama, Japan beginning from 2007. He further indicated that in the event that a member country offering to host a session of the Council fail to transfer the total amount of costs necessary to hold the session to a designated ITTO bank account three working days before the first day of the preceding session of the Council, the IAG should discuss, consider and make appropriate recommendations to the Council regarding the matter, including the cancellation of the session to be hosted by the member country, at the preceding session of the Council. In view of the importance of the issues raised in the draft decision submitted by the Government of Japan and its far reaching implications to producing member countries and the future operations of ITTO, the IAG recommended that the draft decision be discussed thoroughly within the caucuses.
10. On the draft decision submitted by the Government of Liberia submitted at the previous session of the Council, the IAG recalled the recommendation made at its Nineteenth Meeting that the issue be considered by the CFA with a view to making appropriate recommendations to the Council. In this connection, the IAG further recalled the recommendation made by the CFA to the Council at its previous session that urgent consultations be initiated by the Secretariat with the Government of Liberia with a view to: (a) ensuring as far as possible that a member of the Government of Liberia would attend the Forty-second Session of the Council to provide relevant information on the debt relief request; (b) gathering information from the Government of Liberia that would allow for the updating of the information available as a result of the ITTO Country Mission held in 2005; (c) determining, on the basis of the contact held with the Government of Liberia, the need for another technical Country Mission, and (d)

exploring the possibility of full participation of the Government of Liberia in the activities of the ITTO under ITTA, 1994 and gathering information on the intention of the Government of Liberia regarding its ratification of ITTA, 2006. The IAG noted that the report of the consultations initiated by the Secretariat with the Government of Liberia would be presented to the CFA at its Twenty-first Session. The IAG recommended that the matter be given due consideration by the CFA with a view to making appropriate recommendations to the Council.

#### **List of possible decisions for the Forty-first Session of the ITTC and report to the Council**

11. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Forty-second Session as follows:
  - i. Projects, Pre-Projects and Activities;
  - ii. Assistance to Papua New Guinea to Undertake a Forest Inventory;
  - iii. Financial Arrangements Related to Hosting Council Sessions Outside the Headquarters of the Organization;
  - iv. Relief from Obligations for Liberia Pursuant to Article 33 of ITTA, 1994;
  - v. Appointment of the Executive Director.

#### **Other Matters**

12. The IAG noted the clarification provided by the Executive Director that the appointment of the Executive Director would be undertaken by the Council on the basis of consensus and, failing which, by special vote pursuant to article 16(1) of ITTA, 1994. He further recalled the preparations for the appointment of the Executive Director initiated since the Fortieth Session of the Council, culminating in the preparation of document ITTC(XLII)/8 entitled "Report of the Panel on Matters Related to Article 16 of the ITTA, 1994" to be considered by the caucuses which would in turn provide their conclusions on the indicative short list of candidates prepared by the Panel to the Council at its Forty-second Session under item 15 of its Agenda. In the event that voting became necessary, the Executive Director informed the IAG that the established ITTO rules and procedures for the conduct of the voting would be invoked pursuant to Article 11 of ITTA, 1994.
13. The IAG also noted that progress made in the signing and ratification of ITTA, 2006 would be reported to the Council at its Forty-second Session under item 18 of its Agenda.
14. The IAG further noted that under item 18 of its Agenda, the Council would also consider document ITTC(XLII)/9 on "Report of the Inter-Sessional Working Group on Thematic Programmes" prepared for the entry into force of ITTA, 2006 and the establishment of the Thematic Programme Sub-Account under Article 20 of the agreement. In view of the importance of the issue, the IAG recommended that the report be considered in-depth by the caucuses.
15. The IAG noted the clarification made by the Executive Director that the consideration of the draft decisions by the IAG was undertaken in the context of the Streamlining Council Decision-Making Procedures provide for in paragraph 4 of Annex I to ITTC Decision 7(XXXIII).

**ANNEX A**

## PROPOSAL FOR DRAFT DECISION

### Assistance to Papua New Guinea to Undertake a Forest Inventory

The International Tropical Timber Council,

Recalling ITTC Decision 2(XXIX);

Recognizing the fundamental importance of good quality data and information on member countries' forest resources for achieving the objectives of SFM;

Further Recognizing the resource-intensive nature of forest inventories, and the importance of prior planning and preparation in the execution of a comprehensive forest inventory;

Noting the Recommendations of the Diagnostic Mission Report, which among other issues called upon Papua New Guinea to undertake an inventory of its forest resources as a matter of urgency;

Further noting the request from the Government of Papua New Guinea to the ITTC for assistance;

Decides to:

1. Request the Executive Director to engage two consultants: one each from a producer and consumer countries, to assist the Government of Papua New Guinea to plan and prepare to undertake an inventory of its forest resources in accordance with the Terms of Reference at **Appendix.....**;
2. Request the Executive Director to seek pledges from donor member countries at the 42<sup>nd</sup> Session of Council for an amount of up to \$USD200,000 to fund the consultancy;
3. Urge donor member countries to contribute generously to this fund; and
4. Request the Executive Director to report on the progress of this work at the 43<sup>rd</sup> ITTC in Yokohama in 2007, and a final report at the 44<sup>th</sup> Session of the ITTC in 2008.

#### Terms of Reference

The consultants shall assist the Government of Papua New Guinea in planning and preparing to undertake an inventory of its forest resources by:

- Defining the scope of the work to be undertaken;
- Developing a budget for the work;
- Identifying possible sources of funding to assist PNG undertake the inventory, including sources outside the ITTC; and
- Developing an action plan for undertaking the inventory.

The consultants will present a progress report at the 43<sup>rd</sup> Session of the ITTC at the end of the year, and a final report at the 44<sup>th</sup> ITTC in 2008.



**ANNEX B**

## PROPOSAL FOR DRAFT DECISION

### Financial Arrangement related to Hosting Council Sessions Outside the Headquarters of the Organization

The International Tropical Timber Council,

Recalling its Decisions 5(XXIX) on Frequency and Duration of Council and Committee Sessions, and 9(XXXI) on Matters related to Hosting Sessions of Council;

Appreciating the generous offers of Members to host Council Sessions in their respective countries and noting the significance of holding Sessions in Producer Countries;

Also recalling that Japan decided to bear costs for only one Council Session per year to be held at the headquarters of the Organization from January 2007 onward;

Acknowledging the difficulties to confirm the holding of a Council session before securing the necessary budget;

Recognizing the need for setting up standard procedures to assure financial arrangements for hosting Council Sessions, before the Council decides the dates and venues of its Sessions;

Decides to:

1. Request Member countries which offer to host the Council Sessions to transfer the total amount of costs necessary to hold the Session, besides local costs, to a designated ITTO bank account three working days before the first day of the preceding Session of the Council;
2. Take a final decision on the venue and dates of the following Session held outside the Headquarters of the Organization only after confirming the transfer of funds in accordance with paragraph 1 of this decision;
3. Empower the Informal Advisory Group (IAG), in consultation with the Executive Director, and inviting a representative of the member country which offers to host the following Council, to take a decision regarding the change of venue and/or dates, including the cancellation, of the Council Session and to propose new venue and/or dates should it be necessary, in the event that the above mentioned member country has not paid the costs required for holding the Session in accordance with paragraph 1 of this decision; and
4. Request the Executive Director to communicate the decision of the IAG to all Members.

\* \* \*

## PROPOSAL FOR DRAFT DECISION

### Elements of a decision for participation by ITTO in the Coalition Against Wildlife Trafficking (CAWT)

Purpose: Recognize the critical need to address growing threats to wildlife within tropical forests from poaching and illegal trade and the desire of ITTO Member Countries to work together to conserve biodiversity and protect wildlife in tropical timber production forests

Background:

ITTC Decision 6(XXXI) recognizes that the problem of unsustainable timber production, inadequate forest law enforcement, illegal trade and their impacts on markets are of concern to producer and consumer countries of ITTO.

Tropical timber producing forests provide critical habitat for wildlife, including threatened and endangered wildlife. ITTO Guidelines such as those on Conservation of Biological Diversity in Tropical Production Forests take into account the effects of timber production on wildlife.

In July 2005, the G-8 recognized the devastating effects of illegal logging on wildlife and committed to help countries enforce laws to combat wildlife trafficking.

The Association of South East Asian Nations (ASEAN) has developed and is implementing a Regional Action Plan on Trade in Wild Fauna and Flora 2005-2010 and an ASEAN Wildlife Enforcement Network (ASEAN WEN).

Elements:

Express appreciation for the efforts being made by the Coalition Against Wildlife Trafficking (CAWT) to raise public and political awareness of the problem and facilitate regional cooperation on wildlife law enforcement, including supporting ASEAN WEN.

Participate in the Coalition Against Wildlife Trafficking.

Authorize the Executive Director to engage consultants to conduct a case study on threats to tropical forests wildlife from poaching and illegal trade.

Encourage countries in need of ITTO assistance to submit projects for the Organization's consideration, which take into account illegal poaching and illegal trade in wildlife from tropical timber producing forests.

Estimated cost: \$60,000, to be met from voluntary contributions

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