

**INTERNATIONAL TROPICAL
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6 – 11 November 2006
Yokohama, Japan

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

**Yokohama, Japan
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REPORT

OPENING OF THE SESSION (Agenda Item 1)

1. The Forty-first Session of the International Tropical Timber Council was opened by the Chairperson of the Council, Mr. Koichi Ito (Japan). In his address, the Chairperson welcomed all delegates to the Session and on behalf of the Council expressed gratitude to the Government and People of Japan, particularly the City of Yokohama for the long-standing support to ITTO. He stated that without the substantial contributions by the City of Yokohama, ITTO could not have developed its operations and hoped that the City of Yokohama and ITTO would continue to strengthen their partnership.
2. The Chairperson noted that sustainable forest management remained one of the major challenges for many countries in achieving the goals of sustainable development and that Governments, UN agencies, regional mechanisms and various stakeholders had been making collective efforts in sharing information and experiences, conducting research and studies, implementing projects for co-operation and exploring future international guidelines and frameworks. Mr. Ito cited some major international initiatives for sustainable forest management which had taken place in the last two years, including the Forest Landscape Restoration Implementation Workshop hosted by Brazil in April 2005, Ministerial Conference on Forest-Law Enforcement and Governance in Russia in November 2005, the Sixth Meeting of the Asia Forest Partnership in Indonesia in September 2006 and the First International Conference of Parliamentarians on the Sustainable Management of Central African Forest Ecosystems in Cameroon in October 2006. Mr. Ito further recalled that the Sixth Session of the UN Forum on Forests had reached an agreement on the future direction of international forest policy, including the pending adoption of a non-legally binding instrument on all types of forests at its Seventh Session to be held in April 2007. The Chairperson noted that despite all the serious efforts recently made, forests continued to disappear at an alarmingly high rate of about 13 million hectares per year, according to an assessment by the FAO in 2005, with the largest net loss in South America, followed by Africa.
3. The Chairperson commended ITTO for its achievements in the promotion of sustainable forest management. He noted that ITTO was operating under a legally-binding agreement with a strong arm for implementing projects in tropical forests, and stated that since its establishment, ITTO had approved nearly 800 projects and pre-projects amounting to over 280 million US dollars to assist in the development of forest policies in Member Countries. "We may be proud of what we have achieved so far. And with a new ITTA entering into force in the near future, ITTO will continue to help governments, local communities and other stakeholders to develop and implement plans and programmes for managing their forests and marketing their products", Mr. Ito said.
4. In his address to the Council, H.E. Mr. Hiroshi Nakada, Mayor of the City of Yokohama welcomed all delegates to the Session. He recalled the establishment of ITTO Headquarters in Yokohama in 1986 and congratulated the Organization on its 20th anniversary. He noted that since the beginning of the 80's the destruction of the tropical forests had grown into a worldwide issue causing flooding in some tropical countries and desertification with profound impact on the global environment. He said that ITTO was established against this historical backdrop with the mission to create harmony between preservation and development of the tropical forests, and noted ITTO's unique role in comparison to other commodity agreements. He underlined the role of tropical forests as a valuable source of life for forest dwelling communities, preventing global warming, maintaining biodiversity and securing water sources. H.E. Mr. Nakada referred to the G8 Summit in Gleneagles, U.K. in 2005 and the decision of the Summit to move forward on initiatives to tackle the issue of illegal logging and noted that ITTO's activities in the development and implementation of global measures would become even more meaningful and important in the future. He informed the Council that the City of Yokohama was bidding to host the 2008 G8 Summit and the annual ITTC Sessions in Yokohama, attended by representatives from around the world had an extremely deep meaning in promoting Yokohama as a city for international conventions. He stated that the City of Yokohama had been supporting ITTO and other international organizations in order to contribute to the development of world peace. H.E. Mr. Nakada mentioned that, along with its deep interest in the ITTA, 2006, the City of Yokohama sincerely hoped that ITTO, would grow further as an international organization playing increasingly important roles in the preservation of tropical forests and improving the quality of the global environment. He hoped that the Forty-first ITTC Session would bear many fruitful accomplishments.

5. In his address to the Council, H.E. Dr. Elvis Ngolle Ngolle, Minister of Forestry and Wildlife of Cameroon informed the Council that Cameroon had instructed its permanent representative at the United Nations in New York to sign the ITTA, 2006, to be followed by the official ratification of the Agreement. H.E. Dr. Ngolle Ngolle expressed gratitude to ITTO for the support the Organization provided to the "First International Conference of Central African Parliamentarians on Sustainable Forest Ecosystem Management" which was hosted by Cameroon. He noted that since the Rio Summit, Cameroon and the countries in the Congo Basin sub-region had made commendable efforts for the sustainable management of their forest resources and had adhered to the spirit of the Gleneagles Plan of Action adopted by the G8 countries concerning most particularly the forests of the Congo Basin. He indicated that illegal logging and deforestation remained the major challenges towards the attainment of the millennium development goals, and Cameroon would soon start discussions with the European Union for a Voluntary Partnership Agreement. He invited other Consumer Countries to join in the process, not only to conform to the provisions of the "Bali Accord" but also to guarantee fair and equitable prices for timber originating from sustainably managed forests. H.E. Dr. Ngolle Ngolle noted that ITTO had been drawing its strength from its openness to other organizations and international conventions dealing with forest-related issues and indicated that the time had come for the Organization to build upon the benefits of these past achievements and to make ITTO an even better performing institution under the ITTA, 2006. He urged Member Countries to earnestly implement the commitments made under the ITTA, 2006 and referred to the compliance with commitments related to the funding of ITTO activities. H.E. Dr. Ngolle Ngolle further noted that when the mandate of the current Executive Director expires at the end of 2007 it would also be the time for the entry into force of the ITTA, 2006 and, therefore, a new Executive Director should be able to live up to ITTO's aspirations and retain its prestigious standing. In this connection, H.E. Dr. Ngolle Ngolle expressed the wish shared by Africa to see the spirit of solidarity so characteristic of ITTO prevailing again and to have the principle of a de facto regional rotation – a common practice in most international organizations – similarly enforced. He also reiterated Cameroon's commitment to ITTO.
6. In his statement to the Council, Ambassador Jörg Al. Reding, Head of Economic Development Cooperation of the State Secretariat for Economic Affairs of Switzerland expressed his deep appreciation to the Government of Japan and the City of Yokohama for their support and leadership role in the development and steering of ITTO. Ambassador Reding commended the Council for the successful negotiations of the ITTA, 2006 and noted the active role played by Switzerland in the negotiations. He expressed his appreciation for the renewed focus in the ITTA, 2006 on promoting trade in tropical timber, tropical timber products and other tropical forest products from sustainably managed forests. He also endorsed the wider objective of integrating ITTO into the broader global forestry regime. Ambassador Reding stated that after twenty years of existence, ITTO had become a mature and well-established organization that merits a broader scope and place in the global context, and as a member of the Collaborative Partnership on Forests (CPF), ITTO fulfils the important task of bringing the economic, ecological and social roles of forests, and of trade in forest products and services into the global agenda. He noted that it was in that context that Switzerland and Ghana had submitted a proposal for a decision by the Council on the active involvement of ITTO expertise in developing technically feasible and economically viable approaches for valuing carbon reservoirs thereby avoiding deforestation and committing forests as carbon sinks. He mentioned that such new themes had the potential to create additional value for ITTO Producer Members and people living in and adjacent to tropical forests.
7. Ambassador Reding stated that during the past 15 years, Switzerland had been a keen supporter of ITTO. He mentioned that Switzerland had so far channeled over 23 million US dollars to ITTO in the form of grants for projects and policy work and hoped that in future, in addition to Japan and the U.S.A., other donors would join the existing donor community on a more regular and increased basis. He announced that Switzerland was replenishing its Trust Fund to ITTO with 3 million US dollars to help face challenges over the coming years.
8. Ambassador Reding informed the Council that Switzerland was in the process of ratification of the ITTA, 2006 and was confident that the Swiss Parliament would finally endorse the ITTA, 2006 during its Spring Session in 2007. He hoped that many other countries were undergoing the same process so that the new Agreement could come into force in 2008. He also commended the high quality work of the Secretariat under the leadership of Dr. Manoel Sobral. He stated that considering the important role of ITTO in the global agenda over the next decades, Switzerland was seriously considering the nomination of a candidate to succeed Dr. Sobral. "We believe that ITTO needs a

strong leadership to face its challenges and to build the trust necessary amongst all Members to move onwards to new grounds”, Ambassador Reding said.

9. In his statement to the Council, Mr. Kenji Tsuji, Deputy Director-General of the Forestry Agency of Japan noted that the Forty-first ITTC Session was the first to be held in the ITTO Headquarters since the conclusion of the ITTA, 2006. He indicated that by establishing the Headquarters of ITTO in Yokohama and providing support as the host country, Japan was contributing to efforts to balance environmental conservation and economic development in countries with tropical forests. He noted that since its establishment, ITTO had made remarkable progress under the ITTA, 1983 and ITTA, 1994 and that although ITTO Objective 2000 had not been fully achieved there was no room to doubt that progress was being made. He was certain that ITTO Member Countries were continuing their efforts in order to achieve the ITTO Objective 2000. Mr. Tsuji noted that the ITTA, 2006 includes Articles on the importance of compliance with laws/policies related to the forests as well as counter measures against illegal logging and said that this was a true sign that the Member Countries shared a common awareness that these issues were critical in achieving sustainable forest management. He underlined that Japan considered illegal logging and associated illegal trade as a major issue and as part of measures to address the issue the Government had introduced the “Green Purchasing Law” laying down the policy that procurement for paper products, wood and wood products must be carried out only for those that are verified and that products made from forests under sustainable management should be given priority. Mr. Tsuji stated that as the host country of ITTO, Japan had been the largest donor of voluntary contributions to ITTO projects and policy matters and hoped that under the ITTA, 2006 the circle of donor countries would increase in the future so that all Member Countries would support the sustainable management of tropical forests. He also urged Member Countries to speed up the ratification of ITTA, 2006.
10. In his statement to the Council, H.E. Mr. Michael Maue, Ambassador of Papua New Guinea to Japan on behalf of the Government of Papua New Guinea expressed appreciation to the Council for accepting the invitation of his Government to host the Forty-second Session of the Council in Port Moresby, Papua New Guinea in May 2007. He made reference to some media reports that it was not safe for foreigners to travel to Papua New Guinea and indicated that those media reports were mere propaganda to present a negative image of Papua New Guinea and he assured the Council that Papua New Guinea was a safe destination for foreign investors, tourists and dignitaries. H.E. Mr. Maue informed the Council that Papua New Guinea had successfully hosted the ACP/EU Ministerial Council in May 2006 without any incident and that over 600 delegates attended that meeting. He assured the Council that the Government of Papua New Guinea would provide maximum security to ensure the comfort of all delegates to the Forty-second Session of the ITTC.
11. H.E. Ambassador Maue also informed the Council that Papua New Guinea was taking all the appropriate measures to ratify the ITTA, 2006. He assured the Council that the country would meet its assessed contribution to the Administrative Budget before the end of 2006, if not sooner.

ASCERTAINMENT OF THE QUORUM (Agenda Item 2)

12. The Executive Director reported that the quorum for the Forty-first 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)

13. The Chairperson referred to document ITTC(XLI)/1 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)

14. The Executive Director reported that there had been no change in the membership of the Council. The total membership remained at fifty-nine (59), comprising thirty-three (33) Producing and twenty-six (26) Consuming Members, including the European Community. The membership of the Council is attached to the agenda.

REPORT OF THE CREDENTIALS COMMITTEE (Agenda Item 5)

15. The report of the Credentials Committee was presented by Mr. Yvan Vassart (France) on behalf of the Chairperson of the Committee, Mr. Jürgen Hess (Germany). The Committee was composed of representatives from Australia, Central African Republic, France, Germany, Mexico, the Philippines, Togo and the United States of America. The Committee met on 10 November 2006 and accepted the credentials of forty (40) countries and the European Community which participated in the Forty-first Session of the Council and the Sessions of the Committees.

DISTRIBUTION OF VOTES FOR 2006 (Agenda Item 6)

16. The Executive Director referred to the Annex to document ITTC(XLI)/1 containing the distribution of votes for 2006. He informed the Council that the distribution of votes for 2006 was adopted by the Council, in accordance with Article 10(6) of the ITTA, 1994 at its Fortieth Session. In accordance with Article 19(4) of the ITTA, 1994, the approved distribution of votes had been used for the assessment of the contribution of each Member to the Administrative Budget for 2007.

ADMISSION OF OBSERVERS (Agenda Item 7)

17. The Chairperson drew the Council's attention to document ITTC(XLI)/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)

18. The Executive Director welcomed all delegates to the Forty-first Session of the Council. He expressed his gratitude to the City of Yokohama for its continuous support to ITTO since its inception in 1986. Dr. Sobral expressed his gratitude and appreciation to H.E. Mr. Hiroshi Nakada, Mayor of the City of Yokohama, for his participation and address to the Council. He also welcomed the participation of H.E. Dr. Elvis Ngolle Ngolle, Minister for Forest and Wildlife of Cameroon, Mr. Kenji Tsuji, Deputy Director-General of the Forestry Agency of Japan, and H.E. Dr. Jörg Al. Reding, Head of Economic Development Cooperation of the State Secretariat for Economic Affairs of Switzerland.
19. Dr. Sobral informed the Council that ITTO continues to develop productive and mutually beneficial partnerships with many international organizations and noted a range of important activities being carried out in cooperation with organizations such as CITES, CIFOR, FAO, IUCN, IUFRO, UNCTAD and UNFF, as contained in the progress report on the implementation of the ITTO Biennial Work Programme, 2006-2007. He particularly cited CITES with which ITTO was working to help range countries to strengthen their capacities to manage tropical timber species listed in the CITES appendices. He indicated that the activity would further strengthen ITTO's long-standing collaborative work with the CITES Secretariat, as well as with ITTO Members that traded in listed timber species. He informed the Council that ITTO and CITES Secretariats had worked closely to develop a grant proposal that was submitted to the European Commission. "I am pleased to inform Members that this grant proposal was favourably received by the Commission, with a total of 2.4 million euros (about US\$3 million) awarded from the Commission's tropical forest budget line. An agreement on the use of these grant funds will be signed before the end of the year", Dr. Sobral said. In a related development, Dr. Sobral informed the Council of the decision of the Government of the Netherlands to make substantial voluntary contributions to ITTO in the period 2007-2010. He expressed his gratitude to the Government of the Netherlands, particularly Mr. Marcel Vernooij, Head of the Netherlands delegation and Mr. Frederik Vossenaar of the Embassy of the Netherlands in Japan for the decision. He further noted that in deploying these funds, the Government of the Netherlands would prioritize activities and projects within programme areas designed to (i) contribute to sustainable development and poverty alleviation; (ii) strengthen the capacity of ITTO Members to improve forest law enforcement and governance and address illegal logging and related trade; and (iii) enhance the role of forest-depending communities in achieving sustainable forest management.
20. On the preparations for the entry into force of the ITTA, 2006, Dr. Sobral proposed that given the importance of the thematic programmes and their potential for broadening the Organization's financial base, the Council might wish to establish an inter-sessional working group comprising a limited number of Consumer and Producer representatives to make a preliminary consideration of the thematic programmes.

21. Dr. Sobral underlined the trend of decreasing allocations of funds to implement projects submitted by Producer Member Countries and developing Consumer Member Countries and presented data which showed that since the ITTA, 1994 entered into force, there had been a drastic decline in voluntary contributions received by the Organization to fund the implementation of projects. He expressed concern that the decline was jeopardizing the Organization's ability to achieve its objectives and therefore its ability to assist countries to develop economically and alleviate poverty through sustainable forest management and tropical timber trade. He noted that the recent report on the status of tropical forest management had shown that tropical countries had made some significant progress towards sustainable forest management and a sustainable tropical timber trade, but this progress might be undone by an inopportune dwindling of support. Dr. Sobral appealed to current and potential donors to seek ways of arresting the decline in donations and to build them back up to or even beyond their former levels. In this regard, Dr. Sobral welcomed the new contributions of the European Community and the Netherlands and hoped these would prove to be the tip of the iceberg. "Mr. Chairman, it is the vision, commitment and financial support of its Members that make ITTO what it is. I am confident that under your able leadership and stewardship, the vision is clear, the commitment is strong and the financial support will be forthcoming", Dr. Sobral concluded.

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

22. The Chairperson presented the report of the Informal Advisory Group (IAG), as contained in document ITTC(XLI)/2. He reported that the IAG held its nineteenth meeting on 5 November 2006. 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.
23. 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-first Session of the ITTC. The IAG presented the following list of possible decisions to be considered and adopted by the Council at its Forty-first Session: (i) projects, pre-projects and activities; (ii) extension of the ITTA, 1994; (iii) participation of ITTO in the Coalition Against Wildlife Trafficking (CAWT); (iv) support for the development of approaches to reduce greenhouse gas emissions from tropical reforestation and tropical forest degradation; (v) relief from obligations for Liberia pursuant to Article 33 of the ITTA, 1994; and (vi) matters related to Article 16 of the ITTA, 1994. The IAG also noted that five countries namely Guatemala, Indonesia, Madagascar, Norway and Togo had signed the ITTA, 2006 pending ratification, acceptance or approval of the Agreement. At the request of the Consumer Spokesperson and supported by the Producer Spokesperson, the IAG recommended that formal and/or informal consultations and discussions be held as appropriate during the course of the Forty-first Session of the Council on issues relating to the thematic programmes as provided for in paragraph 4 of Article 20 and paragraph 3 of Article 24 of ITTA, 2006. The full report of the IAG is contained in Annex VI.
24. Mr. Daniel Birchmeier (Switzerland) stated that the draft proposal submitted by Switzerland and Ghana [item (iv) in the preceding paragraph] was by no means pre-empting the outcome of the discussions at the Conference of Parties of the UN Framework Convention on Climate Change. He reiterated the importance of the proposal to the two Governments and, therefore, the need to look for complementary work to be done by ITTO. He noted that the proposal was a direct outcome of ITTO's work and cited the different international workshops on the clean development mechanism organized by ITTO and was a joint effort by several ITTO Member Countries, mostly Producer Members. He stated that through ITTO's project work, experience could be gained on how to avoid deforestation and forest degradation. He underscored that through such practical experience, ITTO could make concrete proposals to feed into the on-going international debate. He pointed out that policy decisions could be taken at the UNFCCC but experience had to be provided by organizations such as ITTO with the relevant knowledge to address such issues. Mr. Birchmeier assured the Council that Switzerland was ready to discuss any amendments to the proposal and to contribute financially to pilot projects and activities that would address the issue. Mr. Birchmeier proposed that the delegations of Ghana and Switzerland were ready to organize a side-event to provide more concrete overview of the technical background of the proposal for interested delegations.

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

25. 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 not been informed by any Member on such proposals. He also informed the Council that in June 2006, the Plants Committee of CITES met in Lima, Peru and a request was made by the Netherlands to the Committee to gather more information on *Cedrella odorata*, *Diabergia retusa* and *Diabergia stevensonii* with the view to possibly including these species in Appendix II of CITES at a future date. Dr. Johnson also informed the Council that in October 2006, the Standing Committee of CITES decided not to subject mahogany to Review of Significant Trade (RST) and also did not accept the CITES Secretariat's recommendation for an import ban on mahogany. The Standing Committee requested Peru to report to the Standing Committee on the progress in making non-detriment findings and to have a sustainable export of mahogany by June 2007, immediately prior to the 14th Meeting of the Conference of Parties. The Standing Committee also removed trade suspensions on *Pericopsis elata* (Afromosia) originating from Central African Republic and Republic of Congo.
26. Dr. Steven Johnson also reported to the Council on progress in the implementation of the activity in the Biennial Work Programme on "Enhanced Cooperation on CITES matters related to tropical timber among governments (including CITES authorities), the private sector and civil society". He informed the Council that an expert meeting on ramin was convened from 16 to 19 May 2006 in Malaysia. Dr. Johnson also reported to the Council that a meeting of the mahogany working group was convened from 28 to 30 June 2006 in Lima, Peru and attended by 40 participants from range states, importers, trade NGOs and Inter-governmental organizations. The report of the meeting is available on www.cites.org.
27. Dr. Johnson further reported on progress in the implementation of the activity in the Biennial Work Programme on "Improve capacity of Members to implement CITES listings of timber species". He informed the Council that the Secretariat was developing an implementation approach and involving the following activities:
- Recruitment of regional/overall coordinators;
 - Development of national/regional plans and projects;
 - Designing resource inventories;
 - Develop/implement improved management plans;
 - Undertaking case studies on and developing guidelines for making non-detriment findings;
 - Establishing (or support existing) national/regional fora dealing with management of endangered timber species;
 - Developing cost-effective regulatory systems for endangered timber species (e.g. tracking, market studies, incentives, etc.); and
 - Conducting CITES training workshops.
28. Dr. Johnson informed the Council that a grant proposal for funding this activity was submitted to the European Community in July 2006. The budget for the activity had increased to 3 million Euro (US\$3.75 million) to take account of the need for regional coordinators. He mentioned that in August 2006, the European Community approved a 2.4 million Euro grant proposal under the EC unique competence provisions. He expressed gratitude to the EC for approving the grant, and also the speed at which it was approved. Dr. Johnson informed the Council that the United States had also pledged US\$250,000 for the activity, leaving a balance of US\$500,000 to be funded.

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

29. The report was presented by Dr. Steven Johnson (ITTO Secretariat). He provided a brief background on the data for the Annual Review and Assessment of the International Timber Situation. He mentioned that the Secretariat did not receive the responses to the Joint Questionnaire (JQ) on time and appealed to Member Countries to endeavour to submit their data on time. He noted that fourteen Member Countries – Central African Republic, Democratic Republic of Congo, Liberia, Nigeria, Myanmar, Papua New Guinea, Vanuatu, Brazil, Colombia, Ecuador, China, Republic of

Korea, Luxembourg and Nepal did not provide any responses to the JQ and for these countries the Secretariat had to use data from alternative sources such as COMTRADE.

30. On the quality of the data received by the Secretariat, Dr. Johnson stated that for some of the countries that provided responses to the JQ, there were some data missing and there were no back up trade data from COMTRADE. He indicated that the Secretariat was still facing problems in getting adequate data from Members. Fifteen Member Countries provided good responses to the JQ. He explained that good responses meant:
- All major sections of the JQ were filled;
 - Internally consistent (material balance, year on year trends, unit values, compatibility between tables);
 - More or less consistent with trade partner reports; and
 - On time.
31. Dr. Johnson noted that Malaysia was still the biggest roundwood exporter since 2001. He also noted that Indonesia's log exports had fallen to zero and China reported zero imports of logs from Indonesia in contrast to the past seven years. In terms of price trends, the review showed that for logs and sawnwood all the most heavily traded species had recovered or quite significantly exceeded the price levels prior to the Asian financial Crisis when commodity prices including logs fell remarkably. In terms of sawnwood and tropical plywood exports, Malaysia remained the biggest exporter while China's exports of tropical plywood had increased significantly and had overtaken Brazil to become the third largest exporter after Malaysia and Indonesia. Tropical plywood prices had not quite recovered as well as logs and sawnwood. In terms of imports, China remained the biggest importer of tropical wood, followed by Japan and the European Union.

PREPARATIONS FOR ENTRY INTO FORCE OF ITTA, 2006 (Agenda Item 12)

32. The report was presented by Mr. Mahboob Hasan (ITTO Secretariat). He referred to document ITTC(XLI)/5 which outlined the various matters and actions to be taken by the Secretariat and the various parties to the Agreement, namely the Member Countries and the Council. Mr. Hasan recalled that the ITTA, 2006 was adopted on 27 January 2006, and for the Agreement to enter into force definitively, twelve (12) Governments of Producers holding at least 60 per cent of the total votes as set out in Annex A to the Agreement, and ten (10) Governments of Consumers as listed in Annex B and accounting for 60 per cent of the global import volume of tropical timber in reference year 2005, must either sign the Agreement definitively or deposit instruments of ratification, acceptance, approval or accession.
33. The report stated that the Agreement had been opened for signature since 3 April 2006 and as of 20 September 2006 action related to signature, ratification, acceptance and approval had been taken by the following countries:

Countries	Signature	Provisional application	Ratification, Accession (a), Acceptance (A), Approval (AA), Definitive signature (s)
Guatemala	14 Jul. 2006		
Indonesia	7 Apr. 2006		
Madagascar	19 Sep. 2006		
Norway	13 Sep. 2006		
Togo	21 Apr. 2006		

34. The report stated that the Council would need to consider and approve a decision in accordance with Article 46(3) of the ITTA, 1994, to extend the 1994 Agreement until the entry into force of the ITTA, 2006. This is due to the fact that the ITTA, 1994 would expire on 31 December 2006 and that the ITTA, 2006 would not enter into force before 1 February 2008 (ITTA, 2006, Article 39).
35. With the entry into force of ITTA, 2006, the Council would need to pursue a number of actions including:

- (i) determining the functions and scope of the Committees and other subsidiary bodies as established under paragraph 1 of Article 26, paying special attention to the provision for the establishment of the "Committee on Economics, Statistics and Markets";
 - (ii) establishing on a regular basis an action plan to guide policy activities and identifying priorities and the thematic programmes (Article 24, paragraph 3); and
 - (iii) establishing criteria for approving projects and pre-projects, taking into account inter alia their relevance to the objectives of the ITTA, 2006 and to priority areas of work or thematic programmes (Article 25, paragraphs 2 and 3)
36. The ITTO Secretariat, prior to the entry into force of the ITTA, 2006, would need to conduct a revision of the following documents:
- Rules of Procedures; and
 - Financial Rules and Rules Relating to Projects.
37. The ITTO Secretariat would have to prepare the proposal on the distribution of votes among Producer and Consumer Members in accordance with the provision of Article 10, taking into account the expanded definition of "tropical timber" and "tropical forest resources" to include coniferous tropical timber and coniferous tropical forests respectively.
38. Dr. David Brooks (U.S.A.) sought clarification as to whether the Council would need to take a formal decision on the proposal for an inter-sessional working group on the thematic programme of work.
39. The Executive Director referred to paragraph 19 of document ITTC(XLI)/5 and pointed out the relationship between the Action Plan of the Organization and the thematic programme (Article 24, paragraph 3). He recalled that within the Biennial Work Programme, there was an activity specifically designed to assist preparation of a draft Action Plan for the Council's consideration in the November Session of 2007. He proposed that if the Council deemed it necessary and appropriate to establish an inter-sessional working group prior to the preparation of the six-year Action Plan for the Organization, the Council could approve additional funds for the extra activities on the thematic programmes to be carried out by the working group. The Executive Director stated that the Council would not need to take an additional formal decision.
40. Dr. David Brooks (U.S.A.) welcomed the proposal by the Executive Director and stated that the discussions on the thematic programmes must be integrated into the discussions on the six-year Action Plan of the Organization. He also sought clarification on how these thematic programmes would function since the Organization had had no previous experience with these thematic programmes. Dr. Brooks stated that he would welcome discussions on the functional aspects of the thematic programmes.
41. Mr. Enzo Barattini (European Community) concurred with the proposal made by the Executive Director that the Council would not need to take a formal decision on the thematic programmes. He urged the Council to establish a procedure that would, in a general way, point out the areas that the Council could act and also establish the financial mechanisms for the operation of the thematic programmes. He proposed the establishment of an informal working group comprising delegations with special interest in the thematic programmes to make recommendations to the Council on how to tackle the issue of the thematic programmes.
42. Mr. Ricardo Umali (Philippines) endorsed the actions identified by the Secretariat in the preparations for the entry into force of the ITTA, 2006. He proposed that the actions should be prioritized so that those actions which required immediate attention should be given the highest priority. He indicated that the Caucuses should begin discussions and present a time frame for the various actions.
43. Mr. Hideo Fukushima (Japan) endorsed the proposal for preliminary discussions on the procedures and functions of the thematic programmes, given their importance in the ITTA, 2006, and the opportunity to broaden the donor base of the Organization. He endorsed the idea put forward by the European Community for an Informal Working Group to be established by the Council to begin such discussions on how the Inter-sessional Working Group should be organized and financed.
44. Mr. Jon Heikki Aas (Norway) stated that Norway would participate in the Informal Working Group on the Thematic Programmes. He underlined the importance for the ITTA, 2006 to enter into force as soon as possible and reported that Norway had signed the ITTA, 2006 on 13 September 2006 and

was well underway with the ratification process. He urged other Consumer Countries to sign and ratify the ITTA, 2006.

45. Mr. Luiz César Gasser (Brazil), on behalf of the Producer Group, endorsed the proposal for the establishment of an Informal Working Group. He also concurred with the comments made by the delegation of the Philippines that the actions identified by the Secretariat in document ITTC(XLI)/5 should be prioritized.
46. The Chairperson referred further discussions on the thematic programmes to the Caucuses.
47. Ms. Aulikki Kauppila (Finland) reported on the outcome of the Joint Producer/Consumer Group meeting on the preparations for the entry into force of the ITTA, 2006, especially on the issue of the thematic programmes. She noted that document ITTC(XLI)/5 recommended the establishment of an Inter-sessional Working Group to consider the thematic programmes and that the Joint Caucuses had discussed some of the thematic programmes and recommended the establishment of a small working group to draft the terms of reference of the Inter-sessional Working Group. She stated that the draft terms of reference had been prepared and circulated to Members.
48. The Executive Director sought further clarification as to whether there was consensus on the establishment of the Inter-sessional Working Group and whether it would be an additional activity to an existing activity in the Biennial Work Programme for 2006-2007 relating to preparations of the Action Plan. He also sought clarification on the timing and the budget for convening the Intersessional Working Group.
49. Mr. Enzo Barattini (European Community) stated that the exact composition of the Inter-sessional Working Group had not been resolved and called on the Caucuses to make nominations for the Inter-sessional Working Group.
50. Mr. Luiz César Gasser (Brazil), on behalf of the Producer Group, informed the Council on the outcome of the consultations on the "Terms of Reference of the Inter-sessional Working Group on the Thematic Programmes". He informed the Council that the Producer Group was in agreement with the Terms of Reference with slight amendments.
51. Ms. Aulikki Kauppila (Finland) on behalf of the Consumer Group noted the amendments proposed by the Producer Spokesperson and requested that Consumer Members should be given the opportunity to comment on the amendments, if necessary. She, however, acknowledged that the amendments might not make any significant difference to the original Terms of Reference.
52. The Executive Director sought further clarification on the inclusion and organization of the video conference. He also wanted to know whether the video conference would be organized by the Secretariat.
53. Mr. Luiz César Gasser (Brazil) stated that the video conference would be an additional tool to facilitate consultation among members of the Inter-sessional Working Group. He indicated that the Government of Brazil, in consultation with the Secretariat, would help to organize the video conference.
54. The Council agreed to establish the Inter-sessional Working Group as part of the work to be carried out under Activity PP-A/39-165A in the Biennial Work Programme for 2006-2007 and allocated an amount of US\$110,000, in additional funds, to finance this meeting.
55. The Terms of Reference for the Inter-sessional Working Group are contained in Annex IV.

ITTO OBJECTIVE 2000 – DECISIONS 2(XXIX) AND 9(XXX) (Agenda item 13)

(a) (i) ITTO Objective 2000 and Sustainable Forest Management in Thailand – Report of the Diagnostic Mission.

56. The report was presented by Dr. Markku Simula, leader of the mission. Other Members of the mission were Mr. Takeshi Akaha (Japan), Dr. Bipin Behari (India) and Mr. Yam Malla (Nepal). The mission was assisted by Dr. Chudchawan Sutthisrisilapa, Dr. Komon Pragtong, Mr. Sittichai Ungphakorn and Mr. Wichit Sonthiwanit. 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 Thailand in identifying 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 22 March to 8 April 2006 and involved field visits to five (5) Provinces (Chiang Mai, Nakhon Ratchasima, Prachinburi, Rayong, Chonburi) and a debriefing stakeholder workshop. A total of about 125 people were consulted representing different stakeholder groups.

57. The mission identified seven main areas for detailed investigation. These were (a) conservation and management of natural forests; (b) community forestry; (c) plantations; (d) industry and markets; (e) non-timber forest products; (f) public policies; and (g) institutional capacity.
58. The mission noted that the Protected Area (PA) system was comprehensive and considered one of the best in Southeast Asia. The conservation policy initially revolved around a "wilderness approach" which recommended total exclusion of people from protected areas. However, such an approach was no longer possible and there were approximately 1.2 to 2.0 million people living within the protected areas. The mission noted that the forest reserves which covered an area of about 23.4 million ha had no management plans and there was no long-term silvicultural management system despite the successful experiences developed in the neighboring countries with similar forest types. The main management goal in forest reserves was conservation and a logging ban was instituted in 1989. However, large areas of forest reserves had no forest cover and had become de facto common public lands that were being encroached on by expanding agricultural activity.
59. The mission noted that forest resources were an integral part of Thailand's rural life, involving all aspects of local people's activities. In addition to the 1.2 to 2.0 million people living in and around the protected areas, another 20 to 25 million people live nearby the national forest reserves. Community forestry started in the early 1970s but progress had been slow and lack of clarity of tenure or usufruct rights had been the key impediment. Communities had demonstrated their capacity for sustainable forest management but that had been challenged by many civil servants and NGOs. The mission noted that if communities were to make any meaningful contribution to the country's forest resource management and poverty alleviation, there had to be a fundamental shift in the overall thinking on the rationale and purpose for community forestry policy and programme.
60. The mission noted that since the 1989 logging ban, timber production in Thailand had shifted from natural forests to planted forests. However, plantations of timber species had progressed slowly due to series of constraints, including cost of land and labour and the technical basis of plantation development was relatively shallow. The mission called for studies to be carried out to diversify plantation sites and species for improved economic returns. The mission noted that plantations were financially feasible but the gestation period was too long for poor farmers while credit facilities and incentives were also inadequate. The mission stated that the most critical constraints impeding progress towards sustainable forest management were: (i) the bottlenecks of the regulatory framework; (ii) lack of coherence between public policies; (iii) people's widely varying perception about how Thailand's forests should be conserved and managed; (iv) lack of coherent support to communities and the private sector to manage forest resources; (v) institutional uncertainty related to public forest administration; (vi) deficient information systems; and (vii) lack of systematic strategies for human resource development and extension.
61. The mission made a number of recommendations; including:
- Revision of guidelines for the preparation of management plans for protected areas (PAs) and forest reserves to better address participation of local people and potential for management of NTFPs;
 - Approval of the Community Forestry Bill without delay. Community forestry should be allowed in national forest reserves through legal provisions;
 - Plantation development should be carried out through a new approach and the government's role in mitigating market risks related to private sector plantation development should be focused on arranging adequate credit facilities, improved market transparency, promotion of diversification of outputs and developing measurement and grading systems for timber;
 - Studies on the feasibility of establishing a special forest fund for community forestry and small holder plantation development using the existing banking institutions as the delivery channel;
 - Updating the Forest Policy and removing the conflicting policy goals related to land use;
 - Carrying out a survey on illegal logging and associated trade;

- Restructuring the public administration system. Provincial and District Natural Resource/Forest Officers should assume a strong role and develop solid strategic plans for the forestry development in their territories;
- Preparation of a human resource development plan and extension strategy for the forestry sector covering education and training (for the next 5 to 7 years);
- Introduction of a broader range of species in plantation investments, particularly *Eucalyptus grandis*, *E. urophylla* and their hybrids;
- Stronger role for the industry in the development of its raw material supply and wood procurement; and
- All the stakeholders, probably with the facilitation of the Royal Forestry Department, should identify and assess options for the development of forest certification in Thailand.

62. The mission recommended that ITTO should support Thailand to:

- develop national criteria and indicators through a broad-based participatory process;
- develop management plan for the Western Forest Complex;
- develop a pre-project on the elaboration of the human development plan and extension strategy as a first step to remove a key constraint to making progress towards sustainable forest management in Thailand;
- carry out a feasibility study that would map out options and outline a comprehensive plan for implementation of a major support programme to strengthen the national forest information system for improved control of illegal logging and associated trade as well as public decision-making on the sector in general;
- build partnerships with Thai education and training institutes and relevant regional organizations, such as RECOFTC; and
- organize crash courses on quality management for supervisors in the furniture industry.

63. Mr. Preecha Vareepitugdei (Thailand), on behalf of the Government of Thailand, expressed gratitude to ITTO for the mission to Thailand. He also expressed gratitude to Dr. Markku Simula and the other members of the technical mission for the comprehensive report. He informed the Council that the draft report was circulated to the various stakeholders in Thailand for their comments and these comments were passed on to the mission. He acknowledged that Thailand had a long way to go in achieving sustainable forest management due to the many constraints identified by the mission. He appealed to the Council to provide the necessary support to Thailand in the areas recommended by the mission in order to assist the country to achieve sustainable forest management.

64. Dr. Efransjah (Indonesia) commended the mission for the comprehensive assessment and reporting. He noted that the report acknowledged the importance of community forestry in Thailand and stated that Thailand and India were the major reference countries for community forestry practices in the Asia region. He sought information on new elements that the proposed Community Forestry Bill was supposed to achieve, and why it had been highlighted in the recommendations of the mission. Dr. Efransjah also noted that the Council should carry out a review of how far the recommendations of the mission had been addressed by the Council.

65. Dr. Markku Simula (mission leader) in response to comments made by the delegation of Indonesia on the Community Forestry Bill stated that only 1% of the forest area of Thailand was under community forestry management and that progress had been very slow. The mission observed that in the absence of security of tenure, there was the tendency for the effort to fade out and therefore the mission felt that the enactment of the Community Forestry Bill was important. Dr. Simula also pointed out that the Bill had been on the table for almost 14 years and several versions had been discussed extensively at various levels and, therefore, the mission felt that it should be completed as a policy process. Dr. Simula concurred with the proposal made by the Indonesian delegation that ITTO should take stock of the diagnostic missions that had been carried out so far.

66. Mr. Grégoire Nkeoua (Congo) commended the mission for the comprehensive report. He noted that the report highlighted two issues of importance: (i) the continuous deforestation in Thailand; and (ii) the struggle between forestry and agriculture. He sought clarification on the strategy proposed by the mission to address these issues.

67. Dr. Simula in his response stated that the mission noted that the deforestation in Thailand was driven mainly by factors which were outside the forestry sector and, therefore, the solution had to be found through cross-sectoral analysis of policy impacts and decision made at the highest level of

government in order to ensure consistency in the policies. He underlined that the Forestry Policy was focused on increasing the forest cover and did not address the root causes of deforestation. Dr. Simula said that sustainable forest development should be understood from the perspective of poverty reduction in the forest areas.

(ii) Achieving the ITTO Objective 2000 and Sustainable Forest Management in India – Report of the Diagnostic Mission

68. The report was presented by Mr. Maharaj Muthoo, leader of the mission and Dr. Jürgen Blaser (Switzerland), a member of the mission. The other members of the mission were Mr. John Palmer (U.K.), and Mr. Ram Prasad (India). The mission was conducted within the framework of the ITTC Decision 2(XXIX) to assist the Government of India to identify those factors that prevent or limit the country's progress towards achieving the ITTO Objective 2000 and sustainable forest management in India. The mission conducted field visits and interacted with foresters and/or stakeholder groups in several states including Andhra, Haryana, Gujarat, Madhya, Pradesh, Maharashtra, Orissa and Tamil Nadu. The mission visited the national forest education and research institutions at Dehradun and held a multi-stakeholder workshop at Amity University. The draft mission report was presented at a workshop and to the Ministry of Environment and Forestry. The mission consulted more than 200 professionals and hundreds of stakeholders during village level and other consultations.
69. The report stated that over 200 million people in India were forest-dependent and about 90 million people were living within forest areas. The legal forest area was 77.47 million ha comprising 39.9 million ha of reserved forest; 23.84 million ha of protected forest and 13.63 million ha of unclassified forests. The report, however, acknowledged that systematic and consistent information on the bio-physical condition of the forest in India was lacking.
70. The report noted that forest degradation and deforestation had happened in India due to unsustainable practices and pressures from agro-pastoral activities and other land uses. The area of dense-cover forests had fallen by 2.62 million ha between 2001 and 2003 to a total of 39.0 million ha, corresponding to a loss of dense tree cover of 6.2% in two years. Average wood volume had also fallen from a level of 47m³/ha in 1990 to 43m³/ha in 2000. The mission noted that in spite of debates extending over decades, there was no effective national land capability mapping or integrated land use planning, which had been compounded by the complexities of land tenure.
71. The mission noted that Joint Forest Management (JFM) was the principal forest management strategy in India which was introduced through the 1988 forest policy after several years of empirical development in various locations. JFM had also been introduced in certain states on community land outside notified forest areas (e.g. Haryana). The mission acknowledged that the confirmation of rights of access to forest resources, such as fuel wood and fodder, was perhaps the greatest common benefit to JFM schemes.
72. Of the 32.6 million ha of plantations, nearly 45% was accounted for by fast growing (and short rotation) species of *Eucalyptus*, *Acacia Spp.*, *Casuarina Spp.*, and poplar in subtropical areas. While impressive in area, the performance of forest plantations, in terms of survival, growth and yield had been generally poor over the past two decades.
73. The mission identified the following as crucial constraints impeding progress towards sustainable forest management in India:
- under-investment in notified forests with creeping forest degradation;
 - restrictions on harvesting and transporting timber and other forest products;
 - continuing and rising gap between demand and supply with unrecorded removals of fuelwood, timber and other forest products;
 - undue reliance on limited budget and external support for field programmes instead of leveraging private-public-panchayat partnership potential; and
 - Limited timber market intelligence and poor state of forest data management.
74. In spite of the constraints highlighted above, the sustainable management of India's forests offered a number of significant opportunities including:
- (i) sufficient availability of land area to reduce the gap between demand and supply of forest goods and services;

- (ii) JFM schemes which had shown that village communities, private farmers and industrial enterprises would invest in forest regeneration and conservation if appropriate incentives and institutional mechanisms were developed;
- (iii) Farm forestry and private enterprises which demonstrably could promote and manage production activities without direct FD involvement;
- (iv) The silvicultural systems of forest management through working plans that had been well established; and
- (v) The high level expertise of the Ministry of Environment and Forestry and the State Forestry Department personnel which had been well acknowledged and supported by reputed national institutions.

75. The mission made a number of recommendations to the Ministry of Environment and Forestry, including:

- (i) Revision of the 1988 forest policy and related regulatory framework;
- (ii) Clarifying the production role of natural tropical forests in the national forest policy and formulation of state-level strategic forestry programmes, through a participatory process;
- (iii) Reviewing the Forest and Working Plan Codes in order to update them;
- (iv) Promoting agreements between JFM schemes and private companies for the establishment of commercial plantations in degraded forest land and joint investments in forest industries based on natural forest or plantation timber;
- (v) Strengthening, at state level, programmes and resources for the control of illicit logging and other illegal activities. Establishing and implementing national purchasing policies for the purchase of legally sourced timber;
- (vi) Establishing a national think tank and communication group that would assess the real value of forests in order to considerably increase public and private funding for the recapitalization of forest resources and sustainable forest management;
- (vii) Increasing the number of training programmes for (a) forest communities implementing JFM schemes; and (b) technical services providers, including in particular forest researchers, the preparation of training and outreach materials, to be widely distributed and designed for different groups of potential beneficiaries;
- (viii) Improving the analytical capacities for monitoring, data and information management;
- (ix) Piloting projects of community based sustainable forest management in teak forests linked with certification in one or two selected states with adequate natural forest management resources;
- (x) Promoting the improved utilization, valorization and marketing of non-timber forest products;
- (xi) Promoting the modernization of secondary wood processing industry and reduction of waste; and
- (xii) Establishing a computerized information system with updated data on forest product markets (timber and NTFPs) accessible to producers and buyers of forest products.

76. The mission also made a number of recommendations for a medium to long-term ITTO involvement in India, including:

- (i) Establishment of a National Forest Policy Analysis Facility for speedy implementation of sustainable forest management and related review of the 1988 Forest Policy;
- (ii) Support for the development of forest certification mechanism for timber and NTFPs;
- (iii) Institutionalization of criteria and indicators for sustainable forest management;
- (iv) Support for strengthening of research and development to increase forest productivity;
- (v) Development of timber market intelligence, data collection and the organization of stakeholders;
- (vi) Development of forestry database management system;
- (vii) Support for promoting public-private Panchayat partnership for sustainable forestry;
- (viii) Development of integrated forest fire management mechanism in the country;
- (ix) Support for promoting high-tech/clonal plantations and the conservation and management of mangroves and bamboo resource;
- (x) Establishment of facility for research and development of NTFPs to address the issues of pro-poor growth and gainful employment;
- (xi) Training and human resource development for implementation of holistic sustainable forest management;
- (xii) Capacity building for regulating timber trade;

- (xiii) Promotion of traditional knowledge to provide livelihood opportunities to the tribal communities and establishment of forest extension centers; and
- (xiv) Support for modernizing and strengthening the forest based industry and value addition.

77. Dr. Bipin Behari (India), on behalf of the Government of India, expressed gratitude to the Council and the Executive Director for sending the technical mission to India. He also thanked the members of the technical mission for their Herculean efforts. He, however, noted that it was premature for the mission to submit the executive summary of the report to the Forty-First Session of the Council since the full report was yet to be prepared by the mission and even the executive summary had not been received by the Government of India for its comments. He pointed out that the Government of India truly wanted to know the defects and shortcomings from the perspective of an outsider. However, the Government of India would, at the same time, not want any misconception just because of the lack of data or information. Dr. Behari stated that the national status report was prepared on the basis of 25 papers and sent to ITTO via e-mail. He indicated that it was impossible to protect forests without involving people. He acknowledged that the JFM system of management had had a mixed success considering that the country still had 23.68% of forest cover in spite of the high human and biotic pressure. The JFM system had worked well in some States but in the State of Orissa, JFM would take some time to be an effective management too. Dr. Behari also provided further clarification on the Government policy of Public-Private-Panchayat Partnership for sustainable forestry involving joint effort between the people, community and industry in plantation development. He concurred with the observation by the mission that with the availability of funds, forestry in India would always work and indicated that most developing countries were already acquainted with the cost associated with sustainable forest management. He also stated that since the colonial government period, forests of India had been managed under working plans and prescriptions. Unfortunately, government's budgetary allocations to the forestry sector had been less than 1% of the total financial outlay, and therefore, the forestry sector in India was experiencing financial shortcomings. However, he acknowledged that a lot of international organizations like the World Bank, DFID and the Swiss government were providing financial support. Dr. Behari stated that between 300-350 million people in India depended on forests for their livelihood and alleviating poverty among these people and addressing their livelihood opportunities on one hand and the conservation of the ecosystem, on the other had been the main issue confronting the Government of India for which it was seeking solutions.
78. Mr. Abena Joseph Claude (Cameroon) sought clarification on how the demands for sustainable forest management and the fight against poverty could be re-conciled. He noted that from the report there appeared to be significant improvement in governance and the strengthening of communities in many States in India but these were often not reflected in the lives of the people and wondered how sustainable forest management could contribute to poverty alleviation.
79. Mr. Maharaj Muthoo, leader of the mission stated that the problem of poverty among forest dwelling communities was common to all developing countries and that in the context of India the government had, in the last year, realized that high technology and industrialization were not the solutions. Consequently, the Government had passed a resolution on "Employment Guarantee Scheme". He indicated that funds from this scheme could be invested in forest management. Mr. Muthoo also indicated that funds from the Tribal Rights Bill would also be provided to Forestry Departments for sustainable forest management and stated that the next five-year plan of the Government would focus on rural development and agriculture which the Government believed would sustain growth. He urged ITTO to carry out a study on how to marry poverty eradication with sustainable forestry management and advise the Government of India.

(b) Report on Progress in the Implementation of National Training Workshops on the Use of ITTO Formats for Reporting on Sustainable Forest Management

80. The report was presented by Dr. Jürgen Blaser (Switzerland). He referred to Council Decisions 9(XXX) and 4(XXXIV) which called for the organization of eighteen (18) national workshops to train officials, forest managers, forest concessionaires and others in the use of ITTO's Criteria and Indicators for reporting on progress towards sustainable forest management.

Dr. Blaser reported that five workshops were organized in 2002 in Congo (2-5 July 2002); Papua New Guinea (6-9 August 2002); Côte d'Ivoire (28-31 August 2002); Vanuatu (10-12 September 2002); and the Philippines (16-19 September 2002). In 2003 and 2004, eight additional workshops were organized in Cameroon (13-16 January 2003); Colombia (11-14 February 2003); Togo (22-25

July 2003); Bolivia (1-4 September 2003); Peru (17-21 November 2003); Ecuador (13-17 December 2006); Panama (29 March – 2 April 2004) and Venezuela (30 August – 2 September 2004). In 2005 and 2006, eight more workshops were organized in Cambodia (20-24 March 2005); Mexico (4-9 April 2005); Guatemala (18-22 April 2005); Central African Republic (25-29 July 2005); Ghana (17-21 October 2005); Nigeria (12-16 December 2005); India (24-28 April 2006); and Liberia (16-21 November 2006). Dr. Blaser reported that up to October 2006, twenty (20) workshops had been held. Nine hundred and seventy-nine (979) people had been trained comprising people from government and forest administration (494); NGOs and communities (151); private sector and forest management organizations (203); and researchers, education and media (131).

81. Dr. Blaser reported that through the workshops:
- work of ITTO had become better known by field actors;
 - the link between sustainable forest management, criteria and indicators and certification had been made;
 - the ITTO Criteria and Indicators at the FMU level had been field-tested and practical suggestions made by the field actors which would assist in the revision of the Criteria and Indicators;
 - some reporting bottlenecks had been identified and simplification would be needed; and
 - ITTO status of tropical forest management report had benefited greatly with inputs from these workshops.
82. Dr. Blaser reported that further workshops would be held in Myanmar (January 2007) and Honduras (March 2007), and there were still sufficient financial resources under the Decisions to conduct two additional workshops, if requests were made to the Secretariat. He further reported that the final activities under the Decisions would include:
- Preparation of the final technical report on a CD, including all presentations;
 - Testing of the new reporting format in four (4) selected countries;
 - Reporting to the international harmonization process in 2007; and
 - Finalizing the methodological input for the next SFM-Tropics report in 2010.
83. Mr. Domingo Bacalla (Philippines) expressed gratitude to ITTO for supporting the development of Criteria and Indicators in the Philippines, including the auditing framework. He stated that the Philippines had adapted the ITTO Criteria and Indicators, with some modifications based on local situations and had been using these in reporting the progress towards sustainable forest management both at the national and FMU levels.
84. Mr. Andrew Wilson (Australia) stated that there were considerable number of Criteria and Indicators systems in the world and there had been a number of proposals for harmonization of these schemes to reduce duplication in reporting. He sought information on the progress so far made in the harmonization of these reporting requirements.
85. Dr. Blaser stated that the ITTO workshops were country-based and involved stakeholders working directly in the forests and, therefore, the inputs that these workshops would bring to the harmonization process would be very specific and unique. He also stated that with the revised ITTO Criteria and Indicators the Organization had already taken some steps to be in line with the harmonization process and that at the criteria level there had been a general agreement on the seven criteria and at the indicators level there was still the need for more harmonization. Dr. Blaser reiterated that ITTO's inputs into the harmonization process would be to bring its practical experience on the reporting format into the process of harmonization.
86. The Executive Director also informed the Council that ITTO had specifically carried out some work to harmonize the ITTO Criteria and Indicators for sustainable forest management with the Principles and Criteria of the African Timber Organization (ATO) resulting in the ATO/ITTO Principles, Criteria and Indicators being used in a regional project in Africa financed by ITTO. He mentioned that there had also been a proposal to do similar work with the Tarapoto Process in South America which was still under discussion with the Amazon Cooperation Treaty Organization. Dr. Sobral further stated that ITTO had been quite involved with the Montreal Process and the Ministerial Conference for the Protection of Forests in Europe in meetings that had been addressing the reporting on Criteria and Indicators, including funding the participation of many ITTO Producing Member Countries that were using the ITTO Criteria and Indicators, in such meetings. He noted that the dialogue was on-going

and cited recent meetings in Poland and Japan that ITTO participated which involved a dialogue on harmonization.

PROGRESS REPORT ON THE ITTO BIENNIAL WORK PROGRAMME FOR 2006 – 2007 (Agenda Item 14)

87. The Executive Director reported on progress in the implementation of the ITTO Biennial Work Programme for 2006-2007. He noted that there were a total of seventy-one (71) non-routine activities comprising administrative (11), projects (12) and strategic policy activities (48). He indicated that progress in activities being carried out by the Secretariat would be reported directly to the relevant Committees. The seventy-one activities had been further classified into:
- Studies/Field action;
 - Workshops, seminars and conferences;
 - Cooperation with intergovernmental organizations;
 - Revision of manuals and guidelines, evaluation and planning actions; and
 - Communication and outreach
88. The Executive Director made a detailed power-point presentation on the activities implemented or under implementation. The implementation status of all the activities are contained in document ITTC(XLI)/8.
89. Dr. David Brooks (U.S.A.) commended the Executive Director and the Staff of the Secretariat for the effective implementation of the Biennial Work Programme for 2006-2007.
90. Mr. Alfredo Carrasco (Ecuador) commended the Executive Director and the Staff of the Secretariat for the report and the effective implementation of the Biennial Work Programme for 2006-2007. He indicated that the Secretariat deserved the full support and commendation of the Council.
91. Mr. Jacques Kanwe (Congo) reported that at the CITES meeting in Geneva held in October 2006 it was decided that an inventory should be carried out in 2007 to determine the population and distribution of *Pericopsis elata* in the Central African Sub-region, in the context of the cooperation between ITTO and CITES on CITES listed endangered species.
92. Ms. Rocia Silva Oliveira (Brazil) commended the Executive Director for the progress report on the implementation of the Biennial Work Programme. She reported that the Amazon Basin countries had developed a common agenda for cooperation in the area of forests and forest management in order to avoid overlapping activities among international organizations. She informed the Council that the Amazon Basin countries were also trying to develop a joint approach to Criteria and Indicators by bringing together ITTO, FAO and other international processes. She reiterated the importance of the progress report, particularly with regard to forest law. She informed the Council that Brazil organized a seminar on forest law as well as a regional seminar with the participation of ITTO, FAO and all the national groups in the Amazon Basin. Ms. Oliveira reiterated the importance of ITTO work in assisting countries to develop their national Criteria and Indicators.
93. Mr. Enzo Barattini (European Community) commended the Executive Director and the Staff of the Secretariat for the impressive implementation of the Biennial Work Programme. He noted that in approving it the Council recognized that it was very ambitious and had some doubts as to whether it could be carried out comprehensively. However, the progress report presented by the Executive Director had proved that this ambitious and comprehensive work programme had been implemented very effectively. Mr. Barattini indicated that ITTO might even be able to do better in the framework of the new ITTA.
94. H.E. Mr. Michael Maue (Papua New Guinea) echoed the positive comments made on the very impressive implementation of the Biennial Work Programme. He said that it was a reflection of the close cooperation existing among Member Countries of the Organization as well as the efficient stewardship of the Secretariat under the able leadership of the Executive Director. He expressed his gratitude to the donors for funding the different programmes and the Secretariat for the successful implementation of the Biennial Work Programme.
95. Dr. Bipin Behari (India) commended the Executive Director and the Staff of the Secretariat for the impressive implementation of the Biennial Work Programme for 2006-2007. He noted the

importance of the activities listed in the work programme and stated that it was a reflection of the commitment of both Producers and Consumers to the course of sustainable forest management. He urged the Council to strive hard to make the commitment stronger.

ITTO GUIDELINES FOR THE RESTORATION, MANAGEMENT AND REHABILITATION OF DEGRADED AND SECONDARY TROPICAL FORESTS – DECISION 3(XXXII) (Agenda Item 15)

96. The consideration of this item was deferred to the Forty-second Session of the Council.

MEASURES TO IMPROVE AND STRENGTHEN THE ITTO PROJECT CYCLE – DECISION 3(XXXVII) (Agenda Item 16)

97. Messrs Ricardo Umali (Philippines) and Erik Lammerts Van Bueren (Netherlands) presented a report on the “Revision of Manuals and Guidelines Pertaining to ITTO Project Cycle”. The consultants recalled Decision 3(XXXVII) which requested the Executive Director to engage two consultants to prepare a coherent set of user friendly project cycle manuals and guidelines as well as supporting the manuals with computerized tools. The Manuals and Guidelines are contained in document ITTC(XLI)/10 and composed of:

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

The SOP is a framework of practices and regulations for the ITTO project cycle that should be followed from the start of a project to completion. These procedures evolved as a result of Council Decisions and past experiences of various implementors of the ITTO project cycle. The SOP integrates and updates all pertinent procedures and guidelines of ITTO pertaining to the whole project cycle.

98. The “ITTO Guidelines for the Selection and Employment of Consultants and Procurement and Payments of Goods and Services, 2nd Edition (2006)” builds upon the first edition published in June 1993; taking into account the experiences gained by Member Countries in these aspects of project work and the need to utilize project funds for more efficient and effective procurement of goods and services. The Guidelines should be used in conjunction with other relevant procedures stipulated in the other revised ITTO Manuals and Guidelines and pertinent Council Decisions related to the project cycle.

99. The revised “ITTO Manual for Project Formulation 3rd Edition (2006)” builds on the second edition and it covers three types of proposals: projects, small projects [with a budget of less than US\$150,000 and duration of less than two (2) years] and pre-projects.

100. The Software Tool is fully based on and conforms to the ITTO Project Formulation Manual which:

- Helps project proponents to formulate their project, small project and pre-project proposals;
- Creates a blank proposal document in proper format with charts and tables already pasted in; and
- Text to complete the proposal can easily be typed in.

The Software Tool will help proponents in creating the problem tree, the objectives tree, the logical framework matrix, the work plan and the budget tables.

101. The revised “Manual for Project Monitoring, Review, reporting and Evaluation” 2nd Edition (2006) builds on the 1st Edition. It identifies three (3) phases for reporting: inception, implementation and completion phases.

102. The report identified the following improvements achieved by the revision process:

- Standard Operating Procedures established;
- Coherence between all Manuals and Guidelines:

- Concepts and terms to be used uniformly;
 - One common glossary; and
 - Software tools to support project formulation
103. Mr. E. Collins Ahadome (ITTO Secretariat) presented data on the submission of project proposals since the adoption of Decision 3(XXXVII), encouraging Member Countries to limit the submission of new project proposals to no more than three per Expert Panel meeting, and ranking them in order of priority. He reported that since the Decision was adopted by the Council, the total number of proposals submitted by Members had been decreasing. He also stated that some countries were still submitting more than three (3) project proposals per Expert Panel meeting. He informed the Council that the percentage of project proposals that received category 1 (i.e. proposals requiring minor amendments) had also increased since the adoption of Decision 3(XXXVII), while the percentage of proposals that received category 2 (i.e. proposals requiring essential modifications) had decreased.
104. Mr. Hideo Fukushima (Japan) commended the consultants for the comprehensive revision of the manuals and guidelines pertaining to the ITTO Project Cycle. He noted the importance of improving the effectiveness of project formulation and stated that for the first time ITTO had come out with a manual on the Standard Operating Procedures (SOP) together with the Software Tools which were user-friendly and available on the ITTO website. He encouraged the consultants to finalize their work and hoped that the revised manuals would soon become operative. Mr. Fukushima stated that he was encouraged to note the changes on the number and quality of project proposals being submitted to the Expert Panel since the Council adopted Decision 3(XXXVII). He, however, expressed dismay that some countries were still submitting more than three (3) project proposals per Expert Panel meeting and hoped that with the view to seeking further efficiency, Decision 3(XXXVII) would be strictly adhered to regarding the limitation on the number of new project proposals to be submitted per Expert Panel meeting. He encouraged Member Countries to critically examine project proposals before submitting them to the Expert Panel for appraisal.
105. Ms. Rócia Silva Oliveira (Brazil) informed the Council that Brazil was in the process of revising the procedures for its project work. She urged the Council to consider not only the difficulties of the Expert Panel in appraising a large number of project proposals and the limited financial resources but also the difficulties of Producing Member Countries in formulating project proposals. Ms. Oliviera noted that in adopting Decision 3(XXXVII) the Council approved fifty-six recommendations to improve the effectiveness and efficiency of the project work of ITTO, and at the same time strengthening the whole concept of ex-post evaluation. She stated that the analysis on the submission of project proposals should take into consideration the entire complexity behind the whole project work of the Organization. She noted that the limitation on the submission of new project proposals should be understood in the context of a situation that would allow the Organization to work effectively while the Council continued to explore the best conditions for improving the project work of the Organization. She reiterated that the review of Council Decision 3(XXXVII) with particular focus on the limitation on submission of project proposals should be done in a holistic manner involving all the other fifty-six recommendations contained in Decision 3(XXXVII) Annex.
106. Mr. Daniel Birchmeier (Switzerland) commended the consultants and the Secretariat for the comprehensive report. He noted that there were many interesting new elements in the revised manuals and guidelines. He cited for instance an element in the revised project formulation manual that would make it possible to verify the coherence of the project idea as well as the policy and strategic framework of project proposals. It would also make it possible to verify whether the project idea was really relevant to the beneficiaries, and to assess whether beneficiaries had actively participated in all the stages of project identification, and to see that the real pressing problems and their causes had been clearly identified and whether there was a rational link with the proposed solutions. Mr. Birchmeier said there were still a number of important drawbacks that might affect the effectiveness of the manual as a practical guide for project formulation. He indicated that the structure of the revised manual was more complex and less streamlined than the current manual and more work was needed in order to prepare a simplified, more user-friendly and well streamlined document. He said that a stronger logic in the sequence of the chapters in respect to the format of the manual was needed. He proposed that Members should be given more time to study the draft revised manual and to submit their comments to the Secretariat. A new draft could then be elaborated and discussed during the Forty-second Session. Mr. Birchmeier proposed that members of the Expert Panel for Technical Appraisal of Project Proposals could be involved in the review and

finalization of the manuals. Mr. Birchmeier acknowledged that the revised version of the "ITTO Manual for Project Monitoring, Review, Reporting and Evaluation" was a considerable improvement over the current manual and could be adopted with some minor modifications. He indicated that what was missing in the revised manual were guidelines for project stakeholders with respect to internal monitoring and evaluation of project activities. Mr. Birchmeier stated that one remaining general question was how the thematic programmes would be addressed through the project cycle and the kind of guidelines that could be integrated into the project formulation in that respect. He also said that there would be the need for adaptation of some aspects of the project cycle in view of the change in the frequency of Council Sessions envisaged in the near future. Mr. Birchmeier proposed that prior to the full implementation and use of the new manual for project formulation, a limited number of project proposals from volunteering countries could be formulated based on the revised manual to allow for the identification, on a practical basis, possible short-comings. He pledged Switzerland's readiness to contribute technically and financially to the formulation of such model project proposals. He said that under such circumstances the Expert Panel for Technical Appraisal of Project Proposals would need to accept these model project proposals alongside those formulated under the current manual for the next two or three Expert Panel meetings.

107. Mr. Enzo Barattini (European Community) commended the consultants and the Secretariat for the excellent work. He noted that the report had touched on all the fundamental aspects of the Project Cycle and indicated that the next phase would be the dissemination of the manuals to the beneficiaries. He urged Producer Member Countries to disseminate and explain the use of the manuals to the focal points and also to train the technicians who would be using the manuals. He expressed concern about the relative complexity of the manuals and guidelines for projects and pre-projects that required very modest resources and covering a period of 2 or 3 years and stated that all these elements should be borne in mind so that at every stage the project proposal could be adapted to the various requirements of the project manual. He reiterated his appreciation for the enormous work that had been done.
108. Dr. Bipin Behari (India) commended the consultants and the Secretariat for an excellent work. He indicated that the manuals and guidelines could be further simplified to make them much more easily understood. Dr. Behari noted that the Council had also taken step through Decision 3(XXXVII) to limit the number of proposals to be submitted to the Expert Panel which had led to improvements in the quality of proposals. He stated that a large number of proposals which had been approved by the Expert Panel and the Committees were still pending finance. He said that it was a serious paradox for the Council to try and improve the quality of project proposals without addressing the issue of funding of these proposals. Dr. Behari sought further clarification as to whether project proposals on medicinal plants, NTFPs, bamboos, rattan and their tissue cultures had been taken into consideration in the revised manuals. He also noted that during the presentation of one ex-post evaluation report, the economic feasibility of the projects were questioned and stressed that sustainability was one of the most important elements in sustainable forest management and sought clarification as to whether these aspects were covered in the manuals.
109. Mr. Domingo Bacalla (Philippines) commended the consultants and the Secretariat for the excellent work. He supported the proposal to limit the submission of project proposals to no more than three per Expert Panel meeting for each Member Country. He proposed that Member Countries should be given more time to examine the draft revised manuals.
110. Ms. Jennifer Conje (U.S.A.) expressed appreciation to the consultants for their hard work on the draft revised manuals. She noted that the draft revised manuals were very comprehensive and a reflection of ITTO's maturity through the documentation of the project cycle processes that had gradually developed since the inception of ITTO. She further indicated that the draft manuals were a sign of ITTO's move towards greater consistency and transparency in its operations. She, however, expressed concern about the timing and recalled that the demand for the revised Quantitative Appraisal System was approved by the Council before the Decisions to revise the manuals were adopted by the Council. She noted that the Quantitative Appraisal System was based on the old format for proposals and, therefore, the thinking behind the revision of the project formulation manual was somehow constrained in conforming to the new assessment/appraisal tool. She indicated that sections of the old format such as the logical framework and the objective tree were efficient in serving their purposes and expressed concern as to whether or not new tools or new streamlined designs within the draft revised proposal had been fully explored. Ms. Conje also expressed concern about the ease of use of the revised manuals and noted that one of the goals behind the Council Decision on the revision of the manuals was not only to update the manuals but to provide more

substantive guidance and to ensure that the manuals were more easily understood by project developers and implementers. She sought clarification as to whether the balance between these elements had been achieved. She concurred with the position expressed by other delegations to allow Members more time to study the revised draft manuals and also to receive comments from project developers on the drafts and the software on-line tool. She added that since ITTO was in an adjustment period between the old and new agreements, Members should be given the opportunity to incorporate any policy changes or further clarifications on the project cycle such as more guidance on phased projects, criteria for regional projects and other issues that had been raised in various Committees before the approval of the manuals. On the issue of limiting the number of project proposals submitted by Expert Panel meeting, Ms. Conje concurred with the comments made by the delegation of Japan but also expressed sympathy with the comments made by the delegation of Brazil that the issue should be addressed in a holistic manner. Ms. Conje stated that an organization should not be driven solely by the demands of its Members and that any organization would have to consider its ability to manage and absorb the work arising out of these demands. She noted that one of the reasons for the Decision to limit the number of proposals was to give the Expert Panel members sufficient time to appraise the proposals and provide substantive advice to developers. She recalled that the presentation of the report of the Thirty-second Expert Panel meeting requested for additional day for the Panel to be able to do its work. She called for the Council to take that into consideration in reviewing the Decision on limiting the number of project proposals per Expert Panel meeting.

111. Dr. Efransjah (Indonesia) noted with appreciation the work of the consultants and the Secretariat on the revision of the project-related manuals. He further noted with appreciation the validation workshop which was held in Thailand in July 2006 and acknowledged that substantial efforts had been made to revise and improve the manuals. Dr. Efransjah referred to document ITTC(XLI)/10 and noted the difficulties encountered by the consultants in producing comprehensive and coherent user-friendly manuals. He supported the proposal made by the delegation of the Philippines and the U.S.A. for Member countries to be given more time to study the manuals. He noted that there were a number of ex-post evaluation reports containing essential elements reflecting the capacity of implementation by the Executing Agencies and indicated that the recommendations of the ex-post evaluation reports should be examined in order to find ways to refine and improve the manuals while seeking wider inputs and streamlining the manuals to be user-friendly. He reiterated the importance of the manuals to the work of the Organization.
112. Mr. Alfredo Carrasco (Ecuador) acknowledged that although it was important to improve and strengthen the project cycle, he expressed concern about the timing and urgency of the exercise. He wondered whether there had been an evaluation of national and local capacities on the use of these revised manuals and the strategy for training on the use of these manuals in project formulation. He cautioned that there could be a situation whereby only a small group of people would be able to use the revised manuals in project formulation. Mr. Carrasco commented on the Decision to limit the number of project proposals per Expert Panel meeting and questioned whether a million dollar project could be considered on the same level as a US\$50,000 project or whether proposals from countries would be measured according to the amount of funding being requested. He proposed that the number of projects submitted per country should be viewed as a function of the funding being requested. Mr. Carrasco reiterated that Producer Countries spent large sums of money in the formulation of project proposals and when such proposals were approved but not funded the proponents become disillusioned and discouraged.
113. Ms. Rócia Silva Oliveira (Brazil) stated that it was important that projects, fellowships, policy work and other activities of ITTO were integrated in order to assist countries to implement their national forestry plans and programmes. She reiterated the importance of the role of focal points and their relationships with executing agencies. Ms. Oliviera proposed that a pragmatic approach should be adopted for the validation of the manuals. She proposed that the manuals could be approved and validated after a certain period to see the effect of the various changes that were introduced. She also supported the proposal by the delegation of Indonesia that experiences gained in ex-post evaluations be integrated with experiences gained in project monitoring within countries. Ms. Oliviera stated that the limitation on the submission of project proposal would force countries with large forest areas to formulate very large projects. She proposed that in appraising projects the Expert Panel should take into consideration the diversity among countries, to prevent a situation whereby the Organization would be of less interest to some countries.

114. The Executive Director noted the importance of the work and recognized the complexity of the task. He expressed his appreciation to all the Members who actively participated in the revision of the manuals. He proposed that the Council should request Members to undertake more in-depth study of the manuals and submit their comments to the Secretariat by 31 March 2007. He informed the Council that there were still funds available under the activity to engage experts to produce more user-friendly documents, if this became necessary. He stated that the revised documents could then be presented to the Council at its Forty-third Session in November 2007. He said that this could be done in parallel with the proposal put forward by Switzerland to formulate model project proposals using the revised manuals and the results would feed into the revision process of the manuals.
115. Ms. Jennifer Conje (U.S.A.) concurred with the proposal put forward by the Executive Director.
116. Mr. Daniel Birchmeier (Switzerland) wondered whether the submission of further comments would provide the solutions for the revision of the manuals since the Council had held several discussions, and a validation workshop had been conducted on the draft revised manuals. He urged the Council to move a step forward through the practical testing of the revised manuals. On the other hand, if the Council felt that it was too early to undertake a practical testing of the revised manuals then Switzerland was ready to withdraw its proposal in order not to complicate the issue further.
117. The Executive Director provided clarification on his earlier proposal and was supported by the delegation of Switzerland.
118. Ms. Aulikki Kauppila (Finland) on behalf of the European Community supported the proposal made by the Executive Director.
119. The Chairperson thanked the Executive Director for providing advice to the Council on how to proceed and that the Council would not need to adopt a formal Decision. The Council approved the proposal.

MATTERS RELATED TO ARTICLE 16 OF ITTA, 1994 (Agenda Item 17)

120. The Chairperson recalled that at its Fortieth Session in Meridá, Mexico, the Council decided that delegations requesting amendments to the Annex to ITTC Decision 3(XXV) titled "The Selection Procedures for an Executive Director" should provide the Council with specific texts. The Council also decided that member countries wishing to propose amendments should make such amendments available to the Council on the first day of the Forty-first Session and that the Council would only consider amendments related to the revision of the job description of the Executive Director and the composition of the Selection Panel. He invited comments from the Council.
121. Dr. David Brooks (U.S.A.) proposed a change to the qualifications as contained in the Annex of ITTC Decision 3(XXV). He stated that the US proposal was related to the consideration of the performance of the Executive Director under the ITTA, 2006, taking into account the features of the new Agreement and the opportunities and challenges it presented. He made the following proposal:
 1. Qualifications
 1. Professional Experience
Insert (ii bis): Fund raising experience – demonstrated ability to secure grants or raise funds from sources relevant to the work of ITTO.
122. H.E. Amb. Mochamad Slamet Hidayat (Indonesia) stated that the existing procedures for the selection of the Executive Director were good enough. However, the proposal by the U.S.A. merited the consideration of the Council and therefore would be discussed in the Caucuses. He further indicated that he would make comments on the proposal at the appropriate time.
123. Mr. Enzo Barattini (European Community) referred to the amendments to the procedures for the selection of the Executive Director and the draft Decisions submitted to the Council as contained in the report of the IAG, document ITTC(XLI)/2. He underlined that the proposals deserved careful consideration, first by the Caucuses, because each of those proposals contained elements which deserved to be dealt with in greater detail. He reiterated that the procedures contained in ITTC Decision 3(XXV) Annex should remain unchanged, as far as possible and above all these should not disadvantage any applicant and should remain neutral for all possible candidates. He stated that if potentially any of the proposals could be detrimental to one or the other candidates, the European

Community would want to avoid such a situation. Mr. Barattini reiterated that the proposals should be discussed in the Caucuses. He also referred to the proposal put forward by the United States and indicated that the implications of the proposal were not directly in line with the role of ITTO. However, the European Community was ready to discuss the issue and to evaluate the possible repercussions and the benefits of the proposal.

124. Mr. Zhang Zhongtian (China) referred to the issue regarding the Selection of the Executive Director and stated that the existing procedures under ITTC Decision 3(XXV) Annex should be adhered to and not greatly revised. He indicated that those procedures established under ITTC Decision 3(XXV) Annex were based on extensive discussions by the Council. He also stated that the job descriptions for the post of Executive Director should be in agreement with the requirements and development in the ITTA, especially ITTA, 2006. On the proposals for decisions contained in the report of the IAG, Mr. Zhang underlined the need for careful consideration of those decisions by the Caucuses.
125. The Chairperson informed the Council that the United States' proposal would be tabled at the Chairperson's Open-Ended Drafting Group Meeting. He invited comments from the Council on the procedures.
126. Mr. Luiz César Gasser (Brazil), on behalf of the Producer Group, stated that the proposed amendment by the United States was not necessary. He indicated that the Producers would hold this position if the amendment was brought before the "Chairperson's Open-Ended Drafting Group Meeting".
127. Dr. David Brooks (U.S.A.) sought further clarification on the basis for the rejection of the United States' proposed amendment to the Annex to ITTC Decision 3(XXV). He requested to know whether in the opinion of the Producer Group the ability to raise funds by the Executive Director was not necessary or whether that ability could already be accounted for in the Annex to ITTC Decision 3(XXV).
128. Mr. Luiz César Gasser (Brazil) on behalf of the Producer Group stated that the Producer Group had analyzed the Annex to ITTC Decision 3(XXV) and the proposed amendment by the United States and were of the opinion that though the ability to raise funds for the Organization was relevant, it was not necessary to make reference to this ability in the document since it was highly subjective and difficult to measure. Mr. Gasser stated that the previous Executive Directors had shown this ability even though this requirement was not expressed in the Annex to ITTC Decision 3(XXV).
129. The Chairperson deferred further discussions to the Open-Ended Drafting Group Meeting.

ENHANCED COOPERATION BETWEEN ITTO AND CITES FOR RAMIN AND MAHOGANY – DECISION 2(XXXVII) (Agenda item 18)

130. The report of the ITTO Expert Meeting on the Effective Implementation of the Inclusion of ramin (*Gonystylus spp.*) in Appendix II of CITES was presented by Dr. Norini Haron (Malaysia). On behalf of the Government of Malaysia, she expressed gratitude to ITTO for providing financial support for the Expert Meeting. The Expert Meeting was held on 16-19 May 2006 in Kuala Lumpur and was attended by 50 participants from range states, importers, trade, NGOs and Inter-governmental organizations. The Meeting was jointly organized by the: (i) Forest Research Institute Malaysia (FRIM); (ii) Forestry Department, Peninsular Malaysia (FDPM) and (iii) Malaysian Timber Industry Board (MTIB), in collaboration with TRAFFIC. It was hosted by the Ministry of Natural Resources and Environment (MRE), Malaysia. Dr. Norini stated that *Gonystylus spp.* consists of about 31 species. The commercial species of ramin include: *G. affinis*, *G. bancanus*, *G. forbesii*, *G. macrophyllus*, *G. maingayi* and *G. velutinus*. The IUCN assessment indicated that fifteen species of ramin had been classified as vulnerable with the highest concentration in South-East Asia. Ramin was listed in CITES Appendix III in April 2001 with annotation number 1 indicating the inclusion of all parts and derivatives. It was uplisted to CITES Appendix II on 12 January 2005 with annotation number one (all parts and derivatives). This meant that exports of ramin products had to be accompanied by export permits, supported by non-detriment findings and the approval of scientific authorities of exporting countries.

131. The objectives of the meeting were to:

- Exchange experiences in the implementation of the inclusion of ramin (*Gonystylus spp.*) in Appendix II of CITES, including undertaking Non-Detriment Findings (NDF) as well as training in identification and relevant CITES procedures;
- Review recent trade figures and data submitted to CITES, experiences in tracking a full range of products and measurement and reporting issues;
- Identify and examine problems and issues relating to the implementation of the inclusion of ramin in Appendix II of CITES; and
- Recommend follow-up actions for countries, CITES and ITTO to improve the implementation of the inclusion of ramin in Appendix II of CITES.

132. The Expert Meeting made a number of recommendations on:

- (i) Ecological and management status of ramin (*Gonystylus spp.*)
- (ii) Market and international trade;
- (iii) Capacity building for meeting the requirements of CITES Appendix II listing of ramin; and
- (iv) Coordination and cooperation for the effective implementation of the inclusion of ramin in Appendix II of CITES.

133. The recommendations on ecology and management status included:

- Introducing controls on the quantity of *G. bancanus* harvested for each FMU based on appropriate inventory systems;
- Seeking funding for applied biological and ecological research to enhance the commercial aspects of ramin;
- Sharing current methodologies for forest management and inventories used in Indonesia and Malaysia with other range states as appropriate;
- Developing and introducing cost effective reduced impact logging practices for peat swamp forests;
- Establishing a standard methodology for the formulation of Non-Detriment Findings (NDF) for timber species which all relevant CITES Parties could use or refer to;
- Developing artificial regeneration techniques for *G. bancanus* in Indonesia to assist in the rehabilitation of degraded peat swamp forests, and to increase opportunity for bringing ramin under plantation for commercial production; and
- Conducting an inventory of ramin in Sarawak, Malaysia.

134. Recommendations for the market and international trade included:

- Range countries should formally notify the CITES Secretariat on their ramin annual export quotas beginning from 2006 together with an explanation on how the quotas were derived;
- Re-exporting countries should, establish and share information on procedures and methodologies to check that the volumes re-exported do not exceed the volumes of legal ramin imported;
- Management authorities should monitor the quotas against export permits used to date, using the same conversion factor for specific products to roundwood equivalent (RWE) to be compared with ramin log production;
- Management authorities should submit to the CITES Secretariat annual reports using actual export data and not data from permits issued;
- Permits issued should be placed on the Management Authorities' websites so that the authenticity of the permits could be checked on-line by customs in importing countries;
- CITES provisions should be considered in the discussions of the Forest Law Enforcement Governance and Trade (FLEGT) within the European Union, Malaysia and Indonesia and during the negotiations of the EU Voluntary Partnership Agreement (VPA);
- Countries should work together to improve common reporting framework for international trade data to reconcile CITES and customs data sets;
- Countries should enhance chain-of-custody mechanisms and link CITES export permits to the resource management and verification of origin of ramin timber; and

- Countries should improve legislation and establish measures to address policy and management gaps in the Free Trade Zone areas and transshipment procedures with a view to reducing the scope of illegal activities in these areas.

135. Recommendations on capacity building included:

- Translate and adapt timber species identification manuals into various languages;
- Strengthen and coordinate ability to translate policy into action, including cultivating the political will to act and considering mechanisms for transparency and verification;
- Share and make available to all, infractions records for ramin;
- Countries with tools for identification techniques of species share with all Management Authorities and the CITES Plants Committee; and
- Update existing CITES training and other materials, and develop new materials to increase awareness and capacity of staff and personnel of CITES Management and Scientific Authorities, and relevant enforcement agencies.

136. Recommendations on coordination and cooperation included:

- Strengthen enforcement in Indonesia to prevent illegal logging of ramin in the country particularly, in national parks, forest concessions, and peat swamp forests;
- Enhance knowledge and awareness in range states of regulations, ramin trade and enforcement actions at the national, provincial and district levels, especially along the border areas;
- Improve inter-regional communication and cooperation between Management Authorities through direct and regular communications;
- Enhance inter-agency and inter-regional cooperation between stakeholders through better coordination of processes for the sharing of data and experiences and verification of information, including the possible use of pre-export notification protocols; and
- Improve communication and exchange of intelligence information between regional and inter-regional enforcement agencies.

137. Mr. Marcel Vernooij (Netherlands) informed the Council that the 14th Meeting of the Conference of Parties (COP) of CITES would be convened from 2 to 15 June 2007 in the Hague, Netherlands. He noted that the agenda of the 14th Meeting of the Conference of Parties (COP) of CITES contained several crucial items such as the development of guidelines for sustainable use and a variety of measures related to elephants, turtles, fish, orchids and tropical timber. He also informed the Council that the Netherlands had taken the initiative to hold a ministerial roundtable in the middle of the second week of the conference with the theme "Enforcement of CITES regulations with a special focus on timber and marine species". Mr. Vernooij said that it was being envisaged that the Ministerial Roundtable would send a clear message underlining the role of CITES in realizing the UN objectives to significantly reduce the loss of biodiversity by 2010. He extended a cordial invitation to all governments, international organizations, NGOs and the ITTO Secretariat to participate in the meeting.

138. Dr. David Brooks (U.S.A.) underlined the importance of the issue of CITES listing of tropical timber and commended the Secretariat and the delegation of Malaysia for the presentation. He commended ITTO for its foresight, particularly the decision by the Council in 2005 to create a thematic work programme element on CITES in order to enhance cooperation between ITTO and CITES. He noted the significant financial support for this activity which would enable ITTO to continue to help Producer Members to build their capacity to meet the requirements of CITES. Dr. Brooks also noted that many Producer and Consumer Members had shown keen interest in CITES regulations with respect to Mahogany and ramin and urged the Council to ensure that the work under the thematic work programme would progress to the implementation stage prior to the 13th COP meeting of CITES in June 2007 to enable ITTO to demonstrate to the Parties its role in building capacity related to listed timber species. He called on the Council to provide the impetus and guidance to the Secretariat for the implementation of this activity in order that some results would be realized by June 2007. Dr. Brooks also noted the remarks that at the recent CITES Standing Committee meeting, proposals were made by the CITES Secretariat without prior consultation with ITTO that would have significantly affected trade in two important tropical timber species. He indicated that although the proposals were rejected, nevertheless it underscored the importance of the interactions between ITTO and CITES and the consequences that such interactions might have on trade in tropical timber species. Dr. Brooks pledged the United States

preparedness to work with other Members of the Council and the Secretariat in order to move this activity forward.

139. Mr. Enzo Barattini (European Community) commended the Secretariat and the delegation of Malaysia for the presentations. He stated that the presentations were a reflection of the importance that European Community attached to CITES and the recognition that CITES gave to ITTO as well as the mutual interests of the two organizations in protecting forests species. Mr. Barattini said that the European Community places great importance on the relationship between ITTO and CITES and had committed 2.4 million euro for this activity. He reported that a financial agreement to that effect would be signed before the end of 2006 and hoped that the activity would commence by early 2007. He expressed satisfaction with the report of the Expert Meeting and stated that the European Community was in talks with various Asian countries including Indonesia and Malaysia on the issue of illegal logging. He noted that the EC was very advanced with negotiations involving South-East Asian countries and that was a reflection of the importance the EC attached to that problem. Mr. Barattini underlined the need for close collaboration between ITTO and CITES in order to avoid any unilateral initiatives on the part of CITES. He stated that ITTO had taken a decision to cooperate with CITES and indicated that it was time CITES was reminded to cooperate fully with ITTO and information between the two organizations must flow freely. He recognised that the next COP of CITES meeting to be held in the Netherlands was an opportunity to ensure that the effective collaboration between the two organizations was well organized and understood.
140. Ms. Sri Murniningtyas (Indonesia) informed the Council that Indonesia was in the process of developing a new silvicultural technique for plantation ramin. She noted that the development in the technique was still in the early stages and hoped that the development would affect the review of ramin listing in Appendix II of CITES. She informed the Council that a project proposed to this effect had been submitted to the Committee on Reforestation and Forest Management for its approval and funding.

**PROMOTION OF SUSTAINABLE FOREST MANAGEMENT IN THE CONGO BASIN –
DECISION 10(XXXII) (Agenda Item 19)**

(i) Report on the Study on the Achievement of Synergies between the African Timber Organization (ATO) Action Plan on the Further Processing of Tropical Timber in Africa and the COMIFAC Sub-regional Governance Plan

141. The report was presented by Dr. Jean Gérard, consultant. He noted that during the Thirty-eighth Session of the Council the study was approved by the Council as an additional activity to Decision 10(XXXII) on "Promotion of Sustainable Forest Management in the Congo Basin" which was aimed at supporting the implementation of the Regional Convergence Plan by COMIFAC and the 2015 COMIFAC Objective. The main output of the study was the formulation of a project proposal for the development of further processing of timber in Central Africa. The study involved:
- Reviewing recently available literature on the strategic work plan of the African Timber Organization (ATO) and COMIFAC Plan of Convergence;
 - Analyzing of the logical framework matrices of these action plans, more specifically those components dealing with the further processing of timber and related items;
 - Identifying and analyzing of shared and/or convergent features in the two strategic action plans in order to strengthen them;
 - Identifying basic priority actions for the development of a regional project to promote processed products within the strategic activities of the ATO Work Plan;
 - Collecting additional data and field-level information in three of the five ITTO Member Countries in the region;
 - Using the data and information collected to develop a proposed project aimed at promoting further processed products for Members of ITTO COMIFAC countries; and
 - Preparing and conducting a regional technical workshop to present outputs and validation of the project proposal.
142. Ms. Celestine Ntsame-Okwo (Gabon) commended the consultant for the work done. She stated that as the coordinator of COMIFAC, Gabon submitted a proposal to the Thirty-eighth Session of the Council on the two studies that had been presented to the Council. On behalf of the Government of Gabon, she expressed her gratitude to the Council for all the support provided to Gabon and the

other countries within the Congo Basin. She counted on the Council's support in the funding and implementation of the two project proposals.

(ii) Report on the Feasibility Study for the Implementation of the Revised Training Programmes in Forest Management and Forest Concession Management in the Congo Basin

143. The report was presented by Dr. Markku Simula (Finland). He noted that ITTC Decision 10(XXXII) provided support to the Network of Central African Forestry and Environmental Training Institutions (RIFFEAC) and the outcome of the study was the formulation of a project proposal for building the capacities of forestry training institutions members of RIFFEAC. The Network was a platform for about ten (10) educational institutions in seven (7) countries, including five (5) ITTO Member Countries, namely Cameroon, Central African Republic, Congo, Democratic Republic of Congo and Gabon. The objectives of the study were:

- (i) Analyze the work carried out under project PD189/03 Rev.1 (I);
- (ii) Identify and analyze each RIFFEAC member's needs of improving its curricula in forest management based on the reference-training programme developed under project PD189/03 Rev.1 (I) and other on-going relevant initiatives;
- (iii) Assess the financial implication of the implementation of the reference manual for the training programme developed under project PD189/03 Rev.1 (I);
- (iv) Develop a project proposal taking into account the most urgent specific needs of each institution on its training programme in forest management improvement and other on-going relevant initiatives; and
- (v) Organize a regional workshop to discuss and validate the project proposal.

144. Dr. Simula mentioned that the key findings of the study were:

- Training capacity was inadequate and needed improvement in quality. Graduates' skills did not meet the requirements of concessionaires, particularly with regard to social and environmental aspects;
- The reference programme for sustainable forest management of concession was a useful strategic tool to improve and harmonize training but needed further elaboration;
- Potential for specialization and sharing of human resources was not yet tapped but under discussion;
- Basic education and training were a priority but further training was also needed;
- Interface with the private sector was weak, and the partnerships needed formal arrangements;
- External support was not coordinated but already significant and outputs could be shared for improved effectiveness and that the will to cooperate was existing;
- Main needs for support were logistics, infrastructure and teachers' capacity. There were some commonalities but also some differences between institutions; and
- Sustainability of financing needed to be addressed.

FOREST LAW ENFORCEMENT IN THE CONTEXT OF SUSTAINABLE TIMBER PRODUCTION AND TRADE – DECISION 6(XXXI) (Agenda Item 20)

Ecuador's National Strategy for Forest Control and Illegal Logging

145. The report was presented by Mr. Alfredo Carrasco, Under-Secretary of Natural Capital, Ministry of Environment of Ecuador. He noted that the national strategy for forest control and illegal logging was part of a broader strategy with support from ITTO and the Governments of Germany and Switzerland. He presented some background information about the forestry sector of Ecuador. He stated that the natural forests covered an area of 10.9 – 11.4 million ha, representing approximately 42% of the total land area. Indigenous communities' ownership represented about 80% of the native forests while plantations covered an area of 163,000 ha. The national consumption of timber was 3.9 million m³ with 2.9 million m³ from natural forests and 1 million m³ from forest plantations. The rate of deforestation was estimated at 198,000 ha/year.

146. The report stated that the forest monitoring system in Ecuador was weak with limited road control on trafficking of forest products and wildlife. Illegal timber was consequently flooding the domestic markets and, thereby, affecting prices and discouraging efforts towards sustainable forest management and creating negative community perception. The report noted that illegal logging was rampant even in national parks and sponsored by organized groups.

147. The report stated that the Government had refocused on a sustainable forest development strategy involving:
- Sustainable management of native forests to provide raw materials and environmental goods and services;
 - Conservation of natural protected areas and sustainable management of adjacent areas for the well-being of local communities; and
 - Development of afforestation and reforestation on a sustainable basis for production and protection purposes.
148. The report stated that in December 2005 the Government declared a state of forest emergency and mobilized law enforcement teams for the verification of plans and programmes at the Ministry of Environment (MAE) technical offices at the national level and on-site checking. The Government had also designed a national decentralized forest monitoring system at various levels of government including, national, provincial, cities and community governments in the more rural areas. In November 2006, the Government undertook regional dialogues on forest control which were developed under the leadership of the Ministry of Environment through regional and a national workshops with the aim of transferring responsibilities and legal competences from the Ministry of Environment to the communities to monitor the following:
- Compliance with the Forest and Conservation of Natural Resources and Wildlife Law and its current regulations;
 - Fight against illegal logging, timber traffic and traffic of wildlife species; and
 - Safeguarding good management and conservation of the country's forest resources.
149. Mr. Boundjow Sama (Togo) proposed that the illegal forest operators should be considered among the stakeholders in order to lower the level of conflict between the various stakeholders and to re-orient them towards other activities.
150. Ms. Alicia Grimes (U.S.A.) commended the Ministry of Environment of Ecuador and its partners on the emerging plans and related national dialogues which were carried out through a transparent and participatory process. She expressed the United States' satisfaction with the process and pledged support to move the process forward recognizing the crisis that Ecuador was facing and the pressures on the country's vast forest resources to meet the demands of the country's forest industry. She, however, noted that the delegation of authority to the provincial level was a step in the right direction, from the view point of national strategy but there could be challenges in ensuring that the provincial authorities shared similar values with, for example, the national authorities and with the full range of stakeholders. Ms. Grimes stated that she would be interested in receiving some perspective on challenges that might exist in implementing the plans at the provincial level. She noted that the provincial councils would be issuing forest timber harvesting licenses and expressed curiosity as to whether there were thoughts about ensuring that the companies would have the capacity to implement sound forest management. She also stated that given the vast remote areas in Ecuador, she was pleased to note the involvement of communities in forest monitoring. Ms. Grimes indicated that, perhaps, there were some small operators that were extracting forest resources outside of the production areas such as protection forests or indigenous territories and wondered whether the plan would be addressing these difficult challenges. She noted that there were many good lessons in the Ecuador's plan that could be shared with many countries.

ITTO FELLOWSHIP PROGRAMME – DECISION 4(XXVII) (Agenda Item 21)

(a) Progress Report on the ITTO Fellowship Programme

151. The report, as contained in document ITTC(XLI)/15, was presented by Mr. E. Collins Ahadome (ITTO Secretariat). Three hundred and forty-two (342) fellowships amounting to US\$1,945,346.00 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, 29% were awarded to applicants from Africa, 29% from Asia-Pacific, 28% from Latin America, 11% from developing Consumer Member Countries and 3% from developed Consuming Member Countries. Females accounted for 35% of the total awards.

(b) Report of the Fellowship Selection Panel

152. The report was presented by Mr. E. Collins Ahadome (ITTO Secretariat) on behalf of the Chairperson of the Fellowship Selection Panel. The report is contained in document ITTC(XLI)/16. 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-first Session of the ITTC and evaluated a total of seventy-seven (77) applications. In 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-one (21) applications at a total cost of US\$150,100.00.
153. The Council approved the report of the Fellowship Selection Panel.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (Agenda Item 22)

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

154. The Chairperson invited pledges to the Special Account and Bali Partnership Fund.
155. Mr. Marcel Vernooij (Netherlands) informed the Council that a dialogue was on-going between the Government of the Netherlands and the Secretariat on provision of financial support for the thematic programmes. He indicated that it was the firm intention of the Netherlands to endeavour to establish a programme which would enhance Forest Law Enforcement and Governance and Trade (FLEGT). He pledged that the Netherlands would make a substantial contribution to such a programme by 2007-2008. He invited other donors interested in the activity to contribute to the programme. He noted that this was ahead of the formal development of such a thematic programme under the framework of the ITTA, 2006. He urged the Council not to wait for the ITTA, 2006 to enter into force, given the availability of resources for the implementation of the activity. He was confident that the Council would show flexibility in establishing such an activity under the thematic programme taking into account the need to abide by existing rules and regulations. He was also confident that the on-going dialogue with the Secretariat would be successfully concluded before the Forty-second Session of the Council to be held in Port Moresby, Papua New Guinea.
156. Dr. David Brooks (U.S.A.), on behalf of the Government of United States, pledged US\$100,000 to the Bali Partnership Fund Sub-Account B.
157. Mr. Daniel Birchmeier (Switzerland), on behalf of the Government of Switzerland, announced the transfer of US\$150,000 from the Swiss Trust Fund of ITTO to the Bali Partnership Fund Sub-Account B.

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

158. The Chairperson referred to document CFA(XX)/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

159. The report was presented by Mr. James Singh (Guyana), Vice-Chairperson of the Committee on Finance and Administration. The Panel was composed of representatives of Japan, Switzerland, U.S.A., Colombia, Cameroon, India and the Executive Director. The Panel noted that at the end of the Fortieth 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 Secretariat further informed the Panel that since the establishment of the Sub-Account B, the total receipts to-date amounted to US\$16.52 million of which US\$13.77 million was from interest earned and the balance of US\$2.75 million was from donors' contributions. The Panel also noted that the current funds available in the "Unearmarked Fund" would amount to US\$976,153.73 after taking into account the total allocations of US\$8.95 million, including those for the Work Programme for 2006-2007, made at the previous Sessions held from November 2003 to November 2005. The Panel noted that the total available funds at the Session amount to US\$1,335,517.37 (BPF B US\$359,363.66 and Special Account – Unearmarked Fund US\$976,153.73) after taking into account the additional pledges of the Governments of Switzerland and the United States of America at the

current Session, amounting to US\$150,000.00 and US\$100,000.00 respectively. The Panel recommended that the financing limit from the available resources at the Forty-first Session of the Council should not exceed US\$300,000.00. 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:

PP-A/39-162 Cooperation with CITES – Improve capacity of Members to implement CITES listings of timber species [ITTO Budget – US\$750,000.000]. Partial funding of US\$190,000.00

PP-A/39-165 Intersessional Working Group on Thematic Programmes [Decision 2(XXXIX) paragraph 2 item (vi)] US\$110,000.00

160. Mr. Enzo Barattini (European Community) indicated that the Consumer Group was of the opinion that the Intersessional Working Group on the Thematic Programmes would be financed from the Working Capital Account and sought clarification on the funding of this activity.
161. The Executive Director stated that the Panel on the Sub-Account B of the BPF did not have the privilege of that information and given the importance of the Thematic Programmes with regard to meeting the objectives of the Organization the Panel decided to recommend the financing of the activity. He, however, acknowledged that it was up to the Council to decide on the source of finance for the activity.
162. The Council decided that the financing of the Inter-sessional Working Group on the Thematic Programmes should be from the resources of the Working Capital Account of the Administrative Account. The report was approved with this amendment..

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

163. Dr. James Gasana (Switzerland), Chairperson of the Committee on Economic Information and Market Intelligence presented the report of the Committee as contained in document CEM-CFI(XXXIX)/8. The Committee met in joint session with the Committee on Forest Industry.
164. The Committee considered the completion reports on two projects PD47/98 Rev.2 (M) "Establishing a Data Collection and Dissemination System on a Sustainable Basis for Timber Marketing Statistics in Cameroon" and PD203/03 Rev.3 (M) "Systematization and Modeling of Economic and Technical Information to Train Professionals Related to the Production, Processing and Marketing of Timber Products" (Colombia) and duly declared them complete. The Committee also considered the report of an ex-post evaluation carried out on project PD74/01 Rev.1 (M) "Development and Implementation of Guidelines to Control Illegal Logging for Sustainable Forest Management in Indonesia" and received oral reports from the Secretariat on the progress in the implementation of the ex-post evaluation of five (5) completed projects. The Committee also reviewed the implementation status of sixteen (16) projects, seven (7) pre-projects and one (1) activity.
165. 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) Market Study on Tropical Plantation Timber Products [PP-A/35-138]; (v) ITTO Annual Market Discussion – 2007; (vi) Review of the Timber Market in Two Significant Tropical Timber Importing Countries [PP-A/36-149]; (vii) Studies on Subsidies Affecting Tropical Timber Products; (viii) Auditing of Existing Tracking Systems in Tropical Forest Industries; (ix) Forest Law Enforcement and Illegal Trade in Timber and Timber Products; (x) Enhancement of Statistical Work and Training Workshops on Statistics; (xi) Monitoring Progress Being Made regarding the Comparability and Equivalence of Certification Systems; and (xii) Economic Valuation of the Forest Sector with Particular Reference to the Amazon Basin.
166. The Committee recommended that the Council approve and fund three (3) new projects and three (3) pre-projects approved at earlier Sessions.
167. The Committee elected Ms. Chantal Adingra (Côte d'Ivoire) and Mr. Brian Woodward (U.S.A.) as Chairperson and Vice-Chairperson respectively for 2007.

168. The report of the Committee was approved by the Council. The full report is contained in Annex V.
169. The report of the Committee on Reforestation and Forest Management was presented by Dr. Petrus Gunarso (Indonesia), Chairperson of the Committee. The report is contained in document CRF(XXXIX)/10 Rev.1. The Committee considered the reports of eight (8) completed projects and one completed pre-project. The final financial audit reports of four (4) of these projects had been submitted to the Secretariat and the projects were duly declared complete by the Committee while four (4) other 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 their final financial reports to the Secretariat prior to the Fortieth Session of the Committee. The Committee also considered the ex-post evaluation reports of two groups of eleven (11) projects selected by the Committee at its Thirty-eighth Session. The Committee decided to select further projects for ex-post evaluation during the Thirty-ninth session of the Committee based on an updated short list of completed projects to be prepared by the Secretariat. The Committee on Reforestation and Forest Management took note of the status report on one hundred and eight (108) projects in the field of Reforestation and Forest Management, that had been approved by the Council and which were either: a) in the process of implementation (68); b) awaiting the signing of an agreement (12); c) awaiting financing (22); or d) falling under the sunset provision since the last Session (6). The Committee limited its discussions to projects:
- Having implementation problems;
 - Requiring additional funds;
 - Requesting extension in time of more than 6 months beyond the original duration of the project; or
 - Requesting essential major modifications of work plan and budget.
170. On policy work, the Committee on Reforestation and Forest Management considered the following matters: (i) Review and Update of the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests; (ii) The Promotion of the ITTO Guidelines for the Management, Restoration and Rehabilitation of Degraded Secondary Tropical Forests; (iii) Monitor and Assess the Environmental, Social and Economic Costs and Benefits of Forest Plantation Development and Utilize the Information to Promote New Plantations; and (iv) Contribute Appropriately to National and International Efforts in the Area of Prevention and Management of Fire in Relation to Tropical Timber-Producing Forests (Colombia, Philippines and Peru).
171. The Committee recommended to the Council to approve and fund four (4) new projects and three (3) new pre-projects.
172. The Committee elected Dr. Flip van Helden (Netherlands) and Mr. Alfredo Carrasco Valdivieso (Ecuador) as Chairperson and Vice-Chairperson respectively for 2007.
173. The report of the Committee was approved by the Council. The full report is contained in Annex V.
174. Dr. Jung-Hwan Park (Republic of Korea), Chairperson of the Committee on Forest Industry presented the report of the Committee as contained in document CEM-CFI(XXXIX)/8. The Committee met in joint session with the Committee on Economic Information and Market Intelligence.
175. The Committee considered the completion reports of five (5) projects and duly declared them complete. The Committee further noted that the final financial audit reports of two (2) completed projects had not yet been submitted to the Secretariat and requested the Executing Agencies of these two projects: PD12/98 Rev.2 (I) "Manpower Development for the Ghana Wood Industry Training Center (WITC)" and PD110/01 Rev.4 (I) "Programme to Facilitate and Promote Adoption of Reduced Impact Logging (RIL) in Indonesia and the Asia Pacific Region" to submit the final audited financial statements to the Secretariat. The Committee declared the two projects complete subject to the receipt of these documents. The Committee also received oral presentations from the Secretariat on progress in the implementation of the ex-post evaluation on seven (7) completed projects. The Committee noted that in some cases, the consultants had been identified whilst for the others the Secretariat was in the process of identifying the consultant(s). The Committee selected two completed projects for ex-post evaluation. The Committee on Forest Industry reviewed the status of projects which were: a) under implementation (35); b) pending agreement (3); or c) pending finance (13).

176. On policy work, the Committee on Forest Industry considered the following issues: (i) Promotion of Wood-based Bio-energy Using Wood Residues and Wastes in Tropical Countries; (ii) Promotion of Private Investment through Facilitating Information Exchange on Investment Opportunities – Convening of Investment Promotion Forum/Seminar; (iii) Assessing Opportunities for and Promoting Development of Non-Timber Forest Products and Forest Services which can Improve the Economic Attractiveness of Maintaining the Forest Resource Base; (iv) International Conference on the Transportation of Timber Products; and (v) Discussion on a Proposal for a Global Review of Lessons Learned by ITTO from Projects and Programmes dealing with the Promotion of Community-based Forest Enterprises.
177. The Committee on Forest Industry recommended to the Council to approve and fund seven (7) new projects and two (2) new pre-projects. The Committee also recommended to the Council that funding be made available for ten (10) projects and three (3) pre-projects approved at earlier Sessions.
178. The Committee elected Mr. Dani Pitoyo (Indonesia) and Dr. Jürgen Blaser (Switzerland) as Chairperson and Vice-Chairperson respectively for 2007.
179. The report of the Committee was approved by the Council. The full report is contained in Annex V.
180. Mr. James Singh (Guyana), Vice-Chairperson of the Committee on Finance and Administration presented the report of the Committee as contained in document CFA(XX)/6 Rev.1. The CFA noted that the Biennial Administrative Budget for the Financial Years 2006-2007 had already been approved by the Council at its Thirty-ninth Session held in Yokohama in November 2005. The CFA further noted that the Indicative Administrative Budget for 2007 had been revised to take account of the actual costs of the current number of staff which had changed slightly, and, therefore, resulted in a slight decrease of US\$132,905 against the approved amount (US\$5,556,075) in the budget for 2007 that was approved in November 2005. The Committee recommended to the Council the approval of the Administrative Budget for the Financial Year 2007 in the amount of US\$5,460,138. The approved budget for 2007 would be increased by US\$92,862 to take account of the discount to be granted to Members for prompt payment of their contributions in 2006. The Committee reviewed the contributions of Members to the Administrative Budgets and noted that in 2006, an amount of US\$1,344,596.70 had been received from Producing Members out of the total net assessment of US\$2,669,296.00 and an amount of US\$2,539,210.20 had been received from Consuming Members out of the net assessment of US\$2,624,935.00. The Committee urged all Members to settle their arrears promptly. The Committee also received the status report of the Administrative Account and noted that the current balance of the Working Capital Account amount to US\$2,441,468.56. The Committee recalled Council Decision 2(XXXIV) which requested the Executive Director to review the status of the Working Capital Account and report to Council should the balance fall below US\$2,500,000 at any time and noted that the current balance of the WCA was US\$58,539.44 less than US\$2.5 million level.
181. The Committee on Finance and Administration discussed the issue of financing of the position of the two ITTO regional officers for Africa and Latin America and recommended to the Council the continued financing of the two positions from the Programme Support Component of the Special Account.
182. The Committee elected Mr. James Singh (Guyana) and Mr. Marcel Vernooij (the Netherlands) as Chairperson and Vice-Chairperson respectively for 2007.
183. The report of the Committee was approved by the Council. The full report is contained in Annex V.

ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON OF THE COUNCIL FOR 2007 (Agenda Item 24)

184. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group, nominated Amb. Luiz Macchiavello Amoroz (Peru) as the Chairperson of the Council for 2007.
185. Mr. Luiz César Gasser (Brazil), on behalf of the Producer Group, nominated Ms. Katharina Kueymayer (Austria) as the Vice-Chairperson of the Council for 2007.
186. The Council unanimously approved both nominations.

DATES AND VENUES OF THE FORTY-SECOND, FORTY-THIRD AND FORTY-FOURTH SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 25)

187. The Chairperson recalled that prior to the Forty-first Session of the Council, the Executive Director had written to Member Countries informing them of the substantial financial deficit for the holding of the Forty-second Session of the Council and requesting donor Member Countries to make financial contributions towards the holding of the Forty-second Session. He also recalled the statement by the delegation of Papua New Guinea at the Opening of the Forty-first Session that preparations for the holding of the Forty-second Session were on course. He invited the delegation of PNG to inform the Council on the financial situation for the holding of the Forty-second Session in order to facilitate consultations among donor countries.
188. H.E. Mr. Michael Maue (Papua New Guinea) recalled his statement to the Council at the Opening of the Forty-first Session that the Government of PNG was ready to host the Forty-second Session and to fund the internal cost of hosting the meeting, and looked forward to the support of donor countries to fund the external cost associated with the hosting of the Session. He reported that after the Fortieth Session, pursuant to the decision of the Council, the Government of PNG had gone ahead and committed resources to host the Forty-second Session. He noted that for all previous Spring Sessions of the Council donors, in particular the Government of Japan, had gladly funded the external component. He acknowledged, however, that Japan had taken the decision not to fund such cost any longer and appealed to the Council to consider the funding of the external cost. H.E. Mr. Maue informed the Council that the external costs would amount to approximately US\$343,000 comprising translation and documentation, ITTO Secretariat travel cost, interpretation, etc.
189. Mr. Luiz César Gasser (Brazil), on behalf of the Producer Group, reinforced the statement made by the delegation of PNG and the expectation of the Producer Group that the financial support for the holding of the Forty-second Session of the Council would be forthcoming from donor countries.
190. Mr. James Singh (Guyana), Chairperson of the Committee on Finance and Administration, briefed the Council on the issue of securing financing for the external costs of hosting the Forty-second Session of the Council in Port Moresby, Papua New Guinea which was discussed at the CFA meeting. He noted with appreciation the pledge by the Government of Japan to meet the external cost associated with the hosting of the Forty-second Session on the condition that: (i) the Government of Japan's pledge should not be interpreted as a precedent but only as an exceptional gesture to meet the shortfall; and (ii) that ITTO would put in place a mechanism to secure funding for future Sessions of the Council as needed.
191. H.E. Mr. Michael Maue (Papua New Guinea), on behalf of the Government of PNG, extended sincere appreciation and gratitude to Japan for the pledge. He assured the Council that the PNG would proceed with preparations for the hosting of the Session and looked forward to welcoming all delegates to the Session in May 2007.
192. Mr. Luiz César Gasser (Brazil) on behalf of the Producer Group expressed sincere gratitude to the Government of Japan for the pledge to provide financial support for the holding of the Forty-second Session in Papua New Guinea (PNG) in May 2007. He stressed that the Council was at a crucial moment and that Producers would need to have indications that the next ITTA would be enforced in a new atmosphere and consequently the issue of finance was crucial. He highlighted that the decision by Japan to provide financial support towards the hosting of the Forty-second Session had sent a positive signal to Producer Member Countries.
193. The Chairperson invited the Council to confirm the dates and venues of the Forty-second Session proposed to be held in Port Moresby, Papua New Guinea from 8 to 12 May 2007 and the Forty-third Session scheduled in Yokohama, Japan from 5 to 10 November 2007.
194. Mr. Dike Kari (Papua New Guinea) proposed that the Forty-second Session of the Council should be held from 7 to 12 May 2007 in Port Moresby, Papua New Guinea.
195. Mr. Hideo Fukushima (Japan) confirmed that the Forty-third Session of the ITTC would be held from 5 to 10 November 2007, in Yokohama, Japan

196. Ms. Celestine Ntsame-Okwo (Gabon) stated that within the framework of the rotation of the venue of the Council Sessions among the three Producer regions, the Forty-fourth Session of the Council should be held in a Member Country in Africa.
197. The Chairperson recalled that at the Fortieth Session of the Council held in Meridá, Mexico, the Council decided that the dates of the Forty-second Session to be held in Port Moresby, Papua New Guinea was 8 to 12 May 2007. He reminded Members that the proposal by the delegation of Papua New Guinea involved an extension of one day, which might have financial implications.
198. Mr. Enzo Barattini (European Community) requested to know the reason behind the proposed one day extension before the Council could take a decision on the extension.
199. Amb. Aiwa Oimi (Papua New Guinea) stated that the one day extension would give delegates the opportunity for a field visit.
200. Dr. David Brooks (U.S.A.) sought further clarification on the financial implications for the one day extension.
201. Mr. Enzo Barattini (European Community) expressed appreciation to the delegation of Papua New Guinea for the proposal to extend the Forty-second Session of the Council by one day to give delegates the opportunity for a field visit. He proposed that the field visit should be scheduled at the end of the Session in order to make the participation of delegates optional. In his opinion the extension should not entail additional cost and sought further details from the delegation of Papua New Guinea.
202. Mr. Daniel Birchmeier (Switzerland) expressed gratitude to the Government of Papua New Guinea for the invitation to visit areas relevant to the work of ITTO. He referred to the Fortieth Session of the Council held in Meridá, Mexico where the field trip was organized at the end of the Council Session and proposed that similar arrangement could be made for the Forty-second Session in Papua New Guinea.
203. Amb. Aiwa Oimi (Papua New Guinea) stated that in keeping with the traditions of ITTO, the internal costs associated with the hosting of the ITTC Session would be borne by the Government of Papua New Guinea. He indicated that the Government would be willing to make logistical arrangements for delegations who would want to make a field trip at the end of the Session. However, the Government would in the course of the session organize a day field trip which would take delegates out of the Capital.
204. Mr. Andrew Wilson (Australia) believed that the Government of Papua New Guinea had made a generous offer to the Council by giving delegates the opportunity to see the beautiful country, the dynamic forestry activities and the field activities related to the Decisions of the Council. He urged the Council not to miss the opportunity offered and that the cost implications could be looked at in many creative ways. He reiterated that there would be considerable benefits to Council Members in accepting the offer and encouraged the Council to accept the offer.
205. Mr. Hideo Fukushima (Japan) welcomed the clarification given by the delegate of Papua New Guinea. He also welcomed the proposal and noted that the estimated cost for the holding of the Forty-second Session would be maintained and any additional cost would be absorbed in the original budget.
206. Dato' Dr. B.C.Y. Freezailah (Malaysia) concurred with the position expressed by the delegation of Australia. He stated that the Council should not miss the opportunity to take up the generous offer made by the Government of Papua New Guinea. He noted that the Forty-second Session of the Council in Port Moresby, Papua New Guinea would be the first time that the Council Session would be held in the Pacific region. He indicated that the forest ownership system in Papua New Guinea was very unique and would expose delegations to a new experience in forest management and related issues on forest industry development. He urged the Council to accept the proposal for the one-day extension of the Forty-second Session.
207. In his concluding remarks, the Chairperson stated that since the one day extension would not have any cost implications on the original budget the Council could approve the proposal for the extension. He thanked the Government of Papua New Guinea for the generous offer. The Council, therefore,

approved that the Forty-second Session of the ITTC would be held from 7 to 12 May 2007, in Port Moresby, Papua New Guinea.

208. Mr. E.O. Nsenkyire (Ghana) stated that the African Group had followed with keen interest the debate and difficulties that the Council had gone through in reaching agreement on the venue for the Forty-second Session in Papua New Guinea. He underscored that the decision by the Council to convene the Forty-second Session in Papua New Guinea was in the interest of the future of the Organization. Mr. Nsenkyire emphasised that the spring Session in Producer Member Countries offered the Council the opportunities to experience tropical forestry and thereby bringing ITTO closer to the people whose interest the Organization was seeking in all its deliberations. He also stressed that the spring meetings had allowed ITTO to be visible in Producing Member Countries and had offered Producers the opportunities to share experiences while offering Consumers the opportunities to better appreciate the challenges of Producing Member Countries. He informed the Council that the African Group had been in consultation regarding the hosting of the Forty-fourth Session of the Council and that in line with the spirit and unwritten rules of rotation it should be the turn of Africa to provide a venue for Forty-fourth Session of the Council. He stated that consultations were on-going within the African Group and the Producer Caucus for the selection of a venue for the Forty-fourth Session of the Council. He hoped that the venue would be formally announced during the Forty-second Session in Papua New Guinea and underlined the eagerness of African Member Countries to host the Forty-fourth Session and hoped that the Council would provide the necessary support and encouragement.
209. Mr. Daniel Birchmeier (Switzerland) expressed his gratitude to the African Group for the offer to host the Forty-fourth Session of the Council. He stated that the Council should take up the issue during the Forty-second Session in Papua New Guinea.
210. Mr. Hideo Fukushima (Japan) expressed his appreciation to the delegation of Ghana for the offer to host the Forty-fourth Session of the Council in an African Member Country in the spring of 2008. He proposed that the Council should further discuss the issue during the Forty-second Session in Papua New Guinea. He recalled earlier deliberations on the issue of frequency and duration of Council Sessions and hoped that the relevant financial implications would be taken into consideration during the discussion and the eventual decision of the Council.
211. Mr. Luiz César Gasser (Brazil), on behalf of the Producer Group, expressed support for the proposal to convene the Forty-fourth Session of the Council in an African Member Country and proposed that the issue should be placed on the Agenda of the Forty-second Session of the Council in Papua New Guinea.
212. In his concluding remarks, the Chairperson stated that the issue would be further discussed during the Forty-second Session of the Council in Papua New Guinea.

OTHER BUSINESS (Agenda Item 26)

Statement by Civil Society Advisory Group (CSAG)

213. The statement was presented by Mr. Yati Bun, Executive Director, Foundation for People and Community Development, Papua New Guinea. The CSAG noted that the Forty-first Session of the Council was taking place during an important moment in the history and evolution of the ITTC-between the possibilities presented by the new Agreement and the realities of declining contributions by Consumer Governments and the limited effectiveness of the current Agreement. The CSAG further noted that after more than 15 years of intervention by ITTO, the percentage of tropical forest managed sustainably remained less than six percent, and underlined that the limited impacts on stated goals of ITTO as well as the diminishing investments all suggested declining relevance and attractiveness of ITTO to national leaders and the broader global community. The statement recalled the CSAG side-event at the Forty-first Session of the ITTC and indicated that the side-event reviewed the empirical evidence showing that significant progress on forest governance was required not only for achieving sustainable forestry but also for making progress on key issues widely accepted to be global priorities, notably, achieving national and global goals on poverty alleviation, mitigating climate change and reducing violent conflicts in forest areas. The side-event also presented the challenge of addressing forest governance as a complicated political undertaking in which each nation needed to chart its own course – but one nonetheless that the ITTC would need to prioritize to both improve its performance in achieving its own goals and to increase its relevance to

the broader global community. The CSAG proposed that the next Executive Director should have competence in governance issues, as well as other global priorities in order to effectively lead ITTO. The side-event also highlighted the significant movement on tenure and regulatory reforms in some Member Countries, including China, Brazil and Indonesia and recommended that the Council should facilitate the sharing of these experiences among Member Governments.

214. The CSAG noted the growing number of projects that directly involved, or impacted, local communities and recommended to the Council the development of a Thematic Programme focusing on community forestry and enterprises to rationalize and strengthen ITTO work in this growing area. The CSAG further proposed that the Council should include these themes in the 2008-2009 Biennial Work Programme.
215. The CSAG outlined the following issues and recommendations for the consideration of the Council:
- A global review of forest tenure transitions and assessment of implications for conservation, production, trade and livelihoods;
 - An independent review of ITTO portfolio of projects directly relevant to communities to identify new guidelines and evaluation criteria to ensure that: (i) all projects respected local rights and do no harm; (ii) contribute to poverty alleviation, sustainable development; and (iii) the opinions and recommendations of local people were fairly represented in the design, implementation and evaluation of such projects;
 - The replenishment of the "Private and Civil Society Partnership" fund to finance small-scale projects, as well as beginning the design of a new funding window to support initiatives led by community organizations;
 - Conducting capacity building workshops and networking activities for civil society organizations corresponding to the new guidelines and funding; and
 - Requested the ITTC to make provision for a CSAG side-event during the Forty-second Session of the ITTC in Papua New Guinea.

Statement by the Trade Advisory Group (TAG)

216. The statement was presented by Ms. Siti Syaliza Mustapha (Malaysia). The TAG recalled its statement at the Fortieth Session of the ITTC in Meridá, Mexico, expressing concern on the lack of harmonization in import requirement standards and reiterated the need for ITTO to work together with trade and other international organizations to harmonize standards in order to facilitate trade in tropical timber. The TAG further called for the need to accelerate the process of mutual recognition among the existing forest certification schemes and noted that the lack of harmonization in import requirement standards and the proliferation of certification schemes were creating difficulties in the international trade, particularly the tropical timber trade. TAG also noted the introduction of CE marking for sawnwood with effect from 1 September 2007 and stated that the requirement would have a strong effect on future consumption of tropical timber in Europe and was likely to become a trade barrier for most tropical timber producing countries because the:

- (i) larger variety of tropical timber species as compared to temperate species would imply the need for extensive and expensive testing work;
- (ii) new requirement would limit the introduction of lesser known species in the market; and
- (iii) requirement that testing would only be carried out by laboratories recognized by the EU.

TAG noted that the introduction of the CE marking for sawnwood would add new costs to tropical timber producers, act as market barrier and further reduce the competitiveness of tropical timber products in the market. The statement noted that the CE marking for sawnwood, as applied to plywood, would have a stronger effect on small and medium sized companies in view of the technical and financial limitations. TAG urged importing countries to reduce barriers to tropical timber trade and improve the efficiency of systems, especially proper enforcement. It noted that failures in the enforcement of such systems tended to create more market distortions, thereby affecting trade. TAG called on ITTO to study these systems in more detail and identify mechanisms to reduce discrimination against tropical timber products in the market. It also urged ITTO to support tropical timber producers in achieving the standards required by assisting countries to establish testing facilities as well as independent certification schemes for timber products.

217. TAG noted the growing importance of forest plantations and urged ITTO to do more work on production and trade in plantation timber. It stated that plantations would open new perspectives for

tropical countries and called on ITTO to assist countries in order to ensure that investments in the plantations would be beneficial to these countries in the future since investments in productive and high quality plantations required technology and human resources not available in several tropical countries.

218. TAG announced that the theme for the ITTO Annual Market Discussion 2007 would be "Trade in Secondary Processed Wood Products: Trends and Perspectives".

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

219. The statement was presented by Dr. Wulf Killmann, Director, Forest Products Division of the Forestry Department on behalf of the Mr. Jan Heino, Assistant Director General of the Forestry Department. He commended ITTO for addressing the numerous important issues confronting the world's tropical forests. He noted the increasing collaboration between ITTO and FAO in supporting Member Countries in their efforts towards more sustainable management and use of their forest resources and commended the Executive Director, Dr. Manoel Sobral Filho and the staff of the Secretariat for making the collaboration a success story. The statement said for the first time ITTO and FAO had aligned their biennial work programmes for 2006-2007, to complement each other and make better use of synergies. It highlighted some of the recent collaborative activities between the two organizations. He noted that for many years ITTO and FAO together with other partners had been compiling and reporting data and information on forest products production, consumption and trade. The statement noted that in October 2006, FAO and ITTO jointly conducted a regional workshop in Santiago, Chile to strengthen the forest products information network of Spanish-speaking countries in Latin America. The two organizations had recently together with representatives from governments, NGOs and the private sector, developed the Planted Forest Code, the second draft of which was expected to be circulated by the end of 2006. The statement also acknowledged ITTO's contribution to the UNECE market discussion held in Geneva in October 2006, as well as to the UNECE/FAO Policy Forum on Public Procurement Policies, held in October 2006 in Geneva. It further acknowledged with gratitude ITTO's important financial and organizational support to two meetings jointly organized by FAO and ITTO in the Asia-Pacific region, together with other partners: (i) the Yogyakarta Workshop on Forest Governance and Decentralization (4-6 September 2006); and (ii) the International Conference on Managing Forests for Poverty Reduction, convened in Hochi Minh City, Vietnam (3-6 October 2006).
220. The statement noted that forest law enforcement had become a critical issue on the international agenda and reported that in August 2006, ITTO and FAO, together with other partners, jointly conducted a workshop on forest law enforcement for the Amazon region, where the options for practical solutions as reflected in the joint ITTO/FAO publication on "Best Practices for Improving Law Compliance in the Forest Sector" were discussed. Dr. Killmann announced that follow-up regional workshops would be held in Central Africa and South East Asia and stated that the two organizations would continue to strengthen their collaboration in the field of non-wood forest products and were planning joint workshops on non-wood forest products and rattan.
221. The statement noted ITTO's membership of the FRA advisory group and commended ITTO's support to FAO on monitoring, assessment and reporting on global forest resources. Dr. Killmann indicated that the two organizations would strive to make best use of their synergies and pool scarce resources to collaborate more closely on forest-related reporting. He also noted ITTO's commitment to providing strong support and collaboration to the next Asia-Pacific Forestry Sector Outlook Study, including support for country outlook studies in ITTO Member Countries and for sub-regional consultations.
222. The statement commended ITTO's role as one of the founding and most active members of the Collaborative Partnership on Forests (CPF) and noted that within the limits of available resources, the CPF had responded positively to countries' requests made at the UNFF and other fora. He stated the expressed commitment of CPF members to support a strong international arrangement on forests, which in essence meant supporting countries in their efforts to improve management of forests and forest-based sustainable development. The statement expressed FAO's sincere appreciation to Dr. Sobral for ITTO's strong commitment and tangible inputs into the work of the CPF and hoped that the Council would continue to support this valuable contribution. Dr. Killmann extended a cordial invitation to all delegates to attend the next COFO meeting to be held in March 2007.

DECISIONS AND REPORT OF THE SESSION (Agenda Item 27)

223. Pursuant to Council Decision 7(XXXIII) the Chairperson informed the Council of the following topics that the Council would consider for decisions:

- (i) Extension of the ITTA, 1994;
- (ii) Matters Related to Article 16;
- (iii) Support for the Development of Approaches to Reduce Greenhouse Gas Emissions from Tropical Deforestation and Tropical Forest Degradation;
- (iv) Relief from Obligations from Liberia pursuant to Article 33 of the ITTA, 1994; and
- (v) Participation of ITTO in the Coalition against Wildlife Trafficking (CAWT).

224. The Chairperson recalled the Council's discussions at its Fortieth Session on the proposal for Decision submitted by the United States of America on "The Participation of ITTO in the Coalition against Wildlife Trafficking". He recalled that the Council decided to resume consideration of the proposal at its Forty-first Session in the light of additional information relating to illegal trade in wildlife from tropical forests to be provided by the Secretariat. Dr. Steven Johnson (ITTO Secretariat) presented the information as contained in document ITTC(XLI)/18.

225. Dr. Johnson noted that the document was largely based on a report commissioned by the Secretariat entitled "An Outline of Wildlife Trade in Relation to Tropical Forests and Timber Extraction" compiled by Peter van Dijk of Conservation International. The report focused on:

- (i) the extent and nature of wildlife trafficking particularly from tropical timber producing forests;
- (ii) work of the Coalition Against Wildlife Trafficking (CAWT), including relevant work of its most active partners; and
- (iii) past work of ITTO on/or having a bearing on trafficking on wildlife from tropical forests.

The report stated:

- (i) that wildlife trade and trafficking provided access to biological resources, important for food, materials, medicine, etc but was a significant threat to global biodiversity
- (ii) tropical forests are an important source areas for wildlife trade;
- (iii) there were clear links and synergies between logging and wildlife trade activities in tropical forests; and
- (iv) Illegal international wildlife trade is estimated to be worth billions of dollars, but estimates were imprecise due to lack of access to up-to-date national trade data as well as lack of resolution within trade data to separate wildlife trade from trade in other commodities.

226. The report listed the following organizations whose activities address illegal wildlife trade:

- The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- The Convention on Biological Diversity;
- ASEAN Wildlife Trade Initiative;
- International and National NGOs;
- Forest Certification schemes; and
- The Coalition Against Wildlife Trafficking (CAWT)

227. The CAWT was launched in September 2005 with the following objectives:

- Improve wildlife law enforcement, especially through regional networks; and
- Raise awareness of the impacts of wildlife trafficking.

Current CAWT partners include India, U.K., U.S.A., the American Forest and Paper Association, Cheetah Conservation Fund, Conservation International, Humane Society International, International Fund for Animal Welfare, Save the Tiger Fund, Smithsonian Institution, TRAFFIC International, Wild Aid, Wildlife Conservation Society, World Conservation Union (IUCN) and World Wide Fund for Nature (WWF).

228. Regarding the activities of ITTO relevant to the objectives of the CAWT, the report cited the ITTO Guidelines on the Conservation of Biological Diversity in Tropical Production Forests and the ITTO

Criteria and Indicators for the Sustainable Management of Tropical Forests and further listed seventeen ITTO projects related to wildlife trade. Notable among the projects were the transboundary conservation projects totaling approximately 9.9 million hectares.

229. Mr. Luiz César Gasser (Brazil) thanked the Secretariat for the report. He indicated that as a matter of procedure, he would have preferred to receive the information from the delegation of the U.S.A. He stated that from his recollection the Council at its Fortieth Session a request was made to the U.S. delegation to provide relevant information on how the activities of the CAWT would fall within the mandate of ITTO. He noted that some of the activities presented in the report were relevant to ITTO but not all of them. He reiterated his call for the delegation of the United States and all interested delegates to maintain an open dialogue on the issue.
230. The Executive Director, in his response to the comment raised by the delegation of Brazil recalled that the Council at its Fortieth Session had instructed the Secretariat to provide additional information on the extent and nature of wildlife trafficking, particularly from tropical timber producing forests and on the work of the Coalition Against Wildlife Trafficking. He reiterated that the Secretariat was not taking any initiative to produce any document to unduly influence the discussions of the Council and that the document had been prepared on the instruction of the Council.
231. The Chairperson stated that the explanation provided by the Executive Director was his understanding and recollection of the discussions at the Fortieth Session of the Council.
232. Dr. David Brooks (U.S.A.) concurred with the explanation provided by the Executive Director on the additional information presented by the Secretariat. He stated that it was not the intention of the United States to shirk any responsibility but to learn from the experience in Meridá and to have the benefit of the additional information provided by the report. Dr. Brooks stated that the United States was ready to participate in the discussions drawing on the report presented by the Secretariat and to provide Members with a revised draft Decision.
233. Mr. Zhang Zhongtian (China) concurred with the statement made by the delegation of Brazil and expressed some doubt as to whether the issue of wildlife trafficking was in line with the mandate of ITTO. He proposed that ITTO would require more time to consider the proposal and that any Council Decision would be premature.
234. Mr. Enzo Barattini (European Community) commended the Secretariat for the report. He acknowledged that the Council at its Fortieth Session had requested the Secretariat to provide additional information and that it was up to the Council to assess the information. Mr. Barattini agreed with delegations that had requested a detailed examination of the issue and recalled that the European Community had already expressed its preliminary opinion on the matter and invited all delegations to examine the effect and scope of the draft decision being proposed. He also called on delegations to put the debate within the legal framework of the ITTA and to examine the compatibility of the proposal with the Agreement, particularly Article 14 paragraph 2.
235. Mr. Ahmad Loman (Malaysia) concurred with comments made by the delegations of Brazil, China and the European Community and proposed that the issue be discussed by the Caucuses.
236. Mr. Enzo Barattini (European Community) acknowledged that the proposal for a Decision on "The Participation of ITTO in the Coalition against Wildlife Trafficking" had merit and covered an important aspect of ITTO's work on biodiversity. However, the main aim of the proposal was not in line with the objectives of ITTO because it was the last link of a chain that was concerned with the protection of endangered species. Mr. Barattini said that would place ITTO in a very difficult situation in its relations with CITES and would be contradictory to the cooperation between ITTO and CITES which the Council was promoting. He underlined that the European Community would, therefore, not support the proposal.
237. Mr. Jan Abrahamsen (Norway) stated that the proposal should be sent to the Chairperson's Open-Ended Drafting Group meeting in order to sort out any differences between delegations and arrive at an agreed text for the decision. He stated that in the opinion of Norway, the proposal was taking on board the principle from the convention on biodiversity on cross-sectoral responsibility.

238. Mr. Luiz César Gasser (Brazil) on behalf of the Producer Group stated that the Producer Group had considered the proposal and was of the opinion that the proposal should not be considered for a decision.
239. Dr. B.C.Y. Freezailah (Malaysia) endorsed the comments made by the Producer Spokesperson and the European Community. He also expressed appreciation to the United States delegation for the proposal. Dr. Freezailah stated that the Producer Group realized the importance of wildlife in the context of sustainable forest management and noted that ITTO was doing a great deal in terms of conservation. He recalled the remarks of the Executive Director at the Opening of the Session that ITTO had funded the establishment of approximately 10 million hectares of conservation areas. However, the proposal for a decision on "the participation of ITTO in the coalition against wildlife trafficking" was not appropriate at this point in time.
240. The Chairperson stated that there were divergent opinions on the proposal and suggested that the proposal be sent to the Drafting Group meeting with the aim of trying to bridge the differences between delegations during the drafting.
241. Mr. Enzo Barattini (European Community) appreciated the Chairperson's effort to reconcile the different positions and reiterated that the European Community did not accept the proposal in principle and therefore it would be a fruitless exercise to try and reconcile such divergent positions during the drafting.
242. Dr. B.C.Y. Freezailah (Malaysia) recalled the comments made by the Producer Spokesperson that the Producer Group was not in favour of the decision and, therefore, it would be a waste of time and effort if the proposal was sent to the Drafting Group Meeting.
243. Mr. Hideo Fukushima (Japan) supported the proposal to send the proposed draft decision to the Drafting Group. He admitted that there were divergent opinions on the draft decision and recalled that at the Fortieth Session in Meridá, Mexico, the Council requested the Secretariat to provide additional information and the Secretariat had responded positively with the information requested. He also noted that there had been considerable improvement in the draft decision by the United States and, therefore, reiterated that the draft decision should be advanced to the Chairperson's Open-Ended Drafting Group, to allow for more substantive discussions.
244. Mr. Enzo Barattini (European Community) noted that the draft decision contained a general language which would be highly difficult to improve in the Drafting Group. He reiterated that the draft decision was not in line with the objectives and actions of ITTO and that the European Community would not accept the draft decision.
245. Dr. David Brooks (U.S.A.) expressed gratitude to those delegations who indicated that the proposal should be sent to the Drafting Group. He agreed that the Drafting Group would be the appropriate venue to hold discussions with delegations on the content and purpose of the draft decision. Dr. Brooks said that there were some misunderstanding about the content of the draft decision and he referred to the comment by the delegation of the European Community and stated that there was nothing in the draft decision that made specific reference to endangered species. He noted that the draft decision covered areas that were already covered under sustainable forest management which was within the scope of the ITTA, 1994. Dr. Brooks also stated that the principle of the draft decision was consistent with many previous decisions and other decisions under consideration at the Session. He reiterated that there was still the opportunity to find consensus and move forward if the draft decision was sent to the Drafting Group.
246. The Chairperson proposed that the draft decision should be sent to the Drafting Group and delegations had to present arguments as to why, in their opinion, the draft decision was not within the scope of the ITTA, 1994.
247. Mr. Enzo Barattini (European Community) stated that delegations who were of the opinion that the draft decision was within the scope of the ITTA, 1994 should present clear arguments to show why the proposal was covered by the agreement and not the contrary. The burden of proof should be on those who believed that the proposal was within the scope of the agreement. He indicated that the use of the word forest was very vague and general and the Council should be very clear about the objectives of the draft decision.

248. Mr. Ricardo Umali (Philippines) supported the position that the draft decision should not be sent to the Drafting Group. He stated that the additional information provided by the Secretariat was not convincing enough and, therefore, if brought to the Drafting Group, the proposal would generate very long debate. He indicated that the draft proposal could not be a priority concern of ITTO in relation to timber trade and sustainable forest management. He stressed that there were many priority issues in timber trade and sustainable forest management that the Council should tackle.
249. Dr. B.C.Y. Freezailah (Malaysia) stated that there was convergence of opinion among Council members in terms of the substance of the draft decision. He reported that there had been consultations among all the stakeholders in Malaysia on the draft proposal prior to the Forty-first Session of the Council, and had arrived at the conclusion that the draft decision was not appropriate under the circumstances.
250. Mr. Luiz César Gasser (Brazil) echoed similar sentiments as expressed by the Philippines and Malaysia and reiterated that there was no consensus as to how to proceed. He indicated that the Council was not convinced of the need to submit the proposal for drafting and that more dialogue and exchange of information was needed.
251. The Chairperson concluded that there was a strong reservation against submitting the proposal for drafting.
252. Dr. David Brooks (U.S.A.) noted that many delegations had affirmed the importance of the issue of wildlife trafficking. However, it appeared that the Council had not correctly identified how to express the nature of the importance and how to take the issue forward. He reiterated that from previous experiences the Council had gone into drafting mode to resolve such differences. He acknowledged that in this particular case it appeared, however, that the Council had not found the common language with which the topic could be discussed. Dr. Brooks posed the question as to how to take the issue forward, if the Council had not correctly identified the structure and the wording of the decision. He welcomed some opportunity to hold discussions on how to carry the issue forward. He acknowledged that it would be premature to enter into drafting mode without first identifying the structure and the language of the draft decision. Dr. Brooks noted that from all the interventions scope did not appear to be the issue but rather finding the way to make reference to wildlife and the relationship between wildlife and tropical timber producing forests and also to identify the role of ITTO. He indicated that the United States was prepared to work with other delegations to find the time and the structure to hold discussions on how to carry forward with the proposal. Dr. Brooks stressed that the United States was not insisting on the formulation as contained in the draft proposal and that there appeared to be much more agreement about the importance of the issue than the differences and would welcome some process to carry the idea forward, given that many delegations had endorsed the importance of the proposal.
253. The Chairperson concluded that it was now clear that the Council was not prepared to send the proposal for drafting. He proposed that interested delegations should hold informal consultations with the United States delegation.
254. Mr. James Singh (Guyana), Vice-Chairperson of the Committee on Finance and Administration informed the Council of the outcome of discussions at the Committee on the request by the Government of Liberia for a waiver of its debts to ITTO. He indicated that there was divided opinion in the Committee on the request. However, there was consensus that the Council should authorize the Secretariat to hold dialogue with the Government of Liberia to look into the possibility of re-scheduling of the debt and the re-integration of Liberia into the mainstream of ITTO activities in a timely and acceptable manner. It was further suggested by some delegates that there should be a partial waiver during the period when Liberia was unable to participate or benefit from ITTO events. On the re-integration of Liberia into the mainstream of ITTO activities such as being able to submit project proposals for funding there was no agreement in the Committee as to whether the re-integration should be linked to conditionalities such as the commitment by the Government of Liberia to meet its current financial obligations to ITTO, when due.
255. Mr. Luiz César Gasser (Brazil) on behalf of the Producer Group informed the Council that the issue was discussed in the Producer Group and that Producers were of the opinion that the Council should take a decision to encourage dialogue with Liberia. The Council should send a mission to the country to determine the kind of assistance that Liberia would require from ITTO in order to be fully integrated into the work of ITTO. The Council should take a decision to authorize the Secretariat to

seek and establish contact with the Government of Liberia with the aim of organizing a mission to that country. The objectives of the mission should be to:

- determine the needs of Liberia in terms of attaining sustainable forest management given the fact that the country had suffered from conflicts in the last years; and
- consider the terms that would be adequate to write off the debts of Liberia and/or the repayment of part of the debt.

256. Mr. Marcel Vernooij (Netherlands) concurred with the views expressed by the Producer Spokesperson but indicated his preference for Liberia to be present at the next Council Session so that a broader dialogue could be initiated within the Council instead of sending a mission from the Secretariat to Liberia. He also wondered whether the Council should take a formal Decision or have the proceedings reflected in the report of the Council and adopt a formal decision at the next Session when all the necessary information had been received by the Council.
257. Ms. Sibylle Vermont (Switzerland) concurred with the proposal made by the Netherlands and supported the proposal for the Secretariat to contact the Government of Liberia during the inter-sessional period and that a broader dialogue with a representative of Liberia should be held during the Forty-second Session of the Council. She stated that there would not be enough transparency if a mission was sent from the Secretariat to Liberia. Ms. Vermont also stated that the Council would not need to adopt a formal decision at the Session and that the proceedings recorded in the report of the Council should be sufficient at this stage.
258. Mr. Jon Heikki Aas (Norway) echoed the interventions made by Netherlands and Switzerland that it would be difficult to discuss the issue in the absence of the delegation of Liberia. He proposed that the issue be discussed further at the Forty-second session of the Council.
259. Mr. Enzo Barattini (European Community) concurred with the views expressed by the delegation of the Netherlands that in the absence of the delegation of Liberia, further discussions should be deferred to the Forty-second Session of the Council and the proceedings reflected in the reports of the Council and the Committee on Finance and Administration.
260. Mr. Yvan Vassart (France) recalled that the Council sent a technical mission to Liberia in 2005 and, therefore, the Council would only have to update the work carried out by the technical mission. He also informed the Council that the United Nations lifted the embargo on the export of timber from Liberia based on information concerning sustainable forest management and, therefore, there was no need to conduct a new study in Liberia.
261. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group, informed the Council that in the opinion of the Consumer Group, the issue of debt relief for Liberia should be reflected in the report of the Committee on Finance and Administration.
262. Dato' Dr. B.C.Y. Freezailah (Malaysia) expressed concern about the comments made by many delegations. He stated that Liberia was just recovering from huge problems and urged the Council to be a bit more proactive in giving assistance to Liberia. He called on the Council to show more generosity towards Liberia. He acknowledged that some studies had already been carried out in Liberia but the situation could change very rapidly and that the Council should send another mission to Liberia to conduct assessment on the current status and the form of assistance to be provided by the Council apart from holding discussions on the rescheduling of arrears. He reiterated his appeal to the Council to show a little bit more generosity and consideration to Liberia.
263. In his summary of the discussions, the Chairperson proposed that the two Spokespersons and the Chairperson of the Committee on Finance and Administration should hold further discussions to find common language that could be reflected in the report of the Committee on Finance and Administration.
264. Dr. Jürgen Blaser (Switzerland) made a presentation on "Reduction of Greenhouse Gas Emissions through Avoiding Deforestation and Forest Degradation (REDD): UNFCCC process and its implication for ITTO". The presentation was to provide clarification and additional information on the draft decision on "Support for the Development of Approaches to Reduce Greenhouse Gas Emissions from Tropical Deforestation and Tropical Forest Degradation" submitted by the Governments of Switzerland and Ghana. He noted that the terms "deforestation" and "degradation"

were already contained in the ITTA, 1994, as well as all the Action Plans of ITTO. He also noted that there were a number of Council Decisions relating to deforestation and degradation. Dr. Blaser also provided background on links between the United Nations Framework Convention on Climate Change (UNFCCC) and deforestation and forest degradation. He, however, noted that there was no direct relationship between the Convention and deforestation and forest degradation and that any possible future arrangements on deforestation/forest degradation would be in the post-Kyoto protocol process.

265. Dr. Blaser mentioned that there had been a number of initiatives regarding the UNFCCC and tropical forests. He cited that under the leadership of PNG and Costa Rica a proposal was submitted to the UNFCCC to consider in a post-Kyoto process the issue of avoiding degradation and deforestation as a new element in Climate Change Convention. He also mentioned that a number of countries had also made the same submission to the UNFCCC and cited the submission by Peru on behalf of Colombia, Costa Rica, Ecuador, Mexico, Nicaragua and Panama on reducing emissions by deforestation in developing countries in 2006. As a result, COP11 of the UNFCCC in 2005 agreed to consider discussions on reducing emissions from deforestation in a possible future climate change scenario. He noted that the process was political and the discussions would end by 2007 after which more concrete negotiations would begin. Dr. Blaser outlined a number of changes in the UNFCCC in respect to tropical forests, including:

- primarily, the interest to address deforestation;
- more constituencies to deal with the issue, notably joint submissions from Latin America, Africa, PNG, rainforest nations and small island countries;
- more specific views by some parties, including Peru and Brazil, who initially were against the issue;
- willingness from many developing countries to consider voluntary commitments; and
- a lot learned from the past (policy, technical)

266. Dr. Blaser stated that committing forest area as carbon reservoirs should be defined by each country, on a voluntary basis and on the basis of agreed selection criteria including:

- a sub-set of the permanent forest estate within a defined landscape/watershed/political boundary;
- forests specifically classified as carbon reservoirs and fallen in an area threatened by deforestation and forest degradation;
- baseline had to be defined: the average loss of carbon dioxide emissions through deforestation and forest degradation over a specified period of time in the project area;
- forests filed and registered and available for market based certificates; and
- committed forests should be managed forests for goods and services, including timber producing forests.

267. Dr. Blaser highlighted some issues relevant to ITTO in the context of the UNFCCC process on reducing greenhouse gas emissions through deforestation and forest degradation, including:

- scientific, socio-economic, technical and methodological issues with regard to avoiding deforestation and forest degradation in tropical forests;
- definitions and approaches regarding natural forests, permanent forest estate, sustainable forest management, conservation areas versus production forests; and
- policy approaches and how to create positive incentives to manage forests and to keep carbon reservoirs.

268. Dr. Blaser stated that the proposal for a Council Decision submitted by Ghana and Switzerland was about:

- participating in the ongoing REDD process, and informing ITTO Members accordingly;
- knowledge gathering and making practical experience on approaches to conserve carbon reservoirs within the resource base of tropical timber in interested countries;
- bringing such practical experience to decision-makers;
- informing the UNFCCC process on the concepts used in tropical forestry such as sustainable forest management, natural forests, permanent forest estate, production forests, forest restoration, secondary forest management, etc.; and

- capacity building through national workshops and pilot project work.
269. Dr. Blaser further explained to the Council the urgency behind the submission of the draft proposal for decision.
270. Mr. E.O. Nsenkyire (Ghana) noted the concerns expressed by various delegations on the proposal and stated that the Council should examine the opportunities offered by the proposal and ITTO should seek to be relevant through engagement in international forestry debate. He indicated that since the CDM workshop held in Accra, Ghana and following the recommendations of the participants from various African countries, Ghana and Switzerland had worked assiduously to come out with the proposed draft decision and encouraged the Council to give due consideration to the proposal.
271. Ms. Sandra Ribey (Canada) welcomed the proposal and noted that it would provide the UNFCCC with a way to move forward on some technical work on carbon reservoirs and also avoid the problems that CBD experienced in the past in attempting to direct the course of work of the UNFCCC. She indicated that carbon reservoirs should not mean forest preservation and that land use should not be restricted but sustainable forest management should rather be promoted. She reiterated that restriction was not necessarily the best option to protect forests and related carbon stocks and might be contrary to sustainable development and poverty alleviation. She commended Switzerland and Ghana for the proposal.
272. Mr. Patrick Hardcastle (United Kingdom) supported the proposal and urged the Council not to procrastinate in taking a decision on the proposal.
273. Mr. Dike Kari (Papua New Guinea) noted that the issue of forest degradation was part and parcel of sustainable forest management. He informed the Council that PNG had already taken a leadership role in the Rainforest Alliance and was currently looking into the more technical and scientific issues and would brief the Council further during the Forty-second Session. He commended Switzerland and Ghana for bringing the issue to the attention of the Council.
274. Mr. Ricardo Umali (Philippines) supported the proposal and stated that in future, issues related to the proposal could become an important theme for presentation of projects. He noted that international processes on the subject were on-going and urged the Council not to procrastinate. He proposed, however, that some studies might have to be carried out first because of technical and legal issues involved which would vary from country to country.
275. Mr. Luiz César Gasser (Brazil) stated that the Council was trying to identify the role of tropical forests and forest degradation in climate change in the context of UNFCCC. He noted that the role of ITTO in that regard was well demonstrated by the presentation on the ITTO Action Plan and relevant Council Decisions and cited activities in the ITTO Action Plans requesting ITTO to monitor developments at the level of UNFCCC of relevance to ITTO. He indicated that the Swiss-Ghana proposal went further than what had been stipulated in the Action Plan and questioned whether the Council should take a step forward or analyze further the implications of this move. He acknowledged that the UNFCCC process was moving fast and that the role of ITTO to inform or be informed by the process at the level of the UNFCCC had been performed. He called on the Council to carefully analyze the new area of activity being proposed and suggested that the Council should discuss the issue further on the basis of the information provided in order to arrive at a decision. Mr. Gasser also proposed that the Executive Director should continue to monitor developments at the level of the UNFCCC and inform the Council on these developments. He reiterated that the Swiss-Ghana proposal contained new information which required further analysis.
276. Mr. Hideo Fukushima (Japan) welcomed the proposal and looked forward to further engagement between ITTO and UNFCCC on the issue. He acknowledged that the ITTO Yokohama Action Plan stipulated that ITTO would monitor developments at the UNFCCC of relevance to ITTO and noted the rapid pace of developments within the UNFCCC and urged the Council to promote its engagement with the UNFCCC. He stated that monitoring the developments at UNFCCC had already been carried out and noted further that the ITTO Yokohama Action Plan also provided that ITTO should contribute to the methodological development through project work and that by adopting the decision the Council would also be advancing a step further and engaging in project work that would deepen ITTO's understanding and provide expertise in forest management. He welcomed the proposal.

277. Mr. Grégoire Nkeoua (Congo) recalled Congo's initial apprehension to the proposal for lack of sufficient information and noted that the presentation by Dr. Blaser had clarified the issues. He supported the proposal and stated that the ecological functions of natural forests should bring added revenue to Producing Member Countries. He proposed that a technical team should be set up by the Council to consider the specific technical details. He further indicated that the Council should, however, wait for the outcome of the Nairobi meeting of the Conference of Parties to UNFCCC in order to identify concretely what was needed to be done by the technical team. Mr. Nkeoua proposed that further discussions should be held during the Forty-second Session prior to the adoption of a formal decision by the Council.
278. Mr. Lancine Aïdara Gouesse (Côte d'Ivoire) commended Ghana and Switzerland for the draft proposal. He indicated that the complementary information provided by Dr. Blaser would allow the Council to take an informed decision. He noted that the proposal was an opportunity for Producer Member Countries to increase their forest cover and also participate in negotiations on carbon dioxide emissions. He proposed that the Council should adopt a formal decision on the draft proposal.
279. H.E. Amb. Mochamad Slamet Hideyat (Indonesia) stated that the discussions on climate change was still on-going in Nairobi and requested that the proponents of the draft decision should provide more information on how the programmes of ITTO and UNFCCC could be integrated especially on cooperation between the two Organizations. He also noted that delegates were still awaiting the outcome of the Nairobi meeting of the UNFCCC and therefore the Council should defer the adoption of the decision to the Forty-second Session.
280. Mr. Alfredo Carrasco (Ecuador) noted the importance of the draft decision and indicated that the proposal provided an extensive view of the many opportunities and responsibilities available in the forestry sector and commended the proponents for the initiative.
281. Ms. Erika del Rocio Lopez Rojas (Mexico) commended Switzerland and Ghana for the draft proposal. She noted that the proposal would provide ITTO the opportunity to participate and raise additional funds for sustainable forest management. She, however, indicated that since the Nairobi meeting of the UNFCCC was still on-going, Mexico would like to know the outcome of that meeting and therefore the Council should defer further discussions on the proposal to the Forty-second Session of the Council.
282. Ms. Aulikki Kauppila (Finland) stated that it was the understanding of the Consumer Group that the Council would adopt a formal decision on the draft proposal and, therefore, the proposal should be sent to the Chairpersons' Open-ended Drafting Group meeting.
283. Mr. Enzo Barattini (European Community) proposed that a small working group of interested delegates should discuss the proposal further and reach an agreement and report back to the Council.
284. Mr. Zhang Zhongtian (China) stated that since there was no consensus among delegates on the proposal, the Council should not adopt a formal decision. He concurred with the proposal made by the European Community for a small working group to be set up to discuss the proposal further and report to the Council.
285. Dato' Dr. B.C.Y. Freezailah (Malaysia) re-echoed the importance of the draft proposal to the work of ITTO and indicated that it was another dimension for implementing sustainable forest management and, therefore, the Council should explore all the possibilities for additional resources. He acknowledged that based on the various interventions by delegates there was no agreement on the approach to be adopted by the Council. He also recognized the needs of some delegations requesting for more time to consider the proposal. Dr. Freezailah, therefore, supported the proposal by the European Community and China for a small informal working group to discuss the proposal further and report to the Council.
286. Dr. Bipin Behari (India) echoed the importance of the proposal but indicated that it was also important to have an in-depth understanding of the proposal, especially the technical and legal issues involved, taking into consideration the outcome of the Nairobi Meeting of the UNFCCC before arriving at any conclusions. He supported the European Community's proposal for an informal

working group to look into the possibility of adopting a formal decision at the Forty-second Session of the Council.

287. Following the discussions in the Informal Working Group established by the Council to discuss the Swiss-Ghana draft proposal, the Council decided to make the following addition in the ITTO Biennial Work Programme for the Years 2006-2007 under Activity XX [ITTC Decision 2(XXXIX)]:

- (i) Report on developments in the framework of the UNFCCC since COP-11 (November 2005) regarding forests and their potential implications for tropical forests and the world tropical timber economy and make provision for discussions to be held at the Forty-second Session of the Council in Port Moresby, PNG in May 2007; and
- (ii) Seek voluntary contribution to finance this activity not exceeding US\$150,000.

288. The Chairperson referred to documents ITTC(XLI)/19, ITTC(XLI)/20 and ITTC(XLI)/21 comprising the three Decisions for consideration and adoption by the Council. The Council adopted the following three (3) Decisions:

- Decision 1(XLI) Projects, Pre-projects and Activities
- Decision 2(XLI) Matters Related to Article 16 of ITTA, 1994
- Decision 3 (XLI) Extension of the International Tropical Timber Agreement, 1994.

Amendments and editorial corrections were noted. The decisions are reproduced in Annex III.

289. Dr. David Brooks (U.S.A.) referred to the draft proposal for a decision submitted by the Government of the United States on "Participation of ITTO in the Coalition Against Wildlife Trafficking" and noted with encouragement the widespread recognition among many Member Countries that wildlife was an important element of biodiversity in tropical forests and therefore attention must be paid to its protection as a component of sustainable forest management. He reported that following the informal consultations among Members, it had been recognized that ITTO was already carrying out considerable work on the topic of wildlife and, therefore, efforts by ITTO to address wildlife trafficking was a reasonable consideration in the elements of ITTO work. He, however, expressed disappointment that the Council could not collectively identify how the issue could be addressed in a possible Council decision and looked forward to taking the issue up in a future Council Session.

CLOSING OF THE SESSION (Agenda Item 28)

Statement by Delegations

290. Mr. E.O. Nsenkyire (Ghana) expressed gratitude to the Government of Japan and the City of Yokohama for the warm hospitality extended to delegates during the Forty-first Session of the ITTC. He noted that many important issues had been discussed at the Forty-first Session and decisions had been made based on the principle of consensus and hoped that similar approach would guide the deliberations of the Council on issues identified for consideration at the Forty-second Session in Port Moresby, Papua New Guinea in May 2007. Mr. Nsenkyire expressed his gratitude to all the donors especially those who had financed projects submitted by the Government of Ghana. He also stated that Africa would provide the venue for the Forty-fourth Session of the Council in May/June 2008 and hoped that the Council would provide the required support and encouragement. Mr. Nsenkyire announced that Ghana would be celebrating its centenary of forestry in 2009 and stated that the Council would be informed of arrangements for the celebration of 100 years of tropical forestry and hoped that many delegations would grace the occasion and make it a memorable one. He also expressed his appreciation to Mr. Luiz César Gasser, the out-going spokesperson for the Producer Group for his outstanding leadership. He noted that the spokesperson had stabilized and brought unity of purpose among the Producer Group which had made the group much stronger and committed to the cause of ITTO. He again expressed his appreciation for the support that the Spokesperson provided to Mr. Alhassan Attah (Ghana) during his tenure as the Chairperson of the Council and during the negotiations of the ITTA, 2006. He reiterated his assurance to the Council of Africa's commitment to host the Forty-fourth Spring Session in 2008 in keeping with the spirit and unwritten rule of rotation. Mr. Nsenkyire expressed his appreciation to the Executive Director and staff of the Secretariat for the hard work and support to the Council.

291. H.E. Mr. Michael Maue (Papua New Guinea) commended the Chairperson for his able leadership of the Council and congratulated Amb. Luis Macchiavello Amoroz (Peru) on his election as Chairperson

of the Council for 2007. He also expressed his gratitude to the Government of Japan and the City of Yokohama for the hospitality and assistance to ITTO during every November Session of the Council. H.E. Mr. Maue expressed his sincere gratitude to the Government of Japan for the generous contribution towards the external costs associated with the hosting of the Forty-second Session of the ITTC by the Government of Papua New Guinea. He also expressed his appreciation for the various consultations between Producers and Consumers on the issue of the funding of the Forty-second Session that brought about the positive outcome. He hoped that the Forty-second Session would be a memorable occasion for delegates and more importantly would address issues like the appointment of the next Executive Director, the thematic programmes, etc. He extended a warm and cordial invitation to all delegates to attend the Forty-second Session of the ITTC. On the issue of appointment of the next Executive Director, H.E. Mr. Maue stated that ITTO requires a leader with a vision and all the necessary qualifications and experiences to build on the good foundation. He also assured the Council that Papua New Guinea would expedite the necessary procedures within a reasonable time period to sign and ratify the ITTA, 2006. He also informed the Council that Papua New Guinea was spearheading the Rainforest Alliance with Costa Rica and was participating in deliberations on the need to reduce greenhouse gas emissions from deforestation and forest degradation and was drafting the appropriate policy framework involving all relevant stakeholders and would brief the Council at the Forty-second Session on the progress made on this issue. He, therefore, pledged his country's support for the proposal put forward by Switzerland and Ghana for ITTO to work with UNFCCC. He also expressed his gratitude to donors who pledged to support various projects at the Session. He commended the Executive Director and the staff of the Secretariat for their dedication and hard work. He also commended the Chairpersons for their able leadership and looked forward to seeing all delegates at the Forty-second Session in Port Moresby, Papua New Guinea in May 2007.

292. Ms. Celestine Ntsame-Okwo (Gabon) commended the Chairperson for his able leadership of the Council. She also commended the Chairpersons of the various Committees as well as the two spokespersons. She congratulated Members of the Expert Panel for Technical Appraisal of Project and Pre-project Proposals whose tenure on the Panel had expired. Ms. Ntsame-Okwo also commended the Executive Director and staff of the Secretariat for their dedication and support. She expressed her appreciation to the donor community, particularly Japan, France and Norway for their constant support and assistance to Producer Member Countries towards the achievement of sustainable forest management. She noted that the impact of sustainable forest management on rural communities was a very important element in poverty alleviation in Producing Member Countries and commended the Council for embarking on the new path of community forestry management which had been enshrined in the legislation of Gabon. She expressed her gratitude to the Government and People of Japan, particularly, the City of Yokohama for their warmth and hospitality.
293. Mr. Enzo Barattini (European Community) commended the able leadership of the Chairperson of the Council and expressed his satisfaction with the outcome of the Forty-first Session and stated that the outcome would enable many delegates to advance their internal procedures for the ratification of the ITTA, 2006. He indicated that the European Community had commenced its initial ratification procedures. He welcomed the in-coming Chairperson and Vice-Chairperson of the Council and wished them every success in their positions. Mr. Barattini commended the out-going spokesperson of the Producer Group and wished him success in his new assignment. Mr. Barattini also expressed his gratitude to the Government of Japan and the City of Yokohama for their hospitality and generosity. He commended the Executive Director, staff of Secretariat, the interpreters and translators for their hard work and support.
294. Dato' Dr. B.C.Y. Freezailah (Malaysia) expressed his gratitude to H.E. Mayor Nakada for his opening address to the Council and his continued support to ITTO. He also thanked the Government of Japan for the strong and exemplary support which had enabled ITTO to grow and develop into a respected organization protecting the world's tropical forests. Dr. Freezailah also paid tribute to the able leadership of the Chairperson of the Council in spite of the various difficult issues on the agenda. He congratulated the newly elected officials of the Council and Committees for 2007. Dr. Freezailah noted that the next few years would be difficult for ITTO due to the transition from the ITTA, 1994 to the ITTA, 2006, and urged the Council not to resist change and stated that if the Organization did not evolve in response to a changing world it would be doomed to irrelevance and extinction. He indicated that, in addition, the tropical forest crisis had become more serious as demonstrated by the rate of tropical deforestation and the slow progress in the implementation of sustainable forest management and certification, and that under the ITTA, 2006 the Organization must be equal to the

challenge. He noted that the central issue would be the availability of resources within the framework of the ITTA and recalled the statement by the Executive Director at the opening of the Forty-first Session of the Council about the dwindling financial resources of the Organization. He underlined that the implementation of sustainable forest management was a burdensome task, judging from Malaysia's experience. He was, however, optimistic that the ITTA, 2006 would offer new opportunities and indicated that there was the need for enhanced levels of cooperation and assistance through the Special Account, the Bali Partnership Fund and the Thematic Programmes Sub-account. Dr. Freezailah expressed his thanks to the Executive Director and staff of the Secretariat for the hard work and dedicated service to the Organization. On a personal note, Dr. Freezailah mentioned that as the new Spokesperson of the Producer Group he was looking forward to working closely with all Council Members and that it would be a challenge for him to continue the high standards achieved by his predecessor, Mr. Luiz César Gasser (Brazil) for whom he had great admiration. He looked forward to the pleasure of meeting all delegates at the Forty-second Session of the ITTC in Port Moresby, Papua New Guinea.

295. Mr. Hideo Fukushima (Japan) expressed his gratitude to the Chairperson for his able leadership of the Council. He noted that the Chairmanship of the Council in 2006 had been a difficult challenge as the Organization was facing new challenges in the context of the ITTA, 2006 as well as the new paradigms surrounding sustainable forest management and timber trade including the activities in the Biennial Work Programme 2006-2007. He commended the extraordinary leadership of the Chairperson in the face of these tasks and challenges, and on behalf of the Government of Japan extended sincere gratitude to Chairperson for his leadership of the Council. Mr. Fukushima also congratulated the Chairperson-elect, H.E. Amb. Luiz Macchiavello Amoroz of Peru. He also commended the Executive Director and staff of the Secretariat for their dedication and hard work.
296. Mr. Wandojo Siswanto (Indonesia) commended the Chairperson for his able leadership of the Council. He noted that the accomplishment achieved by the Council was a reflection of the joint cooperation and mutual understanding among Members of the Council. He expressed Indonesia's gratitude to all the donors for their financial support to the work of ITTO and also expressed concern about the declining financial resources of the Organization. He noted the progress made in enhancing the project cycle manuals and the standard operating procedures and believed that further work was required to improve these documents in order to facilitate the implementation of the ITTO funded projects. He also expressed delight on the resolution of the financial problems relating to the holding of the Forty-second Session in Papua New Guinea and expressed appreciation to the Government of Japan for its generous contribution to meet the external cost associated with the holding of the ITTC Session. On the issue of appointment of the next Executive Director, Mr. Siswanto underscored that the next Executive Director should be elected in a legitimate manner, given full recognition to Members' rights as provided for in the specific Article in the ITTA and related ITTC established procedures for selection. He informed the Council that the Government of Indonesia had decided to participate fully in the selection of the next Executive Director. He expressed his Government's gratitude for the hospitality extended by the Government of Japan and by the City of Yokohama. He also thanked the Spokespersons, the Executive Director, staff of the Secretariat, translators and interpreters for their excellent cooperation and support to the Council.
297. Mr. Grégoire Nkeoua (Congo) commended the Chairpersons of the Council and the Committees as well as the Spokespersons for the good results achieved at the Forty-first Session of the Council. He also thanked the donor countries for supporting Congo in its efforts to improve sustainable forest management and assured the donors that Congo had made major progress in the area of sustainable forest management. He informed the Council that the first FMU covering over 400,000 ha of Congo's forests had been certified since June 2006. He stated that some other concessionaires were also in the process of seeking certification. He informed the Council that Congo would host a forum on indigenous people in March 2007 and underlined the major role played by indigenous people in sustainable forest management. He extended an invitation to the Council and the Secretariat to participate in the forum. He commended the role played by Mr. Luiz César Gasser, the out-going Spokesperson of the Producer Group and wished him every success in his new assignment. Mr. Nkeoua extended his appreciation to the Government of Japan for hosting the Session and also for its generous contribution towards the convening of the Forty-second Session in Papua New Guinea. He also thanked the Mayor and the City of Yokohama for the hospitality and continuous support to ITTO.

Statement by the Producer Spokesperson

298. Mr. Luiz César Gasser (Brazil), on behalf of the Producer Group, expressed satisfaction with the outcome of the Forty-first Session of the Council. He noted that there were difficult negotiations on issues that had bearing on the future of ITTO and referred to the financial support provided by the Government of Japan towards the holding of the Forty-second Session of the Council in Port Moresby, Papua New Guinea and the adoption of a decision on the procedures for the selection of the next Executive Director as well as the decision on the extension of the ITTA, 1994. On behalf of the Producer Group, he expressed appreciation to the Government of Japan for the financial support provided towards the holding of the Forty-second Session of the ITTC in May 2007. Mr. Gasser stated that the generous contribution made by the Government of Japan should serve as a stimulus for both Producer and Consumer Members and as an effective antidote to the pessimists. He recalled the Executive Director's opening statement to the Council which painted a gloomy picture showing a sharp decrease in funds available to the Organization for sustainable forest management.
299. Mr. Gasser informed the Council of his new posting in the diplomatic service and, therefore, would no longer be in a position to serve as Spokesperson for the Producer Group. He reported that Dato' Dr. B.C.Y. Freezailah (Malaysia) had, therefore, been nominated to serve as the new Spokesperson for the Producer Group and would be seconded by H.E. Mr. Mbella Mbella (Cameroon), as Vice-spokesperson. Mr. Gasser expressed gratitude to the Chairperson, and the Secretariat for the support he received. On a personal note, Mr. Gasser expressed his sincere thanks to the Executive Director for his invaluable support during his tenure as the Spokesperson for the Producer Group.

Statement by the Consumer Spokesperson

300. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group, expressed satisfaction with the outcome of the Forty-first Session. She noted that there were many difficult issues confronting the Council during the Session and noted with satisfaction the harmonious atmosphere that characterized the discussions. She indicated that the proposed amendments to the ITTO Project Cycle were very promising and would make it easier for donors as well as project proponents. She also cited the proposal submitted by Switzerland and Ghana on Climate Change and expressed satisfaction with the outcome after protracted discussions. Ms. Kauppila also noted with satisfaction the preparations being made by the Council towards the entry into force of the ITTA, 2006. She specifically recalled discussions on the thematic programmes and stated that the thematic programmes would move ITTO towards a promising future. She commended the able leadership of the Chairperson of the Council and assured the in-coming Chairperson and Vice-Chairperson of the support of the Consumer Group. She expressed gratitude to the Government of Japan, particularly the City of Yokohama for the support provided to the work of the Council. Ms. Kauppila commended the Executive Director, staff of the Secretariat, the interpreters and translators for their hard work and effective support. She expressed her sincere thanks and gratitude to Mr. Luiz César Gasser, the Producer Spokesperson for their cordial working relationship throughout the years and wished him every success in his new assignment.

Statement by the Chairperson-Elect

301. H.E. Amb. Luiz Macchiavello Amoroz (Peru) stated that when he was elected a year ago as Vice-Chairperson of the Council, he promised to make every effort within his reach to deserve the trust that the Council had reposed in him. He also recalled his first ITTC Session, twenty years ago when there were already warnings about the melting of the polar ice, global warming, ozone-related problems and other catastrophes and the search for possible solutions, including the preservation of the environment, particularly tropical forests. He noted that ITTO was established to address this formidable task and both Producers and Consumers organized themselves to face this challenge. He indicated that at that time, he thought the mission was exciting because of its high-level objectives and the challenge it entailed and that the whole issue was like looking out into the horizon, trying to reach goals at inaccessible attitudes and letting the imagination run wild. "But it must be done, I said to myself, regardless of the costs", Amb. Macchiavello said. He indicated that with the experience gained and the more pragmatic vision, the Council would be able to make every possible effort to attain this great objective. He noted that there were undoubtedly many complaints and cited the number of approved projects still waiting to be financed while 13 million hectares of forests were

being destroyed every year. He urged the Council to address these problems and that the failure to do so would result in a situation where the next generation of children and grandchildren would inherit a much more inhospitable and even dangerous world. "But whatever the case may be, I believe it is absolutely necessary to make every possible effort, if not to solve the problem at its root, to at least leave the way open for others to follow when the circumstances change. But let us not fool ourselves – more can be done by those who have and those who know more", Amb. Macchiavello Amoroz said. The Chairperson-Elect urged the Council to redouble its efforts to overcome the many hurdles. He also reminded the Council of two highly significant tasks that would require the Council's immediate attention: the entry into force of the ITTA, 2006 and the appointment of the next Executive Director. He hoped and trusted that the Council would be able to fulfill these tasks to the satisfaction of all parties concerned. Amb. Macchiavello Amoroz expressed his sincere gratitude to the Government of Japan and the Mayor of the City of Yokohama for their support and hospitality. He also commended the Executive Director for the high level of professionalism that he had always shown in his work and expressed his gratitude to him and the staff of the Secretariat for their hard work and dedication. He commended the able leadership of the Chairperson of the Council.

Closing Statement by Chairperson

302. In his closing remarks, the Chairperson, Mr. Koichi Ito (Japan) expressed his sincere gratitude to the Executive Director and staff of the Secretariat for their dedicated work to the Organization and support to the Council. He expressed his gratitude to all delegations for their cooperation and support which enabled the Council to come to a successful conclusion and wished all delegations a safe trip back to their destinations.
303. The Chairperson officially closed the Forty-first Session of the ITTC.

ANNEX I

LIST OF PARTICIPANTS

Document: ITTC(XLI)/Info. 2

Distr.
General

ITTC(XLI)/Info.2
11 November 2006

English/French/Spanish

FORTY-FIRST SESSION
6 – 11 November 2006
Yokohama, Japan

LIST OF PARTICIPANTS

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LISTE DES PARTICIPANTS

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- ** Mr. Grégoire Nkeoua
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ANNEX II

AGENDA

DOCUMENT: ITTC(XLI)/1

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21 August 2006

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FORTY-FIRST SESSION
6 – 11 November 2006
Yokohama, Japan

AGENDA

1. Opening of the Session
2. Ascertainment of the Quorum
3. Adoption of Agenda and Organization of Work
4. Report on Membership of the Council
5. Report of the Credentials Committee
6. Distribution of Votes for 2006
7. Admission of Observers
8. Statement by the Executive Director
9. Report of the Informal Advisory Group (IAG) – Decision 5(XXVI)
10. CITES Listing Proposals by Members – Decision 3(XVI)
11. Annual Review and Assessment of the International Timber Situation
12. Preparations for Entry into Force of ITTA, 2006
13. ITTO Objective 2000 – Decisions 2(XXIX) and 9(XXX)
 - (a) Report on Assistance Provided to Producer Countries to Identify Factors Limiting Progress Towards Achieving Objective 2000
 - (b) Report on Progress in the Implementation of National Training Workshops on the Use of ITTO Formats for Reporting on Sustainable Forest Management
14. Progress report on the ITTO Biennial Work Programme for 2006 – 2007
15. ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests-Decision 3(XXXII)
16. Measures to Improve and Strengthen the ITTO Project Cycle – Decision3(XXXVII)
17. Matters Related to Article 16 of ITTA, 1994
18. Enhanced Cooperation between ITTO and CITES for Ramin and Mahogany – Decision2(XXXVII)
19. Promotion of Sustainable Forest Management in the Congo Basin – Decision 10(XXXII)
20. Forest Law Enforcement in the Context of Sustainable Timber Production and Trade –Decision 6(XXXI)

21. ITTO Fellowship Programme – Decision 4(XXVII)
 - (a) Progress Report on the ITTO Fellowship Programme
 - (b) Report of the Fellowship Selection Panel
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
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24. Election of Chairperson and Vice-Chairperson of the Council for 2007
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26. Other Business
27. Decisions and Report of the Session
28. Closing of the Session

ANNOTATIONS TO THE AGENDA

Item 1 - Opening of the Session

The Forty-first Session of the Council will be opened by the Chairperson of the Council, Mr. Koichi Ito (Japan).

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(XLI)/1]

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

Item 4 - Report on Membership of the Council

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

Item 5 - Report of the Credentials Committee

[Document ITTC(XLI)/3]

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

Item 6 - Distribution of Votes for 2006

[Document ITTC(XLI)/1 Annex]

The distribution of votes for the year 2006 which was adopted by the Council, in accordance with Article 10(6) of the ITTA, 1994, at its Fortieth Session, is shown in the Annex to these Annotations. In accordance with Article 19(4) of the ITTA, 1994, the approved distribution of votes will be used for the assessment of the contribution of each Member to the Administrative Budget for 2007.

Item 7 - Admission of Observers

[Document ITTC(XLI)/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 applying for admission for 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(XLI)/2]

Pursuant to Decision 5(XXVI), and in order to organize its work for the Session, the Council may consider the report of the Nineteenth Meeting of the Informal Advisory Group (IAG), to be convened on Sunday, 5 November 2006.

The report of the Nineteenth Meeting of the IAG will be presented by the Chairperson.

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

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

Item 11 - Annual Review and Assessment of the International Timber Situation
[Document ITTC(XLI)/4]

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

(i) Elements for the 2006 Annual Review and Assessment of the International Timber Situation

This is prepared by the Secretariat and comprises statistics and available data on production, imports and exports of timber products, emphasizing tropical timber products, and an analysis of economic and market developments. The Elements for the 2006 Annual Review will be partly based on information extracted from national responses to the ITTO/UNECE/FAO/EUROSTAT Joint Forest Sector Questionnaire and partly from other sources.

(ii) A General Introductory Statement by the Secretariat

Using various sources of information including the Elements for the 2006 Annual Review, the Statement will give an overview of the world timber situation, focusing on tropical timber, including recent developments and the short-term outlook based on available forecasts.

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

Item 12 - Preparations for the Entry into Force of the ITTA, 2006
[Document ITTC(XLI)/5]

The Secretariat will inform the Council on preparations for the entry into force of the ITTA, 2006

Item 13 - ITTO Objective 2000 – Decisions 2(XXIX) and 9(XXX)
[Documents ITTC(XLI)/6 and ITTC(XLI)/7]

- (a) 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 Governments of Thailand and India; and
- (b) The Council will also be updated on progress towards implementation of national workshops to train officials, forest managers and forest concessionaires on the effective use of ITTO formats for reporting on forest management.

Item 14 - Progress Report on the Implementation of the ITTO Biennial Work Programme 2006-2007
[Document ITTC(XLI)/8]

The Council will receive the progress report on the implementation of the Biennial Work Programme for 2006-2007;

Item 15 - ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests– Decision 3(XXXII)
[Document ITTC(XLI)/9]

The Council will receive the final report on the implementation of the national 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 16 - Measures to Improve and Strengthen the ITTO Project Cycle- Decision 3(XXXVII)
[Document ITTC(XLI)/10]

The Council may wish to consider the report (document ITTC(XLI)/10) on the implementation of work approved under Decision 3(XXXVII) to review the ITTO Project Formulation Manual and related materials. The Council also agreed to review Decision 3(XXXVII) after a period of two years with a particular focus on the limitation on submission of project proposals with a view to assessing its effectiveness and impact on improving the Project Cycle and the delivery of quality projects.

Item 17- Matters Related to Article 16 of ITTA, 1994 –Decisions 3(XXV), 3(XXVII) and 5(XXXIV)

Pursuant to ITTC Decision 3(XXV) the Council may wish to consider matters related to Article 16 of ITTA, 1994. The Council may recall that at its Fortieth Session in Meridá, Mexico, it decided that delegations requesting amendments to ITTC Decision 3(XXV) Annex titled “The Selection Procedures for an Executive Director” should provide the Council with specific text. The Council also decided that Countries wishing to propose amendments should make such amendments available to Members on the first day of the Session and that it would only consider amendments related to the revision of the job description of the Executive Director and the composition of the Selection Panel.

Item 18 - Enhanced Cooperation Between ITTO and CITES for Ramin and Mahogany – Decision 2(XXXVII)

Pursuant to ITTC Decision 2(XXXVII) the Council will be informed on the outcome of the ITTO Expert Meeting on the effective implementation of the inclusion of ramin (*Gonstylus spp.*) in Appendix II of CITES.

Item 19 - Promotion of Sustainable Forest Management in the Congo Basin–Decision 10(XXXII)
[Documents ITTC(XLI)/11 & ITTC(XLI)/12]

The Council may wish to consider the reports on the implementation of certain activities added to Decision 10(XXXII) on the “Promotion of Sustainable Forest Management in the Congo Basin” in support of the COMIFAC sub-regional Convergence Plan and 2015 COMIFAC Objectives:

- (i) Report on a Study on the achievement of synergies between the African Timber Organization (ATO) Action Plan on the Further Processing of Tropical Timber in Africa and the COMIFAC sub-regional Convergence Plan; and
- (ii) Report on a Feasibility Study for the Implementation of the Revised Training Programmes in Forest Management and Forest Concession Management in the Congo Basin.

Item 20 - Forest Law Enforcement in the Context of Sustainable Timber Production and Trade– Decision 6(XXXI)
[Documents ITTC(XLI)/13 & ITTC(XLI)/14]

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 reports on assistance provided to the Governments of Brazil and Ecuador.

Item 21 - ITTO Fellowship Programme – Decision 4(XXVII)
[Documents ITTC(XLI)/15 & ITTC(XLI)/16]

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(XLI)/15]; and (b) the

report of the Fellowship Selection Panel to be presented by its Chairperson [Document ITTC(XLI)/16]. The Council will announce the final selection of awards based on the Chairperson's report.

Item 22 - Special Account and Bali Partnership Fund
[Document ITTC(XLI)/17]

- (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(XX)/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(XLI)/15].

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- Election of Chairperson and Vice-Chairperson of the Council for 2007

The Council may decide after due consultations, to elect a Chairperson and Vice-Chairperson for 2007. Under Article 8 of the ITTA, 1994, the Council is required to elect a Chairperson and Vice-Chairperson for each calendar year. Under Article 8, paragraph 2, the Chairperson and the Vice-Chairperson, one from among the representatives of producing countries, and the other from among the representatives of the consuming countries, are required to alternate each year between the two categories of Members, provided, however, that this shall not prohibit the re-election to either or both under exceptional circumstances by Special Vote of the Council.

Item 25 - Dates and Venues of the Forty-second, Forty-third and Forty-fourth Sessions of the Council and the Associated Sessions of the Committees

The Council may wish to confirm the dates and venues of the Forty-second Session proposed to be held in Port Moresby, Papua New Guinea from 8 to 12 May 2007 and the Forty-third Session, scheduled in Yokohama, Japan from 5 to 10 November 2007. For the Forty-second Session, the Council may also wish to consider and decide on the financial resources to organize and convene the Session.

In order to maintain the established practice of setting Session dates and venue eighteen months in advance to facilitate logistical arrangements, the Council may wish to set the dates and venue of the Forty-fourth Session of the Council.

Item 26- Other Business

The Council may consider any matters raised under this item.

Item 27- Decisions and Report of the Session

The Council shall consider the proposed decisions and adopt 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 the Council 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 item(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 above procedures were adopted for a six-day Council Session. The Council may wish to review its decision-making procedures.

The Council may wish to recall its discussions at the Fortieth Session on the proposal for Decision submitted by the United States of America on "The Participation of ITTO in the Coalition against Wildlife Trafficking". The Council decided to resume consideration of the proposal at the Forty-first Session in light of additional information relating to illegal trade in wildlife from tropical forests, to be provided by the Secretariat. The Council may wish to consider the information paper contained in document ITTC(XLI)/18.

Item 28 - Closing of the Session

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

Annex

DISTRIBUTION OF VOTES FOR 2006

	<u>No. of Votes</u>	
	2005	2006
<u>PRODUCING MEMBERS</u>		
Africa		
Cameroon	25	25
Central African Republic	25	24
Congo	25	25
Côte d'Ivoire	25	25
Democratic Republic of the Congo	25	25
Gabon	25	25
Ghana	25	25
Liberia	25	25
Nigeria	24	24
Togo	24	24
Asia & Pacific		
Cambodia	15	15
Fiji	14	14
India	22	22
Indonesia	132	108
Malaysia	106	122
Myanmar	33	34
Papua New Guinea	25	26
Philippines	14	14
Thailand	16	16
Vanuatu	14	13
Latin America/Caribbean		
Bolivia	22	22
Brazil	163	170
Colombia	22	22
Ecuador	14	15
Guatemala	11	11
Guyana	15	15
Honduras	11	11
Mexico	18	18
Panama	11	11
Peru	28	28
Suriname	14	14
Trinidad and Tobago	10	10
Venezuela	22	22
Total:	1,000	1,000

	<u>No. of Votes</u>	
	2005	2006
<u>CONSUMING MEMBERS</u>		
Australia	11	15
Canada	17	18
China	239	234
Egypt	11	11
European Community		
Austria	10	10
Belgium/Luxembourg	17	17
Denmark	18	15
Finland	10	10
France	33	33
Germany	21	19
Greece	12	13
Ireland	14	14
Italy	27	28
Netherlands	29	29
Portugal	26	21
Spain	25	24
Sweden	11	11
United Kingdom	36	32
Japan	236	235
Nepal	10	10
New Zealand	10	10
Norway	10	10
Republic of Korea	87	88
Switzerland	11	11
United States of America	69	82
Total:	<u>1,000</u>	<u>1,000</u>

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ANNEX III

TEXT OF THE DECISIONS

ADOPTED BY THE COUNCIL AT ITS FORTY-FIRST SESSION

DOCUMENT: ITTC(XLI)/19
DOCUMENT: ITTC(XLI)/20
DOCUMENT: ITTC(XLI)/21

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ITTC(XLI)/19
11 November 2006

Original: ENGLISH

FORTY-FIRST SESSION
6 – 11 November 2006
Yokohama, Japan

DECISION 1(XLI)

PROJECTS, PRE-PROJECTS AND ACTIVITIES

The International Tropical Timber Council,

Having considered at its Forty-first Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(XXXIX)/8, and CRF(XXXIX)/10; and the report of the Eleventh Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTC(XLI)/17;

1. Decides:

(i) to approve the following Projects:

PD 379/05 Rev.3 (M)	Enhancing Papua New Guinea's Timber Marketing Information System (MkIS) (Papua New Guinea) ITTO Budget: US\$ 637,308.00
PD 391/06 Rev.2 (M)	Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood (Japan) ITTO Budget: US\$ 257,472.00
PD 415/06 Rev.2 (M)	Systematisation and Modelling of Economic and Technical Information to Train Professionals Related to the Production, Processing and Marketing of Timber Products - Phase II (Colombia) ITTO Budget: US\$ 225,500.00
PD 377/05 Rev.3 (F)	Development of Cloning for Samba (Obéché), West African Mahogany and Tiokoué Tree Species (Côte d'Ivoire) ITTO Budget: US\$ 421,060.00
PD 393/06 Rev.1 (F)	Village-level Reforestation Plus Nutrition Promotion by Self-motivated Community Women's Groups (Ghana) ITTO Budget: US\$ 165,335.00
PD 396/06 Rev.2 (F)	Strategy for Developing Plantation Forest: A Conflict Resolution Approach in Indonesia (Indonesia) ITTO Budget: US\$ 508,234.00
PD 426/06 Rev.1 (F)	The Prevention of Further Loss and the Promotion of Rehabilitation and Plantation of <i>Gonystylus spp.</i> (ramin) in Sumatra and Kalimantan (Indonesia) ITTO Budget: US\$507,903.00

PD 384/05 Rev.3 (I)	Testing Laboratory for the Development of Quality Standards for Mexican Primary and Tropical Forest Products (Mexico) ITTO Budget: US\$ 463,670.00
PD 398/06 Rev.2 (I)	Promoting the Utilization of Plantation Timber Resources by Extending Environmentally Sound Preservation Technology (China) ITTO Budget: US\$ 291,060.00
PD 401/06 Rev.2 (I)	Value Adding and Kiln Drying of Commercial Timbers by Small Scale Community Saw Millers in Guyana (Guyana) ITTO Budget: US\$ 347,004.00
PD 422/06 Rev.1 (I)	Sustainable Management and Utilization of Tropical Bamboo in Yunnan Province of China (China) ITTO Budget: US\$ 511,920.00
PD 425/06 Rev.1 (I)	Production and Utilization Technology for Sustainable Development of Eaglewood (gaharu) in Indonesia (Indonesia) ITTO Budget: US\$ 499,975.00
PD 431/06 Rev.1 (I)	Processing and Utilization of Trees on Farmlands and Logging Residues through Collaboration with Local Communities (Ghana) ITTO Budget: US\$ 458,752.00

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

PD 391/06 Rev.2 (M)	\$257,472.00
PD 415/06 Rev.2 (M)	\$225,500.00
PD 393/06 Rev.1 (F)	\$165,335.00
PD 396/06 Rev.2 (F)	\$508,234.00
PD 426/06 Rev.1 (F)	\$507,903.00
PD 384/05 Rev.3 (I)	\$463,670.00
PD 431/06 Rev.1 (I)	\$458,752.00

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

- (iv) 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 379/05 Rev.3 (M)	\$337,308.00
PD 377/05 Rev.3 (F)	\$421,060.00
PD 398/06 Rev.2 (I)	\$291,060.00
PD 401/06 Rev.2 (I)	\$347,004.00
PD 422/06 Rev.1 (I)	\$511,920.00
PD 425/06 Rev.1 (I)	\$499,975.00

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

PD 344/05 Rev.2 (I)	\$95,040.00
PD 367/05 Rev.2 (F)	\$143,856.00
PD 406/06 Rev.1 (M)	\$454,148.00
PD 383/05 Rev.2 (F)	\$594,432.00

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

PD 224/03 Rev.1 (F)	\$129,600.00
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- (vii) 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 285/04 Rev.3 (I)	\$ 319,221.00
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2. Decides:

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

PPD 124/06 Rev.2 (F)	Reforestation of Tropical Savannah Grassland with High Valued Teak Species in Papua New Guinea (Papua New Guinea) ITTO Budget: US\$ 79,920.00
PPD 128/06 Rev.1 (F)	Strengthening Capacity of Forest Law Enforcement and Governance in Cambodia (Cambodia) ITTO Budget: US\$ 66,636.00
PPD 130/06 Rev.1 (F)	Identification of a Project for the Regeneration and Management of Mangrove Forests Surrounding the Douala/Edea Reserve, Department of Sanaga Maritime, Cameroon (Cameroon) ITTO Budget: US\$ 79,164.00
PPD 121/06 Rev.2 (I)	Development of Value-adding Processes for Short-rotation, Small-diameter Community Teak Plantations in Java and Eastern Indonesia (Indonesia) ITTO Budget: US\$ 48,060.00
PPD 125/06 Rev.2 (I)	National Training Program to Promote the Adoption of Reduced Impact Logging (RIL) in Papua New Guinea (Papua New Guinea) ITTO Budget: US\$ 58,806.00

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

PPD 124/06 Rev.2 (F)	\$79,920.00
PPD 128/06 Rev.1 (F)	\$66,636.00
PPD 130/06 Rev.1 (F)	\$79,164.00
PPD 121/06 Rev.2 (I)	\$48,060.00
PPD 125/06 Rev.2 (I)	\$58,806.00

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

PPD 111/05 Rev.1 (F)	\$48,114.00
PPD 68/03 Rev.2 (I)	\$80,000.00

- (iv) to authorize the release of additional funds for the continued implementation of the following Activity from the resources of the Working Capital Account of the Administrative Account:

Formulate and approve the ITTO Action Plan 2008 – 2013 - Inter-Sessional Working Group on Thematic Programme PP-A/39-165A – Additional Fund [Decision 2(XXXIX) para.2 (vi)]	\$110,000.00
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- (v) to authorize financing for immediate implementation of the following Activities 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:

Cooperation with CITES (a) Improve capacity of Members to implement CITES listings of timber species \$240,000.00
PP-A/39-162A – Additional Fund
[Decision 2(XXXIX) paragraph 2 (iii)]

In cooperation with relevant organizations, monitor the potential implications for the resource base of climate change and related policy developments, and the contribution of the resource base to the mitigation of the effects of climate change \$100,000.00
PP-A/41-188 – Additional Fund
[Decision 2(XXXIX) para.2 (xx)]

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

* * *

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FORTY-FIRST SESSION
6 – 11 November 2006
Yokohama, Japan

DECISION 2 (XLI)

MATTERS RELATED TO ARTICLE 16 OF THE ITTA, 1994

The International Tropical Timber Council,

Recalling Article 16 of the ITTA, 1994;

Further recalling Decision 4(XXIV) and 3(XXV) on matters related to Article 16 of the ITTA, 1994, including the transitional rules in Annex 2 of Decision 4(XXIV);

Noting that the position of Executive Director of ITTO will become vacant on 6 November 2007;

Decides to:

1. Request the Executive Director to take action to advertise the position, using the text in the Annex to this Decision, in the ITTO Tropical Forest Update, in the ITTO website, in "The Economist", in "Le Monde" and in "El País" (Madrid), and through national governments. The advertisement shall be placed by 11 December 2006;
2. Establish a Panel composed of four producer members, plus the caucus spokesperson, and four consumer members, plus the caucus spokesperson, to examine the applications and agree on an indicative short list of no more than six names, with at least half of these to be from producer Members, and each candidate must be endorsed by his/her government. Each Member is entitled to endorse only one candidate. The Panel shall meet and finalize its work before 31 March 2007 and shall circulate its report to Members by 6 April 2007. The Panel will elect co-chairs from the producer and consumer Panel Members;
3. Urge Members to inform their candidates to submit their applications by 28 February 2007 by 17:00 hours (Japan time), taking into account that each Member is entitled to endorse only one candidate;
4. Instruct the Panel to consider only applications accompanied by endorsement from the government of the ITTO Member country of which the applicant is a national;
5. Request the producer and consumer caucuses to discuss the indicative short list of candidates prepared by the Panel and to present their conclusions to the Council at its Forty-second Session;
6. Select the Executive Director, if possible at its Forty-second Session, if not by consensus, by special vote;
7. Authorize the Executive Director to transfer an amount not exceeding US\$ 100,000.00 from the Working Capital Account to the Administrative Account to meet the costs of advertising the position of Executive Director and the work of the Panel.

ANNEX FOR DECISION 2(XLI)

VACANCY FOR THE POSITION OF THE EXECUTIVE DIRECTOR OF ITTO

The International Tropical Timber Organization (ITTO), a commodity organization headquartered in Yokohama, Japan is in the process of appointing a new Executive Director. The ITTO mission is to facilitate discussion, consultation and international cooperation on issues relating to the international trade and utilization of tropical timber and the sustainable management of its resource base.

The Executive Director is the chief administrative officer of the International Tropical Timber Organization and is responsible to the International Tropical Timber Council for the administration and operation of the International Tropical Timber Agreement, 1994, in accordance with decisions of the Council.

Candidates with the following qualifications may apply:

1. Professional experience

- (i) Managerial experience - a proven track record in managing programs, staff and finances preferably in matters relevant to the work of the ITTO*;
- (ii) International experience - previous governmental work and experience in dealing with international organizations.

2. Background

Advanced degree, preferably in matters relevant to the work of the ITTO.

3. Language

Proven ability in both oral and written communication in one or preferably more of the working languages (English, French and Spanish) of the ITTO.

4. Nationality

Candidates should be nationals of ITTO Member countries and should be endorsed by their respective governments. Only one candidate per country can be endorsed.

*/ Bearing in mind the mission of the Organization, the ability to seek additional financial resources is an advantage, although it is not a pre-requisite for qualification of candidates.

Salary and Emoluments

Salary is equivalent to that of an Assistant Secretary General (ASG) in the scale of the United Nations, including benefits such as removal expenses, home leave travel every 24 months, children's education grant, rental subsidies, etc.

Any national of an ITTO Member country (see list below) may apply. Interested persons must submit their applications for ITTO consideration accompanied by a letter of formal endorsement from the Government of their respective countries. A list of ITTO contact points in member countries can be obtained upon request from the ITTO Secretariat at:

International Tropical Timber Organization (ITTO)
International Organizations Center, 5th Floor
Pacifco-Yokohama, 1-1-1, Minato-Mirai
Nishi-ku, Yokohama, Japan 220-0012

Tel: (81-45) 223-1110
Fax: (81-45) 223-1111
E-mail: itto@itto.or.jp

Applicants should seek Government endorsement by 16 February 2007. Government endorsed applications should be received at ITTO headquarters by 28 February 2007.

LIST OF ITTO MEMBER COUNTRIES

PRODUCERS

Africa

Cameroon
Central African Republic
Congo
Côte d'Ivoire
Democratic Republic of the Congo
Gabon
Ghana
Liberia
Nigeria
Togo

Asia & Pacific

Cambodia
Fiji
India
Indonesia
Malaysia
Myanmar
Papua New Guinea
Philippines
Thailand
Vanuatu

Latin America/Caribbean

Bolivia
Brazil
Colombia
Ecuador
Guatemala
Guyana
Honduras
Mexico
Panama
Peru
Suriname
Trinidad and Tobago
Venezuela

CONSUMERS

Australia
Canada
China
Egypt
European Community
Austria
Belgium/Luxembourg
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Netherlands
Portugal
Spain
Sweden
United Kingdom
Japan
Nepal
New Zealand
Norway
Republic of Korea
Switzerland
United States of America

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6 – 11 November 2006
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DECISION 3 (XLI)

EXTENSION OF THE INTERNATIONAL TROPICAL TIMBER AGREEMENT, 1994

The International Tropical Timber Council,

Recalling Article 46 of the ITTA, 1994, and ITTC Decision 9(XXXIII) of 4 November 2002, which extended the duration of the International Tropical Timber Agreement, 1994, until 31 December 2006;

Welcoming the successful conclusion on 27 January 2006 of the United Nations Conference for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994;

Expressing its gratitude to the Secretary-General of UNCTAD for the facilities and services provided during the Conference;

Acknowledging the valuable contributions of the President of the Conference, H.E. Ambassador Carlos Antonio da Rocha Paranhos, the Vice-President, Dr. Jürgen Blaser, and all Members, to the successful conclusion of the Conference and adoption of the International Tropical Timber Agreement, 2006;

Decides in accordance with Article 46(3) of the International Tropical Timber Agreement, 1994, that the Agreement be extended until the provisional or definitive entry into force of the successor Agreement;

Also decides to review the status of deposits of instruments of ratification, acceptance, approval or accession to the ITTA, 2006, as well as other provisions of this Decision at Council Sessions to be held in the period 2007-2009 and the consultations to be undertaken by the Secretary-General of the U.N. if the ITTA, 2006 has not come into force by 1 September 2008;

Requests the Council, in the case that the ITTA, 2006 has not entered into force either provisionally or definitively, on the basis of this review and consultations, to consider whether to maintain the extension beyond 2009 or terminate the Agreement in accordance with Article 46(5) of the ITTA, 1994;

Urges all Governments to expedite the necessary procedures to become parties to the International Tropical Timber Agreement, 2006.

* * *

ANNEX IV

**TERMS OF REFERENCE OF INTER-SESSIONAL WORKING GROUP ON
THEMATIC PROGRAMMES
ACCORDING TO ITTA, 2006 (ARTICLE 20)**

ANNEX IV

Terms of Reference of the Inter-sessional Working Group on Thematic Programmes according to ITTA, 2006 (article 20)

General thrust

To provide advice to the 42nd session of the Council on the further development of thematic programme support within the framework of the ITTA 2006.

Overall objective

Discuss and identify the necessary modalities to make thematic programme support operational, in order to promote the implementation of the overall ITTA 2006 objectives to promote the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and to promote the sustainable management of tropical timber producing forests

Tasks

In the framework of the ITTA 2006, taking into account the relevant articles and paragraphs that define or impinge on the role and functioning of thematic programme support, the tasks of the Inter-sessional Working Group are to;

- o Identify lessons learned with thematic programme support in other international organisations, as well as relevant activities at the ITTO, on the basis of a background paper to be prepared by the ITTO Secretariat; Propose the potential roles and responsibilities of, as well the benefits for, the Council, Executive Director / Secretariat, donors and recipients, in jointly developing and implementing thematic programme support;
- o Propose modalities of rules and regulations to enable transparent and efficient functioning of thematic programme support, while taking into account its innovative nature and recognising that experience will have to be acquired progressively;
- o Analyse rules, regulations and working practises established and developed under ITTA 1994 and propose in general terms amendments for streamlining the work of the organisation to accommodate thematic programme support;
- o Propose the process and identify possible themes, that could be appropriate for thematic programme support in line with the objectives of ITTA 2006, and make an initial inventory of such themes, taking into account the strategic work plan and action plan of the International Tropical Timber Organisation.

Working procedures

- Limited and balanced number of 6 Consumer and 6 Producer representatives, as well as the spokesperson for the Producers and the spokesperson for the Consumers, supported by the ITTO-Secretariat;
- Two co-chairs, one from the Consumers, one from the Producers, to be elected by the Inter-sessional Working Group;
- One meeting to be held before the 42nd Council, working in English, as well as making full use of possibilities for electronic communication (e-mail; tele- and videoconferencing);
- Other necessary and relevant material and information will be made available to the Inter-sessional Working Group by the Secretariat
- Report to be made available in due time for ITTO members to prepare for the 42nd Council.

ANNEX V

REPORTS OF THE ASSOCIATED SESSIONS OF THE FOUR COMMITTEES

Documents: CEM-CFI(XXXIX)/8
CRF(XXXIX)/10 Rev.1
CFA(XX)/6 Rev.1

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6 – 11 November 2006
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REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

THIRTY-NINTH SESSION OF THE COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE AND THE COMMITTEE ON FOREST INDUSTRY

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REPORT

1. Opening of the Session

The Thirty-ninth Session of the Committees was opened on 6 November 2006 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 Dr. James Gasana (Switzerland), Chairperson of the Committee on Economic Information and Market Intelligence. This Joint Session considered Agenda items 1-4. The subsequent meetings of the CEM and CFI were conducted in joint sessions by Dr. James Gasana and Dr. Jung-Hwan Park (Republic of Korea), Chairperson of CFI. The list of participants is presented in document ITTC(XLI)/Info. 2.

2. Adoption of Agenda and Organization of Work

The Committees adopted the Agenda for the Joint Session as contained in documents CEM-CFI(XXXIX)/1, CFA(XX)/1 and CRF(XXXIX)/1. To facilitate the sharing of experiences and lessons learned from ex-post evaluations of projects among Members, the Committees unanimously agreed that the consideration of ex-post evaluation reports would be undertaken at the Joint Session of the Committees beginning from the next Sessions of the Committees.

3. Admission of Observers

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

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

The Committees noted the presentation made by Dr. Peter Schröder (Germany), Chairman of the Expert Panel on the Report of the Expert Panel (EP) for Technical Appraisal of Project Proposals at its Thirty-second Meeting held on 31 July – 5 August 2006 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXIX)/1. In summary, the report of the EP indicated:

- (i) A total number of 51 proposals evaluated comprising 41 project and 10 pre-project proposals; compared with 60 proposals assessed at the previous EP meeting.
- (ii) A total number of 23 proposals (45% of proposals evaluated) comprising 16 project and 7 pre-project proposals were accorded category 1 rating, compared with 35% so accorded at the previous EP meeting.
- (iii) 12 out of the 23 proposals accorded category 1 rating (52%) were revised project proposals.
- (iv) The percentage of proposals requiring amendment or reformulation was still high.
- (v) Twenty-four (24) proposals were returned to proponents for revisions and four (4) were not recommended for approval by the Committees.

The Chairman of the EP highlighted the specific findings of the EP at its Thirty-second Meeting, focussing on a number of common weaknesses including:

- (i) Lack of clear and comprehensive problem analysis and deficiencies of the problem tree.
- (ii) Specific objective(s) were, in many cases, not focused directly on contributing to solving the defined development objective. Furthermore, outputs and activities were often addressed as an element of the specific objective.
- (iii) Logical frameworks not consistent with problem analysis.
- (iv) Project strategy did not consider minimum possible cost, mitigation of risks, time necessary for reaching the objectives, long term sustainability of project outcome and early monitoring in order to identify weaknesses of projects.
- (v) Future sustainability of projects often based on the assumption that there would be a subsequent phase and/or the executing agency would continue operations. However, the capacity of the executing agency to undertake follow-up responsibilities was unclear.
- (vi) Stakeholder involvement in the process of project development and during the implementation of the activities of defined projects often was inadequate or at least not described satisfactorily.
- (vii) Social, environmental, economic and technical problems identified in the analysis often not directly or only insufficiently covered in project proposals.
- (viii) Many proposals did not clearly show relation to ITTO Objectives, relevant Action Plans, Guidelines, etc.
- (ix) Budget items and TOR's for staff often not well presented.

- (x) Methodologies for implementation insufficiently articulated.
- (xi) ITTO funding for private company projects continuing to be an area requiring guidance from the Committees.
- (xii) Many proposals claiming to benefit local communities failing to show how tangible benefits, particularly economic benefits, were accruing to these people.
- (xiii) Regional proposals presented by a single country not showing evidence of support or binding commitment from the other partner countries or organizations.
- (xiv) Roles and responsibilities not clearly stated in proposals involving multiple agencies in implementation.
- (xv) Missing, irrelevant, or inadequate information in the origin section of the proposal, including inadequate specification of results and achievements of previous work or projects.

The recommendations of the EP at its Thirty-second Meeting included the following:

- (i) Member Countries presenting more than three proposals should be urged to limit and prioritize the proposals as detailed in the rules of ITTO.
- (ii) Project proposals focusing on non-timber forest products (NTFPs) such as rattan, bamboo and environmental services need to clearly show direct relevance to sustainable forest management (SFM) and their contribution to ITTO objectives.
- (iii) Regional proposals should contain evidence of firm commitments from participating countries to seriously pursue common objectives and conduct joint activities.
- (iv) When there is a change of submitting countries for continuation of phased projects, proper coordination and mutual agreements between the countries involved should be firmly established.
- (v) When considering whether projects are to be submitted as small project, pre-project, or full project proposals, proponents should follow strictly the ITTO Manual on Project Formulation, second edition, May 1999.
- (vi) The strategy, methodology and approach to community-based plantation projects should be explained in detail as these vary from country to country and within varying sites in a country.
- (vii) In view of the lack of clear understanding of the scope and expected results for projects on phased approaches to certification, proponents should review the results of the ITTO International Workshop on Phased Approaches to Certification held in Bern, Switzerland in 2005.
- (viii) Projects on sustainable management of degraded secondary forests should be based on the ITTO Guidelines on Rehabilitation and Management of Secondary and Degraded Forests.
- (ix) Since Phase II project proposals can only be assessed if results and evaluation of Phase I are already available to the Panel, ex-post evaluation should be conducted immediately after completion of phased projects.
- (x) Proposals should focus on addressing core problems.
- (xi) Training and capacity building proposals should be supported by needs assessment, curricula or training modules, targets to be trained, etc.
- (xii) Technical and scientific aspects (particularly for genetic improvement projects) should be strengthened and the choice of species and use of technologies should be clearly justified.
- (xiii) Joint ownership with ITTO of patents and intellectual property rights to technologies developed during project implementation should be pursued.
- (xiv) Projects should not be too heavily weighted to needs for management staff, travel, DSA, cars and overhead expenses.
- (xv) Proposals should provide for internal monitoring mechanism necessary for the Executing Agency to secure successful implementation of projects.
- (xvi) Proposals related to statistics should be developed based on Information Need Analysis (INA) identifying key needed parameters and variables.

The Chairman of the EP further informed the Committees that the EP had concluded that the trial application of the Revised ITTO System for Technical Appraisal of Project and Pre-project Proposals had structured and thereby facilitated the work of evaluators and the subsequent discussion of the Panel on each project to achieve consensus on the rating category.

The Committees commended Dr. Schröder for his excellent presentation. The delegate of Brazil called for further consideration of phased projects and regional projects in the context of the implementation of the Revised ITTO System and the on-going consideration of measures to improve and strengthen the ITTO Project Cycle. The Committees agreed to recommend to the Council the full application of the Revised ITTO System for new and revised proposals beginning from the next ITTO Project Cycle (27 November 2006).

5. Report on Completed Projects and Pre-projects

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

Committee on Economic Information and Market Intelligence

PD 47/98 Rev.2 (M) Establishing a Data Collection and Dissemination System on a Sustainable Basis for Timber Marketing Statistics in Cameroon

The delegate of Cameroon reported on the implementation of the project. The Committees noted that the final report of this project and its tangible outputs including annual statistical reports had been submitted to the Secretariat in accordance with the project agreement. The Committees also noted that the final audited financial statements had been submitted during the Session and commended the results of this small project in spite of the delays in implementation. The Committees declared this project complete.

PD 203/03 Rev.3 (M) Systematisation and Modelling of Economic and Technical Information to Train Professionals Related to the Production, Processing and Marketing of Timber Products (Colombia)

The delegate of Colombia reported on the implementation of the project. The Committees noted that the final report of this project and its tangible outputs including technical report and CD-ROMs had been submitted to the Secretariat in accordance with the project agreement. The Committees also noted that the final audited financial statements had been submitted during the Session. The Committees noted that this small project had exceeded the expected outcomes and commended the executing agency for the results. The Committees declared this project complete.

Committee on Forest Industry

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)

The Secretariat reported on the implementation of the project. The Committees noted that the final report on this project and its final audited financial statements and tangible outputs had been submitted to the Secretariat in accordance with the project agreement. The Committees declared this project complete.

PD 12/98 Rev.2 (I) Manpower Development for the Ghana Wood Industry Training Center (WITC)

The delegate of Ghana reported on the implementation of the project. The Committees noted that the final report on this project had been received and tangible outputs had been submitted to the Secretariat in accordance with the project agreement. The Committees declared the project complete, subject to the receipt of the final audited financial statements.

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

The representative of the Secretariat reported on the implementation of the project which focused on research work to develop an appropriate set of processing techniques for solid wood products such as joinery products, furniture and building components from the existing Eucalyptus and Acacia plantations in South China. The major findings of the project work including physical properties of selected *Eucalyptus* spp and *Acacia mangium* and their utilization were highlighted in the presentation. The Committees noted that the International Workshop on Plantation Eucalyptus: Challenge in Product Development was organized in December 2005 to disseminate the project results. The Committees further noted that the final report of this project and its final audited financial statements and tangible outputs had been submitted to the Secretariat in accordance with the project agreement. The Committees duly declared this project complete.

PD 110/01 Rev.4 (I) Program to Facilitate and Promote Adoption of Reduced Impact Logging (RIL) in Indonesia and the Asia Pacific Region (Indonesia)

The delegate of Indonesia reported on the implementation of the project which was designed to improve forest harvesting practices through effective training and demonstration of Reduced Impact Logging (RIL) in order to achieve sustainable forest management and opportunities for forest certification. The Committees noted that the Executing Agency produced five procedures manuals on the various aspects of RIL and conducted a series of training courses and demonstration sessions focusing on RIL planning and implementation at an operational scale in working concessions. The delegate of the Netherlands highlighted the importance of RIL towards SFM in the tropics and recommended that lessons learned from the project should be disseminated to interested parties. In this regard, the Committees were informed by the Secretariat that a short paper summarizing the lessons learned would be placed on ITTO's website. The Committees further noted that the final report of this project and tangible outputs had been submitted to the Secretariat in accordance with the project agreement. The Committees duly declared this project complete subject to the receipt of the final audited financial statements and the technical manual "Management Considerations for RIL".

PD 174/02 Rev.1 (I) International Workshop on Clean Development Mechanism – Opportunities for the Forest Industry Sector in the Asia-Pacific Region (Korea)

The representative of the Secretariat reported on the implementation of the project which aimed at organizing an international forum to promote the development of CDM forestry activities. The Committees noted that the International Workshop on Climate Change and Forest Sector: CDM in Tropical Countries was held in Seoul, Korea on 21-23 September 2004 and its recommendations included: assisting ITTO producing member countries in understanding the potential and constraints of A/R CDM projects in SFM; and supporting the capacity building of ITTO producing member countries in A/R CDM project identification, formulation and development. The Committees further noted that the final report of this project and its final audited financial statements and tangible outputs had been submitted to the Secretariat in accordance with the project agreement. The Committees declared this project complete.

PD 189/03 Rev.1 (I) Support Project for the Updating of Training in Forest Management and Forest Concession Management in Central African Forestry Schools (Gabon)

The delegate of Gabon reported on the implementation of the project and its important contribution to the objectives of COMIFAC and expressed thanks to the donors for their support. The delegate of Brazil underlined the high relevance of this project to improve training capacities on SFM and the need to provide more funding for training projects in the region. The Committees noted that the final report of this project and its final audited financial statements and tangible outputs had been submitted to the Secretariat in accordance with the project agreement. The Committees declared this project complete.

PPD 39/02 Rev.2 (I) Processing and Utilization of Logging Residues through Collaboration with Local Communities and Forest Industries (Ghana)

The delegate of Ghana reported on the implementation of the pre-project and expressed thanks to the donors for their support. He further stressed the importance of the lessons learnt from the pre-project towards improving livelihoods of local communities by recycling logging and industrial wood processing waste. The Committees noted that the final report of this pre-project and its final audited financial statements and tangible outputs had been submitted to the Secretariat in accordance with the pre-project agreement. The Committees declared this pre-project complete.

6. Ex-post Evaluation

(A) Ex-post Evaluation Missions/Report

Committee on Economic Information and Market Intelligence

PD 74/01 Rev.1 (M) Development and Implementation of Guidelines to Control Illegal Logging for Sustainable Forest Management in Indonesia

The Committees considered the executive summary of the ex-post evaluation report on the project as contained in document CEM-CFI(XXXIX)/3. A presentation before the Committees was made by the consultant, Mr. Shaharuddin Mohamed Ismail (Malaysia), in respect of his ex-post evaluation report on this project. The key recommendations made by the consultant included (i) maintaining, updating, disseminating, applying and replicating the tangible outputs of the project to the extent possible, (ii) continuing training and enhancement of human and institutional capacity in combating illegal logging using updated and adapted materials, tools and technology generated by the project, (iii) undertaking concerted efforts to facilitate actual and systematic implementation of the six volumes of guidelines for controlling illegal logging formulated under the project, (iv) strengthening of the coordination forums for combating illegal logging, JIKALAHARI and KAIL, established and consolidated under the project to maintain the momentum gained in the campaigns against illegal logging in the provinces of Riau and Kalimantan Barat respectively, (v) identifying and overcoming obstacles hindering the cooperation and involvement of the private sector in activities to combat illegal logging, (vi) further developing methodologies and mechanisms to manage and resolve conflicts amongst stakeholders to facilitate the activities of the coordination forums, (vii) developing alternative sources of income for local communities to reduce their involvement in illegal activities and encourage their involvement in campaigns against illegal logging and (viii) adapting and replicating the experiences and achievements of the project in other parts of Indonesia where illegal logging was still rampant.

The Committees commended the consultant for his excellent presentation and ex-post evaluation report. The delegate of the Netherlands expressed his appreciation for the transparent efforts undertaken by the Government of Indonesia in tackling the problem of illegal logging and particularly endorsed the recommendation of addressing the obstacles hindering the involvement of the private sector in campaigns against illegal logging. Similar sentiment were expressed by the Chairperson of the CEM who highlighted the need to develop alternative sources of income to local people impacted by the campaigns against illegal logging as well as the delegate of Japan who indicated her government's readiness to provide support for well formulated projects in combating illegal logging. The delegate of Indonesia expressed his appreciation for the support extended by donors and the ITTO Secretariat towards the successful implementation of the project and indicated that his government was taking appropriate steps to maintain the momentum generated by the project through existing initiatives and follow-up projects.

Oral reports were made by the representatives of 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)
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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 completed.

PD 34/00 Rev.2 (M)	Extension and Consolidation of the National Statistical Information System (Bolivia)
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PD 27/95 Rev.3 (M) Phase II Stage 2	Establishment and Operation of a Forest Strategic Information Center (CIEF), Phase II Stage 2 (Peru)
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The Committees noted that two consultants had been identified to undertake a joint ex-post evaluation of PD 34/00 Rev.2 (M) and PD 27/95 Rev.3 (M) Phase II Stage 2 and that the report of the ex-post evaluation was expected to be presented 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)
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PD 80/01 Rev.6 (M)	Consolidating Sustainable Forest Management Certification System in Indonesia
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The Committees noted that the Secretariat was in the process of identifying consultants to undertake the ex-post evaluation of these projects.

Committee on Forest Industry

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

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|--------------------|-----------------------------------------------------------------------------------------------------|
| PD 58/99 Rev.1 (I) | Introducing a Village Industry in the Community Around an Industrial Forest Plantation in Indonesia |
| PD 85/01 Rev.2 (I) | Strategies for the Development of Sustainable Wood-based Industries in Indonesia |

The Committees noted that two consultants had been identified to undertake the ex-post evaluation in a single mission and that the report of the ex-post evaluation was expected to be presented at the next Session of the Committees.

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|--------------------|-----------------------------------------------------------------------------|
| PD 56/99 Rev.1 (I) | Promotion of the Utilisation of Bamboo from Sustainable Sources in Thailand |
| PD 24/00 Rev.1 (I) | Promotion of Sustainable Utilization of Rattan from Plantation in Thailand |

The Committees noted that the Secretariat was in the process of identifying one consultant who would conduct the ex-post evaluation of the two projects in a single mission planned for early 2007.

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|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| 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) |

The Committees noted that the Secretariat was in the process of identifying one consultant, with the appropriate technical experience in stress grading rules and wood furniture performance evaluation, and who could conduct the ex-post evaluation of the two projects in a single mission to save costs.

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| PD 68/01 Rev.2 (I) | Training in Reduced Impact Logging in Guyana |
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The Committees noted that the Secretariat was considering to conduct the ex-post evaluation of the project together with the completed ITTO project: PD 206/03 Rev.1 (F) "Development of human resources in sustainable forest management and reduced impact logging in the Brazilian Amazon".

(B) Selection of Projects for Ex-post Evaluation

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

Committee on Forest Industry

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|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 |

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

The Committees considered the Report of Projects, Pre-projects and Activities in Progress as contained in document CEM-CFI(XXXIX)/4 and took note of progress in the implementation of the following projects, pre-projects and activity:

(A) Projects, Pre-projects and Activity under implementation

Committee on Economic Information and Market Intelligence

1. PD 16/93 Rev.4 (M)
Phase IV, 2005/2006 Market Information Service for Tropical Timber and Timber Products, Phase IV, 2005/2006 (Global)
2. PD 25/95 Rev.1 (M) Training Workshops on Tropical Forestry and Timber Trade Statistics (Global)
3. PD 40/96 Rev.5 (M) The Establishment of a National Statistical System for Imported Timber and Timber Products (Egypt)
4. PD 124/01 Rev.2 (M)
Phase I Stage 2 Promotion of Sustainable Management of African Forests (Africa)
5. PD 133/02 Rev.3 (M) Timber and Timber Products Trade Flow Study in the Philippines
6. PD 168/02 Rev.1 (M) Establishment of a National System of Collection, Entry, Processing and Dissemination of Forestry and Timber Statistical Data in Togo
7. PD 171/02 Rev.4 (M) Transparency in Trade Flows and Distribution of Tropical Wood Products in China
8. PD 182/03 Rev.2 (M) Enhancement of the Forest Statistics Information and Management System (STATFOR) Through the Integration of a Computer Module for Processed Log Management (Gabon)
9. PD 192/03 Rev.3 (M) A Comprehensive Information System for Sustainability of the Furniture Industry in Malaysia
10. PD 194/03 Rev.2 (M) Expanding and Improving Global Mangrove Database and Information System (GLOMIS) and its Networking (Japan/Global)
11. PD 196/03 Rev.1 (M) Upgrading and Strengthening of the National Forest Statistical Information System in Venezuela
12. PD 264/04 Rev.3 (M,I) Timbers of Tropical Africa Part 1: Group 7(1) within the PROTA Programme (Ghana)
13. PD 291/04 Rev.2 (M) Establishment of a Network to Facilitate Collection, Processing and Dissemination of Statistics Pertaining to Tropical Timber and Other Forestry Parameters in India
14. PD 295/04 Rev.2 (M) Creating and Sustaining a Market for Environmental Services from China's Tropical Forests
15. PD 338/05 Rev.1 (M,I) Promotion of Guatemalan Certified Timber and Timber Products Trade
16. PD 340/05 Rev.2 (M) National Forest Statistical Information System in Guatemala
17. PPD 8/98 Rev.1 (M) Establishment of a National Forest and Timber Marketing Statistics System (Ecuador)
18. PPD 14/00 (M) Strengthening the Market Discussion (Global)
19. PPD 45/02 Rev.3 (M) Technical Assistance for the Formulation of a Project Aimed at Capacity Strengthening for the Sustainable Management of Natural and Planted Forests in Panama

20. PPD 61/02 Rev.2 (M) Review of the Present Situation and Development of a Strategy and Project for Enhancing the National Forestry Statistics Management System (Côte d'Ivoire)
21. PPD 62/02 Rev.2 (M) Establishing a Forest Statistics Management System in the Democratic Republic of Congo
22. PPD 93/04 (M) Analysis of the Current Status and Development of a Project Proposal for the Strengthening of the Forest Statistical Information Centre in Honduras
23. PPD 101/04 Rev.1 (M) Development and Promotion Program for Financial Compensation and Environmental Services Derived from Tropical Forest Ecosystems in Guatemala
24. PP-A/23-63 Activity to Facilitate Development of a Joint ITTO/ECE-FAO/EUROSTAT Forest Statistics Questionnaire (Global)

Committee on Forest Industry

1. PD 73/89 (M,F,I) Assistance for Project Identification and Formulation (Global)
2. PD 39/93 Rev.4 (I) Project for the Development, Application and Evaluation of Biomass Energy Technologies through Briquetting, Gasification and Direct Combustion of (Wood and Agricultural) Wastes (Malaysia/Cameroon)
3. PD 37/94 Rev.3 (I) Strengthening of the Forest Products Laboratory of IBAMA (Brazil)
4. PD 46/96 Rev.2 (I) Establishment of a Wood Workers and Craftsmanship Village (Ghana)
5. PD 46/97 Rev.3 (I) Community Forest Products Processing in the Puerto Dias Extractive Reserve (Brazil)
6. PD 58/97 Rev.1 (I) The Establishment of the Database of Tropical Industrial Lesser-used Wood Species (Japan/Global)
7. PD 44/98 Rev.2 (I) Handbook on Tree and Wood Identification of 100 Lesser-used and Lesser-known Timber Species from Tropical Africa with Notes on Ethnography, Silviculture and Uses (Ghana)
8. PD 13/99 Rev.2 (M,F,I) ITTO Information Network and Project Support (Phase II) (Global)
9. PD 31/99 Rev.3 (I) Non-timber Production and Sustainable Development in the Amazon (Brazil)
10. PD 36/99 Rev.4 (I) Processing and Utilization of Almaciga (*Agathis philippinensis* Warb.) Resin as Source of Industrial Chemicals (Philippines)
11. PD 10/00 Rev.2 (F,I) Sustainable Management and Utilization of Sympodial Bamboos in South China
12. PD 51/00 Rev.2 (I,M) Improvement of Rubberwood Utilization and Marketing in Thailand
13. PD 65/01 Rev.2 (I) Training in Reduced Impact Logging in Cambodia
14. PD 73/01 Rev.5 (I,M) Promotion of Tropical Non-wood Forest Products (NWFPs) in Guangxi Autonomous Region, China Based on Sustainable Community Development

15. PD 77/01 Rev.2 (I,F) Contribution to the Development of Skills and Technical Training Structures at the Mbalmayo National School of Forestry (Cameroon)
16. PD 100/01 Rev.3 (I) Capacity Building for the Development of a Sustainable Rattan Sector in China Based on Plantation Sources
17. PD 103/01 Rev.4 (I) Demonstration of Rubberwood Processing Technology and Promotion of Sustainable Development in China and other Asian Countries (China)
18. PD 108/01 Rev.3 (I) Development of Sustainable Rattan Production and Utilization through Participation of Rattan Small Holders and Industry in Indonesia
19. PD 131/02 Rev.4 (I) Training of Forest Practitioners for the Improvement of Forest Industry in Cambodia
20. PD 146/02 Rev.1 (I) Promoting Sustainable Utilization of Bamboo through Community Participation in Sustainable Forest Management (Myanmar)
21. PD 233/03 Rev.2 (I) Application of Intermediate Technologies for Sustainable Forest Harvesting (Peru)
22. PD 275/04 Rev.3 (I) Improvement of the Sustainable Management and Utilization of Non-Timber Forest Products (NTFPs) in Cambodia
23. PD 277/04 Rev.3 (I) Promoting Selected Non-Timber Forest Products Based on Community Participation Approach to Support Sustainable Forest Management in East Kalimantan (Indonesia)
24. PD 286/04 Rev.1 (I) Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia
25. PD 306/04 Rev.1 (I) Improving Utilization and Value Adding of Plantation Timbers from Sustainable Sources in Malaysia
26. PD 318/04 Rev.2 (I) Quality Control and Standardization of Ghanaian Wood Products
27. PD 325/04 (I) Capacity Strengthening of Forestry Stakeholders to Support the Implementation of the National Code for Practice for Forest Harvesting (China)
28. PD 333/05 Rev.2 (I) Development and Delivery of a Vocational Training Programme in Reduced Impact Logging and Sustainable Forest Management Practices in Guyana
29. PD 334/05 Rev.2 (I) Demonstration and Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (Philippines)
30. PD 347/05 Rev.2 (I) Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership
31. PPD 5/00 Rev.1 (I) Sustainable Management of Non-timber Forest Produce (NTFP) in Maharashtra State of India
32. PPD 19/01 Rev.2 (I) Sustainable Management of Non-timber Forest Products (NTFPs) in Cameroon, Congo, Gabon and Central African Republic
33. PPD 58/02 Rev.2 (I) Improving the Utilization Efficiency in Wood Industries in the South Pacific Region (PNG/Vanuatu)

34. PPD 97/04 Rev.1 (I) Improve Strategies and Assess Training Needs to Achieve SFM in Suriname
35. PPD 112/05 Rev.2 (I) Guatemalan Forest Industry Development Project

(B) Projects and Pre-projects pending Agreement

Committee on Economic Information and Market Intelligence

1. PD 353/05 Rev.2 (M,F,I) Adoption and Implementation of the Forestry Information System (FIS) for the Philippines

Committee on Forest Industry

1. PD 40/00 Rev.4 (I) Utilization of Small-Diameter Logs from Sustainable Source for Bio-Composite Products (Indonesia)
2. PD 268/04 Rev.2 (I) The International Conference on Innovation in the Forest and Wood Products Industries (Innovations'06) (Australia)
3. PD 416/06 (I) Regional Workshop on Processing, Marketing and Trade of Quality Wood Products of Teak Plantations (India)

(C) Projects and Pre-projects pending financing

Committee on Economic Information and Market Intelligence

1. PD 124/01 Rev.2 (M) Promotion of Sustainable Management of African Forests (Africa)
Phases II, III
2. PD 335/05 Rev.1 (M) Increasing Market Opportunities for Tropical Products from the South Pacific Region: A Study of Market Access of PNG's Wood Products in Some of its Key Export Markets
3. PD 406/06 Rev.1 (M) Establishment of a National Forest and Timber Marketing Statistics System (Ecuador)

Committee on Forest Industry

1. PD 299/04 Rev.3 (I) Reduction of Timber Wastes in Both Logging and Mechanical Processing Operations (Republic of Congo)
2. PD 313/04 Rev.3 (I) Development of the Rubberwood Industry in Côte d'Ivoire – Phase II
3. PD 313/04 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) (CAR)
4. PD 336/05 Rev.1 (I) Thermochemical Processing of Tropical Wood Waste for Furfuryl Alcohol, Phenols, Cellulose and Essential Oils (Ghana)
5. PD 343/05 Rev.1 (I) Bamboo for Development through Community Driven Industries (Philippines)
6. PD 344/05 Rev.2 (I) Utilization of Lesser Used Wood Species in Guyana
7. PD 348/05 Rev.2 (I) Composites from Wood Residues and Recycled Plastics for Increasing Utilization Efficiency of Wood Resources (Philippines)
8. PD 363/05 Rev.3 (I) Harmonizing Forestry Training in order to Develop National SFM Capacities in Congo (Republic of Congo)

9. 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)
10. PD 385/05 Rev.2 (I,F) Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species
11. PPD 68/03 Rev.2 (I) Study on Utilization of Plantation Teak (Myanmar)
12. 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
13. PPD 122/06 Rev.1 (I) Wood Technology (Guatemala)

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

Committee on Economic Information and Market Intelligence

PD 16/93 Rev.4 (M) Market Information Service for Tropical Timber and Timber Products (MIS) (Global)

The Committees noted the satisfactory progress in the implementation of the project by the ITTO Secretariat. A survey revealed that 86% of the respondents indicated that the Tropical Timber Market (TTM) Report, the twice monthly output of this project, had improved in the last year and 83% of them selected country news as the most preferred section. The readership of the TTM Report had jumped fourfold since 2004 to over 6,000 in August 2006.

PD 25/95 Rev.1 (M) Training Workshops on Tropical Forestry and Timber Trade Statistics (Global)

The Committees recalled their decision to use remaining funds under this project for collaborative statistical work with FAO. The Committees noted the recent workshop for Spanish-speaking Latin American countries held in collaboration with FAO in Santiago, Chile. Nineteen countries had participated in the workshop, including all ITTO members working in Spanish in the region with the exception of Brazil. The report of this workshop would be available soon on the ITTO and FAO websites (Spanish only). The Committees noted that following the convening of this final workshop, the remaining funds under the project had been fully utilized. Since the originally scheduled activities under the project had been reported complete previously, the Committees formally declared this project complete.

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

The Committees noted that the project agreement had been signed and that the Secretariat was awaiting nominations of project consultants as well as other logistical details (project bank account, official notification of commencement). The delegate of Gabon confirmed that this information would be transmitted to the Secretariat prior to a monitoring visit scheduled in December 2006, to pave the way for the commencement of the implementation of the project in early 2007.

PD 291/04 Rev.2 (M) Establishment of a Network to Facilitate Collection, Processing and Dissemination of Statistics Pertaining to Tropical Timber and Other Forestry Parameters in India

The Committees noted that the agreement for this project had been signed earlier in the year and that activities had just commenced at the time of compilation of the Committee documents. The Committees noted the progress report provided by the Secretariat and the delegate of India indicating that project staff had now been recruited, activities had commenced and that a monitoring visit was planned in early 2007.

PD 353/05 Rev.2 (M,F,I)

Adoption and Implementation of the Forestry Information System (FIS) for the Philippines

The delegate of the Philippines informed the Committees that the project agreement would be signed soon. The Secretariat informed the Committees that an ex-post evaluation of the first phase of this project would soon be carried out (PD 41/99 Rev.4 (M), item 6A of the Agenda) and that the results of the ex-post evaluation would be taken into account in implementing this project.

Committee on Forest Industry

PD 268/04 Rev.2 (I)

The International Conference on Innovation in the Forest and Wood Products Industries (Innovations'06) (Australia)

The Committees noted that the project proposal had been approved and funded at the Thirty-seventh Session of the Council (13-18 December 2004) and that at the Thirty-eighth Session of the CFI (29 May – 2 June, 2006), the submitting member country had withdrawn its support for the project and had encouraged another member country to become the submitting government. The Secretariat informed the Committees that the Government of Ivory Coast had submitted an official request to ITTO expressing interest to become the submitting country of this project proposal and willingness to host the International Conference on Innovation in the Forest and Wood Products Industries in Ivory Coast. The Committees requested that a revised version of the project proposal, fully in line with the original project objectives, approved ITTO budget and counterpart support and with a proposal for a new executing agency be prepared and be submitted by the Government of Ivory Coast to the ITTO Secretariat for consideration by the Committees at the next Session. The Committees further discussed the relevance and need for the Organization to have procedures in place dealing with the transfer of approved and funded projects among member countries.

PD 286/04 Rev.1 (I)

Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia

The Committees noted that the second meeting of the PSC, which was held on 14 August 2006, made several recommendations towards the efficient implementation of the project. The delegate of Indonesia reported on the progress in the implementation of the recommendations made by the second PSC meeting. The Committees noted that as a follow-up to the recommendations of the second PSC meeting, the Executing Agency submitted the revised project cash flow statement and project financial statement as well as the revised second yearly plan of operation from August 2006 to July 2007. The delegate of Switzerland commended the presentation made by Indonesian delegation which provided detailed information on the progress in the implementation of the project. He stressed the importance of establishing a strong monitoring and evaluation system to ensure the success of the project. The delegate of the Philippines supported establishing a monitoring system for the project and suggested that training materials should be widely disseminated. The Committees noted that due attention of the Secretariat would be given to the efficient and successful implementation of the project and that an effective monitoring system would be established at the next meeting of the PSC to be held in the first half of 2007.

PD 333/05 Rev.2 (I)

Development and Delivery of a Vocational Training Programme in Reduced Impact Logging and Sustainable Forest Management Practices in Guyana

The Secretariat noted that the project agreement had been signed and copies of the signed project agreement had been sent to the Executing Agency. The Secretariat noted that it was waiting for the submission of a Yearly Plan of Operation, a notification that the project was about to commence and relevant Memorandums of Understanding before sending the first disbursement.

PD 385/05 Rev.2 (I,F)

Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species

The Committees noted that the Government of Mexico submitted a revised proposal reducing the ITTO's contribution from US\$703,388 to US\$493,517 without any amendment to the original objectives and activities of the project. The Committees endorsed this revision of the project and recommended that the revised proposal [PD 385/05 Rev.3 (I,F)] be approved for immediate funding and implementation.

PPD 112/05 Rev.2 (I)

Guatemalan Forest Industry Development Project

The Secretariat reported to the Committees that while the pre-project agreement had been signed, the detailed work plan and notification that the pre-project was about to commence had not yet been received by the Secretariat. The Committees urged the Executing Agency to submit the necessary documentation and information to the Secretariat as soon as possible.

8. Consideration of Project and Pre-project Proposals

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

Committee on Economic Information and Market Intelligence

PD 379/05 Rev.3 (M)	Enhancing Papua New Guinea's Timber Marketing Information System (MkIS)
PD 391/06 Rev.2 (M)	Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood (Japan)
PD 415/06 Rev.2 (M)	Systematisation and Modelling of Economic and Technical Information to Train Professionals Related to the Production, Processing and Marketing of Timber Products – Phase II (Colombia)

Committee on Forest Industry

PD 384/05 Rev.3 (I)	Testing Laboratory for the Development of Quality Standards for Mexican Primary and Processed Tropical Forest Products
PD 398/06 Rev.2 (I)	Promoting the Utilization of Plantation Timber Resources by Extending Environmentally Sound Preservation Technology (China)
PD 401/06 Rev.2 (I)	Value Adding and Kiln Drying of Commercial Timbers by Small Scale Community Saw Millers in Guyana
PD 422/06 Rev.1 (I)	Sustainable Management and Utilization of Tropical Bamboo in Yunnan Province of China
PD 425/06 Rev.1 (I)	Production and Utilization Technology for Sustainable Development of Eaglewood (Gaharu) in Indonesia
PD 431/06 Rev.1 (I)	Processing and Utilization of Trees on Farmlands and Logging Residues through Collaboration with Local Communities (Ghana)
PPD 121/06 Rev.2 (I)	Development of Value-adding Processes for Short-rotation, Small-diameter Community Teak Plantations in Java and Eastern Indonesia
PPD 125/06 Rev.2 (I)	National Training Program to Promote the Adoption of Reduced Impact Logging (RIL) in Papua New Guinea

The Committees considered in detail the comments and recommendations of the Thirty-second 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 detailed results of the Committees' evaluation and appraisal of these proposals are presented in Appendix A.

The Committees considered the following pre-project proposal that had been evaluated by the Thirty-second Expert Panel for the Technical Appraisal of Project Proposals which concluded that the proposal was very weak and recommended to the Council that the proposal should not be further considered by the ITTO:

PPD 118/05 Rev.2 (I,F) Training and Operation of Sawwood Stocking Centres with Legal Timber from Arajuno Community Forests and Small Forest Owners in the Ecuadorian Amazon Region (Ecuador)

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

The Committees also considered the following project proposal which had been approved at the Thirty-seventh Session of the Council (13-18 December 2004) and which has been re-submitted without any amendment by the submitting Member Country on 25 July 2006, pursuant to paragraph 2, Annex 2 of Decision 2(X) which allows Member Countries to re-submit approved proposals with a view to extending their validity period and status as approved projects.

PD 285/04 Rev.3 (I) Introduction of a Village Industry in the Community around an Industrial Forest Plantation in Sumatra, Indonesia

The Committees recommended that the proposal be approved for immediate funding and implementation by the Council.

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 very weak and recommended that the proposals should not be approved by the Committees.

Committee on Economic Information and Market Intelligence

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)

Committee on Forest Industry

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)

At the request of the delegate of CAR, the Committees decided to defer consideration of these proposals and requested the delegation of CAR to submit revised proposals addressing the concerns expressed by the Expert Panel for consideration at the next Session of the Committees.

9. Policy Work

Three issues and nine strategic policy activities under the CEM and 1 issue 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 were informed that negotiations on forest products within the Negotiation Group on Non-Agricultural Market Access (NAMA) had been put on hold together with all other outstanding issues under the Doha Round of trade negotiations following the unsuccessful outcome of the meeting of six key trading nations in July 2006. The delegate of the EC informed the Committees that the Community and its Member States had been urged to put their commitments on trade related assistance into operation.

The Secretariat also briefed the Committees on a submission from UCBD calling attention to the need for CE marking (strength and safety certification) of all structural timber entering the EU from 1 September 2007. The UCBD submission indicated that relatively few tropical species had been graded to allow application of the CE mark. The Secretariat described the proposal of UCBD to carry out testing leading to CE marking for a range of tropical species and offered to provide interested Members with a copy of the proposal to enable them to work with UCBD (either independently or by developing a proposal to ITTO) to obtain CE marking for relevant tropical timber species.

(ii) Forest and Timber Certification

The Secretariat briefed the Committees on the latest progress and developments relating to forest and timber certification. The Committees noted that the total area of certified forests was 280 million hectares of which North America accounted for 159 million hectares (57%), Europe 93 million hectares (33%), Latin America 11 million hectares (4%), Asia 6 million hectares (2%), Oceania 6 million hectares (2%) and Africa 4 million hectares (1%). The Committees also noted that the overall share of certified tropical forests to the total area of certified forests in the world remained at less than ten percent.

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

This item was deferred until the next Session of the Committees when more data would be available for Member Countries on 2004-2005 production and trade of tropical timber. The Secretariat also introduced the subject of data availability for the Annual Review under this item, including non-responses to the Joint Forest Sector Questionnaire and recent attempts to obtain forecasts for 2007. Many Members who had been unable to provide data so far for the 2006 Annual Review made assurances to do so soon, with several Members stressing the importance of ITTO's statistical work and members' cooperation in providing data to the Organization.

(iv) Market Study on Tropical Plantation Timber Products [PP-A/35-138]

The Committees considered the Report on the Market Study on Tropical Plantation Timber Products as contained in document CEM-CFI(XXXIX)/6. A presentation before the Committees was made by the consultant, Dr. Ivan Tomaselli (Brazil), in respect of the report. The key recommendations made by the study included: (i) promoting the marketing of tropical timber from plantations through the development of national information systems on production and trade of plantation timber products, increased cooperation among stakeholders and continuing work on identifying and reducing trade barriers, (ii) supporting plantation timber industrial development through professional skills improvement programmes, promotion of private investment by facilitation of information to stakeholders, and the creation or improvement of forest portfolios and assessment of portfolio risks by financial banks, (iii) improving forest plantation-based market through promotion of database development, dissemination of market information and conduct of special studies and analysis, (iv) developing forest plantation-derived industry through technical cooperation and information dissemination, and (v) other appropriate measure relating to international trade, government transparency, fiscal benefits within the economic environment of tropical countries, framework for legal trade and operations, human resource development and credit mechanisms. The Committees commended the consultant for his excellent presentation.

The presentation attracted several comments from Members of the Committees ranging from the objectives and methodology of the study to its findings on potential timber supply, production and trade, competitiveness as well as its conclusions and recommendations. The Committees requested Members to submit written comments on the study to the Secretariat to assist the consultant in finalizing the report.

(v) Assist the Trade Advisory Group (T-A-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 as determined by the T-A-G would be "Trade in Secondary Processed Wood Products: Trends and Perspectives".

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

The Committees were informed that two consultants had been engaged to undertake a review of the USA timber market and the report of the review had been scheduled to be presented for consideration at the next Session of the Committees.

- (vii) Studies on Subsidies Affecting Tropical Timber Products [PP-A/37-154 and PP-A/39-172]

The Committees noted the Report on Subsidies and Timber Products: Towards a Framework for Analysis contained in document CEM-CFI(XXXVIII)/6 Rev.1 which had been finalized by the consultant, Mr. Alberto Goetzl, taking into account the comments received from Members. The Committees further noted the compilation of written comments received from Members on the need for additional ITTO work on subsidies, the aim(s) of any such work and elements for any terms of reference to be developed to guide such work. The Committees resumed discussion and consultation on the matter without reaching a consensus and agreed to defer consideration of the activity to allow for further inter-sessional consultations amongst interested Members.

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

The Committees considered the Report on the Auditing of Existing Tracking Systems in Tropical Forest Industries as contained in document CEM-CFI(XXXIX)/7. A joint presentation on the report was made before the Committees by the consultants, Mr. Jussi Lounasvuori (Finland) and Sheikh Ibrahim Sheikh Ali (Malaysia). The key recommendations made by the consultants included (i) assisting producer member countries in finding new innovative ways of ensuring legal compliance, (ii) developing business environment of the forest and wood processing sectors which would favour companies that were able to demonstrate compliance with legal and voluntary requirements related to sustainable forest management, (iii) creating incentive programmes to promote companies with responsible corporate governance, (iv) establishing necessary structures for the control and monitoring of legal compliance (e.g. databases) to facilitate adoption of tracking systems by the private sector, (v) providing government inspection service to verify data generated from control systems that drew on activated private sector organizations, (vi) enhancing development of control systems through sophisticated software solutions as well as management of chain-of-custody information within a single system or between systems, (vii) integrating governmental and private sector control systems and (viii) transferring of some responsibilities to reliable private companies. The Committees commended the consultants for their excellent presentation.

The joint presentation attracted several comments from Members of the Committees ranging from the involvement of private companies to independent and transparent verification of tracking systems as well as additional drivers for the adoption of tracking systems. The Committees requested Members to provide written comments on the report to the ITTO Secretariat to assist the consultants in finalizing the report. The Committees agreed to keep this activity in the Agenda for the next Session.

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

The Committees noted that this strategic policy activity, designed to assist up to 5 logging companies in the tropics implement log tracking systems, would be implemented in 2007, taking into account the consideration by the Committees of the Report on the Auditing of Tracking Systems in Tropical Forest Industries (PP-A/37-156).

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

The Secretariat reported that in 2006 this activity had facilitated ITTO's subscription to the Global Trade Atlas (GTA), participation in the work of the Inter-Secretariat Working Group on Forest Statistics (IWG) and co-sponsorship of a statistical training workshop with FAO (cf. PD 25/95 Rev.1 (M), item 7). All of these activities would continue in 2007, with a meeting of the IWG scheduled for early 2007 and two more collaborative statistical training workshops planned. Plans were also underway for the development of a web-based statistical database although this would require additional resources for this activity.

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

The Committees were informed that the implementation of this policy activity had been scheduled in 2007.

- (xii) 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 had been scheduled to be convened in Ecuador during the first half of 2007.

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 implementation of this activity, particularly with regard to the organization of an International Conference on Wood-based Bioenergy which would take place in Hannover, Germany on 17-19 May 2007 in conjunction with the LIGNA+ 2007, in which wood energy would be an overarching theme. The Committees took note that the Conference would be hosted by the Government of Germany. The delegate of Germany highlighted the importance of this International Conference in promoting bioenergy and its main objective at raising the awareness of the technical and economic potentials of utilizing wood residues for energy generation. He further stated that Germany, as the host country of the Conference, looked forward to welcoming many participants in the Conference. The delegate of Brazil underscored the importance of bioenergy in Latin America region and stressed the need to undertake consultation with FAO Regional Office for Latin America regarding the Conference programme. The Committees further noted that the Secretariat was in the process of finalizing the draft programme of the Conference in consultation with FAO, the German Authorities and other relevant agencies and that a first announcement of the Conference would be made available on the ITTO website soon.

- (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 progress in the preparations for the convening of three regional fora to promote investments in the sustainable management and development of natural tropical forests as part of its Policy Work under the ITTO Biennial Work Programme for 2006-2007 pursuant to ITTC Decision 4(XXXV). The Secretariat informed the Committees that the Latin America regional forum was scheduled to be convened in Curitiba, Brazil on 23 and 24 November 2006. The Government of Ghana had offered to host the regional investment forum for West and Central tropical Africa scheduled to take place in the second half of 2007. As for the planned regional investment forum for natural tropical forests in Asia, the Committees were informed of the Secretariat's ongoing efforts in seeking interest from ITTO member countries in the region to host the event.

The delegate of Brazil informed the Committees that the agenda of the Latin America regional forum would be further improved with inputs from consultations held by the Brazilian Government with ITTO Member Countries and that efforts should be made to involve relevant subregional agencies and regional offices of multilateral organizations.

- (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 Government of China had offered to host the conference scheduled to take place in 2007. The ITTO Secretariat was closely collaborating with the Chinese Government and relevant agencies on the technical and logistical preparations for the convening of the conference.

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

The Secretariat reported on the progress made at the London shipping consultation held from 11-12 July 2006. The Secretariat presented a draft terms of reference (TOR) for an international conference on the transportation of timber products and delegates discussed these TOR as well as a need for a larger international conference. The delegates of the Netherlands and the US thanked the Secretariat for their efforts in convening the small consultation, and the US proposed that a study be conducted to analyze problems and relevant issues associated with tropical timber shipping.

An informal working group composed of India, New Zealand, Switzerland, the US, four Trade Advisory Group members and the ITTO Secretariat met to discuss ways forward. The group agreed that a study should be conducted to advance the planning for an international conference, and on a draft terms of reference to be presented to the Committees. At the Session of the Committees, the delegate of Malaysia expressed concern about the scope of the study, saying that a more comprehensive study might be necessary. The delegates from New Zealand and the US suggested that the group had agreed to the scope of the study, but that flexibility could be exercised in determining the duration of the study and the timing of its presentation. The Secretariat invited Members of the Committees to submit information and suggestions related to the study to the Secretariat.

The Committees agreed to a terms of reference for an analytical study, which would include a discussion on issues raised at the London consultation and other relevant technical and policy matters. It was expected that the study would be reviewed by Members at either the Fortieth or Forty-first Session of the Committees. The full terms of reference for the study are provided in Appendix B.

(v) Discussion on a Proposal for a Global Review of Lessons Learned by ITTO from Projects and Programmes Dealing with the Promotion of Community-based Forest Enterprises

The Committees resumed their discussions on the proposal for a global review of lessons learnt by ITTO from projects and programmes dealing with the promotion of Community based Forest Enterprises (CFE). The Secretariat gave an overall overview of the work done by ITTO in support of CFE through its project and policy work. The Committees were informed that despite the fact that ITTO had funded a large number of projects and pre-projects in support of "Community" based activities such as community forestry, community participation, community based management and conservation, collaborative management, participatory management, stakeholders participation, strengthening indigenous people/communities, socially sustainable forestry management, support to community organizations, rural populations and grass-root support to SFM; only a limited number of these projects and pre-projects were specifically focussed on helping communities to develop forestry based enterprises.

Twenty-two (22) projects and pre-projects, almost all under the CFI, contained one or several project components that specifically supported developing community-based forest enterprises, and dealt with issues such as: community based processing of forest products, support to small forest industries, support to Bamboo, Rattan and Non-Timber Forest products processing and marketing support, support to wood workers villages and the use of logging residues by communities. Of these 22 projects and pre-projects, 13 were still on-going, while 9 had been completed and out of which 3 had been selected for ex-post evaluation in 2007.

The Committees were also informed that at the current Session of the CRF, a synthesis report was presented on ex-post evaluations of 7 projects on Community Participation in Sustainable Forest Management (CRF(XXXIX)/6) and that at the Thirty-second Session of the CFI (13-18 May 2002) the report on "Lessons Learnt from ex-post evaluation missions carried out by the Committee on Forest Industry" was discussed (CEM,CFI(XXXII)/5). This report included as annex 1 the results of the discussions by the CRF at its Thirtieth Session on the ex-post evaluations of 12 completed projects and of which 5 projects were dealing with community forestry issues.

At its Thirty-eighth Session (29 May – 2 June 2006), the CFI reviewed the draft report: "Community-based Forest Enterprises in Tropical Forest Countries: Status and Potential" that had been prepared and presented by Forest Trends and Rights and Resources. The comments and suggestions made by the Committees had been incorporated by Rights and Resources and a final report was being prepared. The Committees further noted that during 2007, ITTO would convene, as part of its approved Biennial Work Programme 2006-2007 an International Conference on Forest Communities and an International Conference on Non-Timber Forest Products, and both conferences were expected to provide further insights on lessons learnt in promoting community based forest enterprises.

Noting that ITTO has accumulated significant experiences in the many issues involved in developing community based forest enterprises through its project and policy work, and that during 2007 further key information would become available, the Committees recommended to the Council that the theme of Community based Forest Enterprises be considered for further Policy Work by the CFI. The Committees recommended that a draft proposal be submitted at the Forty-first Session of the Committees for inclusion into the ITTO Biennial Work Programme for 2008-2009.

10. Election of Chairpersons and Vice-Chairpersons for 2007

Following the usual consultations undertaken by the producer and consumer groups, Ms. Chantal Adingra (Côte d'Ivoire) was elected Chairperson of the CEM and Mr. Brian Woodward (U.S.A.) was elected Vice-chair for 2007. Similarly, Mr. Dani Pitoyo (Indonesia) was elected Chair of the CFI and Dr. Jürgen Blaser (Switzerland) was elected Vice-chair for the year 2007.

11. Dates and Venues of the Fortieth, Forty-first and Forty-second Sessions of the Committees

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

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.

12. Other Business

No other business was considered by the Committees.

13. 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

PD 379/05 Rev.3 (M)	Enhancing Papua New Guinea's Timber Marketing Information System (MkIS) [US\$637,308]
PD 391/06 Rev.2 (M)	Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood (Japan) [US\$257,472]
PD 415/06 Rev.2 (M)	Systematisation and Modelling of Economic and Technical Information to Train Professionals Related to the Production, Processing and Marketing of Timber Products – Phase II (Colombia) [US\$225,500]

Committee on Forest Industry

PD 384/05 Rev.3 (I)	Testing Laboratory for the Development of Quality Standards for Mexican Primary and Processed Tropical Forest Products [US\$463,670]
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]
PD 431/06 Rev.1 (I)	Processing and Utilization of Trees on Farmlands and Logging Residues through Collaboration with Local Communities (Ghana) [US\$458,752]
PPD 121/06 Rev.2 (I)	Development of Value-adding Processes for Short-rotation, Small-diameter Community Teak Plantations in Java and Eastern Indonesia [US\$48,060]
PPD 125/06 Rev.2 (I)	National Training Program to Promote the Adoption of Reduced Impact Logging (RIL) in Papua New Guinea [US\$58,806]
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]

- (ii) The Committees recommended that funding be made immediately available for the following projects and pre-projects approved at earlier Sessions:

Committee on Economic Information and Market Intelligence

PD 124/01 Rev.2 (M) Phase II, Phase III	Promotion of Sustainable Management of African Forests (Africa) [Phase II - US\$864,070, Phase III - US\$1,444,144]
PD 335/05 Rev.1 (M)	Increasing Market Opportunities for Tropical Products from the South Pacific Region: A Study of Market Access of PNG's Wood Products in Some of its Key Export Markets [US\$243,000]
PD 406/06 Rev.1 (M)	Establishment of a National Forest and Timber Marketing Statistics System (Ecuador) [US\$454,148]

Committee on Forest Industry

PD 299/04 Rev.3 (I)	Reduction of Timber Wastes in Both Logging and Mechanical Processing Operations (Republic of Congo) [US\$608,970]
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 336/05 Rev.1 (I)	Thermochemical Processing of Tropical Wood Waste for Furfuryl Alcohol, Phenols, Cellulose and Essential Oils (Ghana) [US\$289,440]
PD 343/05 Rev.1 (I)	Bamboo for Development through Community Driven Industries (Philippines) [US\$508,651]
PD 344/05 Rev.2 (I)	Utilization of Lesser Used Wood Species in Guyana (Guyana) [US\$95,040]
PD 348/05 Rev.2 (I)	Composites from Wood Residues and Recycled Plastics for Increasing Utilization Efficiency of Wood Resources (Philippines) [US\$99,792]

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|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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] |
| PPD 68/03 Rev.2 (I) | Study on Utilization of Plantation Teak (Myanmar) [US\$80,000] |
| 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] |
- (iii) The Committees recommended that the full application of the Revised ITTO System for Technical Appraisal of Project and Pre-project Proposals be implemented beginning from the next ITTO Project Cycle (27 November 2006).

14. 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

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 379/05 Rev.3 (M) Enhancing Papua New Guinea's Timber Marketing Information System (MkIS)

The Committees noted the presentation made by the delegate of Papua New Guinea. The Committees further noted that the recommendations and comments made by the Thirty-second 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 391/06 Rev.2 (M) Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood (Japan)

The Committees noted the presentation made by the delegate of Japan. The Committees further noted that the recommendations and comments made by the Thirty-second Expert Panel for Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The delegate of Japan clarified that the concept of fairwood under the project would have a broad coverage to include not only certified products but also verified legal products and it would not imply that products not covered would be deemed 'unfair'. He further informed that measures had been included in the revised proposal to address the risk of biasness and that his delegation was agreeable to the deletion of the paragraph referring to advocating a 'fair price' for 'fair wood' on page 6 of the revised proposal. The Committees recommended that the proposal be approved for immediate funding and implementation.

- (iii) PD 415/06 Rev.2 (M) Systematisation and Modelling of Economic and Technical Information to Train Professionals Related to the Production, Processing and Marketing of Timber Products – Phase II (Colombia)

The Committees noted the presentation made by the delegate of Colombia. The Committees further noted that the recommendations and comments made by the Thirty-second 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)

At the request of the delegate 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 consideration at the next Session of the Committees.

Committee on Forest Industry

- (i) PD 384/05 Rev.3 (I) Testing Laboratory for the Development of Quality Standards for Mexican Primary and Processed Tropical Forest Products

The Committees noted the presentation made by the delegate of Mexico. The Committees further noted that the recommendations and comments made by the Thirty-second 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 398/06 Rev.2 (I) Promoting the Utilization of Plantation Timber Resources by Extending Environmentally Sound Preservation Technology (China)

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

- (iii) PD 401/06 Rev.2 (I) Value Adding and Kiln Drying of Commercial Timbers by Small Scale Community Saw Millers 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-second 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 422/06 Rev.1 (I) Sustainable Management and Utilization of Tropical Bamboo in Yunnan Province of China

The Committees noted the presentation made by the delegate of P.R. China. The delegate of the Netherlands questioned the relevance of the proposal to ITTO's mandate and requested information as to how the Expert Panel addressed this issue. The Committees were informed by the Secretariat that this issue was reviewed at the Thirty-second Expert Panel and that its recommendations included clearly showing the direct relevance of the project to SFM in Yunnan Province and how it will enhance ITTO Objective and Action. In this regard, the Committees noted that this issue had been addressed in Part IV of the revised proposal by linking with ITTO Yokohama Action. The Committees further noted that the other recommendations and comments made by the Thirty-second Expert Panel for Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended that the proposal be approved for immediate funding and implementation.

- (v) PD 425/06 Rev.1 (I) Production and Utilization Technology for Sustainable Development of Eaglewood (Gaharu) 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-second 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.

- (vi) PD 431/06 Rev.1 (I) Processing and Utilization of Trees on Farmlands and Logging Residues through Collaboration with Local Communities (Ghana)

The Committees noted the presentation made by the delegate of Ghana. The Committees further noted that the recommendations and comments made by the Thirty-second 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.

- (vii) PPD 118/05 Rev.2 (I,F) Training and Operation of Sawwood Stocking Centres with Legal Timber from Arajuno Community Forests and Small Forest Owners in the Ecuadorian Amazon Region (Ecuador)

The Committees noted the presentation made by the Secretariat. The Committees further noted that the recommendations and comments made by the Thirty-second Expert Panel for Technical Appraisal of Project Proposals had not been adequately addressed in the revised proposal. The Committees recommended that the proposal should not be further considered by the ITTO.

- (viii) PPD 121/06 Rev.2 (I) Development of Value-adding Processes for Short-rotation, Small-diameter Community Teak Plantations in Java and Eastern Indonesia

The Committees noted the presentation made by the delegate of Indonesia. The Committees further noted that the recommendations and comments made by the Thirty-second 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.

- (ix) PPD 125/06 Rev.2 (I) National Training Program to Promote the Adoption of Reduced Impact Logging (RIL) in Papua New Guinea

The Committees noted the presentation made by the delegate of PNG. The Committees further noted that the recommendations and comments made by the Thirty-second 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.

- (x) 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)

The Committees discussed the project proposal on which it had deferred its decision at the previous Session. The delegate of the Central African Republic informed the Committees that more time would be required for the consultations with neighboring countries to ensure their cooperation and support to the activities of the proposal that have a regional scope. The delegate of Gabon supported the proposal, as it would build-upon the achievements of project PD 189/03 Rev.1 (I) "Support Project for the Updating of Training in Forest Management and Forest Concession Management in Central African Forestry Schools (Gabon)". The Committees decided to defer consideration of these proposals until revised proposals addressing the concerns expressed by the Thirty-first Expert Panel (including expressions of support from all participating countries) were submitted.

- (xi) PD 285/04 Rev.3 (I) Introduction of a Village Industry in the Community around an Industrial Forest Plantation in Sumatra, Indonesia

The Committees noted the presentation made by the delegate of Indonesia. The Committees further noted that PD 285/04 Rev.2 (I) was approved at the Thirty-fifth Session of the Committee on Forestry Industry in December 2004. However, the proposal was resubmitted without any amendment in accordance with 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. Noting the importance of promoting small-scale village industries around industrial plantations areas, the Committees recommended that the proposal [PD 285/04 Rev.3 (I)] be approved for immediate funding and implementation.

APPENDIX B

INTERNATIONAL CONFERENCE ON THE TRANSPORTATION OF TIMBER PRODUCTS

[ITTO Yokohama Action Plan, Section 1.5, Paragraph 3]

1. Introduction

In July 2004, the Trade Advisory Group (TAG) met in conjunction with the Civil Society Advisory Group (CSAG), to discuss, *inter alia*, the problems associated with illegal logging and illegal trade of tropical timber. The results of the joint TAG/CSAG meeting included a recommendation for ITTO to convene an international conference on the transportation of timber products. Based on the TAG/CSAG recommendations at ITTC (XXXVI), Council decided ITTO would 'conduct an international conference on the transportation of timber products,' in support of Decision 6(XXXI), Forest Law Enforcement in the Context of Sustainable Timber Production and Trade. It was suggested, during consultations with TAG and CSAG members, that the conference focus on the maritime aspect of the trade chain.

At the Thirty-eighth Session of the Committee on Forest Industry, the Secretariat informed the Committee of its implementation of a small consultation meeting designed to enhance the Secretariat's capability to plan the International Conference on the Transportation of Timber Products. It was agreed that on the basis of the small consultation meeting, the Secretariat would prepare written Terms of Reference (TOR) for further work in this area for the consideration of the Committee at its next Session. The information and knowledge made available in this small consultation meeting, which was held in London, UK, from 11-12 July 2006, were to be used by the Secretariat in its further preparations for the International Conference. The draft TOR and other information on the consultation were considered by the Committee at its Thirty-ninth Session.

In light of the consultation's outputs and information received from participants at the Thirty-ninth Session of the Committee on Forest Industry, the Committee agreed to the following TOR for an analytical study on the international transportation of timber products. The TOR is designed to be used by a consultant to prepare a study, which would elaborate on substantive elements of the discussions from the London consultation and other relevant technical and policy matters. The results of the study will be considered at the Fortieth or Forty-first Session of the Committee on Forest Industry, and will help determine the scale, content and purpose of a larger transportation conference.

2. Terms of reference for a consultant-led study

The study will:

- (i) Analyze technical and policy matters from the London shipping consultation, which explored the processes and procedures of shipping wood products;
- (ii) Investigate the maritime aspect of the timber supply chain, including:
 - trade data discrepancies related to wood products, and the possible causes of these discrepancies, building on existing ITTO studies and covering aspects such as lack of information, types of categorization used for tropical timber, and capacity among customs officials, traders, and import authorities;
 - documentation involved in shipping wood products (such as the bill of lading, contract of sale, charterparties, letter of credit, insurance, transit permits, certificate of origin and other national schemes, as appropriate);
 - informal and formal monitoring mechanisms to collect information and ensure legality (such as port and customs authorities, auditing and verification schemes, prior notification of export, regional intelligence offices, international organizations, satellite and ship tracking mechanisms, screening of cargo, controls at barter trade ports and checking for tampering of cargo); and
 - the legal aspects of sea trade (such as the Hague-Visby Rules, UNCITRAL guidelines, IMO's International Ship and Port Facility Security Code, the UN Law of the Sea Convention, Free Trade Agreements, and the World Customs Organization's Framework of Standards).

- (iii) Identify the legal, economic and financial vulnerabilities in the maritime aspect of the supply chain;
- (iv) Based on the analytical discussion, clarify where existing and potential international and national tools (e.g. Forest Law Enforcement and Governance initiatives, Voluntary Partnership Agreements, local measures to track phantom ship frauds, national procurement and export policies, and CITES regulations) can help reduce the illegal shipments and trade of timber products;
- (v) Identify issues for further discussion, with a view to addressing identified problems at an international conference, as well as possible future actions for ITTO; and
- (vi) Be reviewed at the Committee on Forest Industry's Fortieth or Forty-first Session.

Estimated budget: approx. US\$25,000

* * *

SUMMARY TABLE
TECHNICAL EVALUATION OF PROJECTS AND PRE-PROJECTS

PROJECT DOCUMENT	ITTA OBJECTIVES Article 1	ITTO BUDGET US\$	DURATION (MONTHS)	GEOGRAPHIC COVERAGE	RECOMMENDATION(*)
Committee on Economic Information and Market Intelligence					
PD 379/05 Rev.3 (M)	c,h,l,k	637,308	36	PNG	1
PD 391/06 Rev.2 (M)	c,d,e,h,k,n	257,472	24	Japan, Malaysia, Indonesia	1
PD 415/06 Rev.2 (M)	d,f,g,h,m	225,500	22	Colombia	1
PD 357/05 Rev.2 (M,F)	a,b,c,d,e,f,g,h	514,076	36	CAR	4
Committee on Forest Industry					
PD 384/05 Rev.3 (I)	b,c,f,g,l,j,k,m,n	463,670	24	Mexico	1
PD 398/06 Rev.2 (I)	c,e,f,i,j	291,060	36	China	1
PD 401/06 Rev.2 (I)	d,i,m	347,004	12	Guyana	1
PD 422/06 Rev.1 (I)	c,j,m	511,920	36	China	1
PD 425/06 Rev.1 (I)	c,e,f,i,j	499,975	36	Indonesia	1
PD 431/06 Rev.1 (I)	a,b,c,d,f,i,k,m,n,p, r,s	458,752	36	Ghana	1
PPD 118/05 Rev.2 (I,F)	a,b,c,f	256,197	12	Ecuador	5
PPD 121/06 Rev.2 (I)	a,b,c,d,e,f	48,060	4	Indonesia	1
PPD 125/06 Rev.2 (I)	a,b,c,d,e	58,806	6	PNG	1
PD 355/05 Rev.2 (I)	a,b,c,d,e	526,267	18	CAR	4
PD 285/04 Rev.3 (I)	d,e,i	319,221	36	Indonesia	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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6 – 11 November 2006
Yokohama, Japan

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL FROM
THE THIRTY-NINTH 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 Thirty-ninth Session of the Committees was opened on 6 November 2006 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 Dr. James Gasana (Switzerland), chairperson of CEM. This Joint Session considered Agenda items 1-4. The subsequent meetings of the CRF were chaired by Dr. Petrus Gunarso (Indonesia), Chairperson of CRF, assisted by Dr. Flip van Helden (Netherlands), Vice-Chairperson of CRF. The list of participants is presented in document ITTC(XLI)/Info. 2.

Item 2 - Adoption of Agenda and Organization of Work

The Committees adopted the Agenda for the Joint Session as contained in documents CEM-CFI(XXXIX)/1, CFA(XX)/1 and CRF(XXXIX)/1. To facilitate the sharing of experiences and lessons learned from ex-post evaluations of projects among Members, the Committees unanimously agreed that the consideration of ex-post evaluation reports would be undertaken at the Joint Session of the Committees beginning from the next Joint Session of the Committees.

Item 3 - Admission of Observers

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

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

The Committees noted the presentation made by Dr. Peter Schröder (Germany), Chairman of the Expert Panel on the Report of the Expert Panel (EP) for Technical Appraisal of Project Proposals at its Thirty-second Meeting held on 31 July – 5 August 2006 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXIX)/1. In summary, the report of the EP indicated:

- (i) A total number of 51 proposals evaluated comprising 41 project and 10 pre-project proposals; compared with 60 proposals assessed at the previous EP meeting.
- (ii) A total number of 23 proposals (45% of proposals evaluated) comprising 16 project and 7 pre-project proposals were accorded category 1 rating, compared with 35% so accorded at the previous EP meeting.
- (iii) 12 out of the 23 proposals accorded category 1 rating (52%) were revised project proposals.
- (iv) The percentage of proposals requiring amendment or reformulation was still high.
- (v) Twenty-four (24) proposals were returned to proponents for revisions and four (4) were not recommended for approval by the Committees.

The Chairman of the EP highlighted the specific findings of the EP at its Thirty-second Meeting, focussing on a number of common weaknesses including:

- (i) Lack of clear and comprehensive problem analysis and deficiencies of the problem tree.
- (ii) Specific objective(s) were, in many cases, not focused directly on contributing to solving the defined development objective. Furthermore, outputs and activities were often addressed as an element of the specific objective.
- (iii) Logical frameworks not consistent with problem analysis.
- (iv) Project strategy did not consider minimum possible cost, mitigation of risks, time necessary for reaching the objectives, long term sustainability of project outcome and early monitoring in order to identify weaknesses of projects.
- (v) Future sustainability of projects often based on the assumption that there would be a subsequent phase and/or the executing agency would continue operations. However, the capacity of the executing agency to undertake follow-up responsibilities was unclear.
- (vi) Stakeholder involvement in the process of project development and during the implementation of the activities of defined projects often was inadequate or at least not described satisfactorily.
- (vii) Social, environmental, economic and technical problems identified in the analysis often not directly or only insufficiently covered in project proposals.
- (viii) Many proposals did not clearly show relation to ITTO Objectives, relevant Action Plans, Guidelines, etc.

- (ix) Budget items and TOR's for staff often not well presented.
- (x) Methodologies for implementation insufficiently articulated.
- (xi) ITTO funding for private company projects continuing to be an area requiring guidance from the Committees.
- (xii) Many proposals claiming to benefit local communities failing to show how tangible benefits, particularly economic benefits, were accruing to these people.
- (xiii) Regional proposals presented by a single country not showing evidence of support or binding commitment from the other partner countries or organizations.
- (xiv) Roles and responsibilities not clearly stated in proposals involving multiple agencies in implementation.
- (xv) Missing, irrelevant, or inadequate information in the origin section of the proposal, including inadequate specification of results and achievements of previous work or projects.

The recommendations of the EP at its Thirty-second Meeting included the following:

- (i) Member Countries presenting more than three proposals should be urged to limit and prioritize the proposals as detailed in the rules of ITTO.
- (ii) Project proposals focusing on non-timber forest products (NTFPs) such as rattan, bamboo and environmental services need to clearly show direct relevance to sustainable forest management (SFM) and their contribution to ITTO objectives.
- (iii) Regional proposals should contain evidence of firm commitments from participating countries to seriously pursue common objectives and conduct joint activities.
- (iv) When there is a change of submitting countries for continuation of phased projects, proper coordination and mutual agreements between the countries involved should be firmly established.
- (v) When considering whether projects are to be submitted as small project, pre-project, or full project proposals, proponents should follow strictly the ITTO Manual on Project Formulation, second edition, May 1999.
- (vi) The strategy, methodology and approach to community-based plantation projects should be explained in detail as these vary from country to country and within varying sites in a country.
- (vii) In view of the lack of clear understanding of the scope and expected results for projects on phased approaches to certification, proponents should review the results of the ITTO International Workshop on Phased Approaches to Certification held in Bern, Switzerland in 2005.
- (viii) Projects on sustainable management of degraded secondary forests should be based on the ITTO Guidelines on Rehabilitation and Management of Secondary and Degraded Forests.
- (ix) Since Phase II project proposals can only be assessed if results and evaluation of Phase I are already available to the Panel, ex-post evaluation should be conducted immediately after completion of phased projects.
- (x) Proposals should focus on addressing core problems.
- (xi) Training and capacity building proposals should be supported by needs assessment, curricula or training modules, targets to be trained, etc.
- (xii) Technical and scientific aspects (particularly for genetic improvement projects) should be strengthened and the choice of species and use of technologies should be clearly justified.
- (xiii) Joint ownership with ITTO of patents and intellectual property rights to technologies developed during project implementation should be pursued.
- (xiv) Projects should not be too heavily weighted to needs for management staff, travel, DSA, cars and overhead expenses.
- (xv) Proposals should provide for internal monitoring mechanism necessary for the Executing Agency to secure successful implementation of projects.
- (xvi) Proposals related to statistics should be developed based on Information Need Analysis (INA) identifying key needed parameters and variables.

The Chairman of the EP further informed the Committees that the EP had concluded that the trial application of the Revised ITTO System for Technical Appraisal of Project and Pre-project Proposals had structured and thereby facilitated the work of evaluators and the subsequent discussion of the Panel on each project to achieve consensus on the rating category.

The Committees commended Dr. Schröder for his excellent presentation. The delegate of Brazil called for further consideration of phased projects and regional projects in the context of the implementation of the Revised ITTO System and the on-going consideration of measures to improve and strengthen the ITTO Project Cycle. The Committees agreed to recommend to the Council the full application of the Revised ITTO System for new and revised proposals beginning from the next ITTO Project Cycle (27 November 2006).

Item 5 - Ex-post Evaluation of Projects

(A) Reports on Ex-post Evaluation of Projects

The Committee was informed that the ex-post evaluation of the following two groups of 11 projects selected by the Committee at its Thirty-eight Session have been completed:

Group 1: Thematic Group Evaluation: Training in sustainable forest management

PD 89/90 (F) I, II & III	Sustainable Forest Management and Human Resources Development in Indonesia - Phase I, II & III (Indonesia)
PD 26/92 Rev.2 (F,I)	Development of Methods and Strategies for Sustained Management of Moist Tropical Forests in Cameroon
PD 63/97 Rev.3 (F)	Specialization Program for Forest Technicians on Sustainable Tropical Forest Management in Bolivia
PD 42/00 Rev.1 (F)	Training of Trainers for the application of the ITTO, and the National Criteria and Indicators of Sustainable Forest Management at Forest Management Unit Level (Indonesia)

The Committee took note of the presentation of the Synthesis of the ex-post evaluation as contained in CRF(XXXIX)/5 by the Team Leader of the evaluation team, Mr. Kenneth Rodney. In his presentation, Mr. Rodney highlighted the following:

The actual contribution of the four projects to ITTO's SFM work is in the large number of forestry professionals trained in SFM and the fact that many of them are now in positions, either in government or the private sector, to influence national forest policy. In addition, many training manuals and research documents have been produced, which, when disseminated, will provide the tools for implementation. Project sponsored workshops and seminars have served to increase the awareness of all stakeholders in the importance and value of SFM.

The pool of trained human resources has an enormous potential to push SFM practice, assuming that these staff be given the opportunity, the environment, and further encouragement, to become active advocates of SFM in their respective organizations. This will require a deliberate move by both government (national and local) and forest concessionaires to harness this resource as trainers and advocates for SFM.

Assuming that the appropriate policy and implementation environment for SFM is put in place, the projects may be credited as having contributed very substantially to fulfilling the various interests of forestry stakeholders in the countries concerned.

The development and specific objectives of the four projects were substantially achieved. The post-graduate programs, training activities, manuals, documents, studies and research done under the projects are all significant contributions to SFM, in many instances going beyond the original scope of the projects.

Human resource building is a continuing work, and is of utmost importance in developing the capacities of ITTO member countries to achieve SFM. Projects on human resource development for SFM must always be supported.

Projects aimed at developing SFM capacities should be organized taking into consideration the following elements:

- Project organizational structures need to be simple, compact and efficient
- All projects, but especially complex, multi-disciplinary projects, require a dedicated project manager to ensure the efficient and timely coordination of all activities

Mid-term monitoring and mid-term evaluations of projects should deliberately identify the presence and applicability of post-project sustainability plans.

Ex-post evaluations should be scheduled no more than two years following project completion to avoid the loss of institutional memory as well as important project documents that could result in a less than adequate evaluation.

There is a need to evaluate how human and physical resources generated by SFM-related projects have been utilized, and how effective these resources have been in contributing to the attainment of SFM.

The Committee commended the report presented by the consultant and requested the Secretariat to ensure its wide dissemination.

Group 2: Thematic Group Evaluation: Community participation in sustainable forest management

PD 37/95 Rev.2 (F)	Management of Cativo Forests and Non-timber Products with the Participation of Rural and Indigenous Communities, Darien, Panama
PD 21/97 Rev.2 (F)	Developing Tropical Forest Resources Thorough Community-Based Forest Management, Nueva Vizcaya, Philippines
PD 48/98 Rev.1 (F)	Reforestation of the Abutia Plains by Indigenous Communities in the Volta Basin (Ghana)
PD 49/98 Rev.1 (F)	Participatory Tropical Forest Development by Women in Indigenous Communities (Ghana)
PD 9/99 Rev.2 (F)	Sustainable Management of Missahoe Reserved Forest Forestry Resources with the Participation of the Local Rural Communities for an Optimal Timber Production, Kpalime, Togo
PD 38/99 Rev.1 (F,I)	Demonstration Community Forest Management in the Natural Cloud Forests of the Uruma Basin, San Ignacio (Peru)
PD 44/99 Rev.2 (F)	Implementation of a Management Plan by the Chiquiaca and Orozas Communities in Tarija, Bolivia

The Committee took note of the presentation of the Synthesis of the ex-post evaluation as contained in CRF(XXXIX)/6 by the Team Leader of the evaluation team, Marc J. Dourojeanni. In his presentation, Mr. Dourojeanni highlighted the following:

Projects aiming at the establishment of community enterprises based on natural forest management, reforestation and/or forest industries must submit as a part of the project proposal a comprehensive technical and economic feasibility study (comprehensive but not necessarily highly complex nor costly as those are usually very small ventures) that offer reasonable warranties that the proposed venture is sustainable and profitable.

The pre-selected community participation projects in sustainable forest management would be awarded, if so required, a limited (i.e. US\$50,000 to 100,000 and 3 months) project preparation facility that may assist, in place, the improvement of the project design including the feasibility study as well as the consultation process with participating communities. The selection of the consultant(s) requires ITTO clearance (this is essential as often there is no local capacity for this kind of work)

Special attention would be given to the following aspects when reviewing projects proposals aiming at community participation in sustainable forest management:

- a. Legal considerations such as effective community access to the forest land and forest resources, opportune management plans approval and logging authorizations.
- b. Intention of practicing management for logging in forests technically defined as protection forests or that are relict forests (to avoid risks of interfering with ITTO criteria and indicators for sustainability and biodiversity conservation. National definitions of protection forest maybe very elastic).
- c. Financing of activities that are not identifiable as forest activities, that would be limited to permanent woody fruit trees (if agriculture is also required as a complement for the success of the venture other sources of funding must be indicated and granted).
- d. Investments in scientific research (these must be limited to the minimum necessary).

In reforestation projects it is an essential element of the evaluation a clear description of the strategy adopted to ensure the continuity of generation of incomes that warrant the continuity of the plantation and maintenance program.

Forest management plans for natural forests or reforestation projects must follow internationally accepted standards and respond to ITTO requirements on the matter. If these plans will be a product of the project, they must be completed before the end of the first year of its execution.

The Committee commended the report presented by the consultant and requested the Secretariat to ensure its dissemination. The Japanese Delegation emphasized the importance of using logical framework in future work of ex-post evaluation. The Committee further indicated that important recommendations from the report should be incorporated in the discussions pertaining to the improvement of ITTO policy and project work.

(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 Government of Congo to conduct the ex-post evaluation of 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. The Committee agreed that the proposed ex-post evaluation should be conducted.

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(XXXIX)/3, "Report on Completed Projects and Pre-projects in the Field of Reforestation and Forest Management", and are divided into two groups (A) and (B).

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

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

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

(A) Completed Projects, Including Financial Audit

- 1) PD 41/00 Rev.3 (F.M) Model Development to Establish Commercial Plantation of Dipterocarps (Indonesia)**

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

- 2) 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 noted that this project was reported as completed at its Thirty-eighth Session but its decision regarding the completion of the project was deferred to this Session awaiting presentation by the Government of Indonesia (GOI) on completed project activities and on conservation status of the Park. The Committee took note of the presentation by the GOI that highlighted the activities implemented and the

prevailing conservation status of the Park. The Switzerland Delegation commended the presentation and expressed his thankfulness for the efforts by the Government of Indonesia on combating illegal logging and wildlife poaching inside the Park. He also noted, however, that the revised Completion Report submitted by the Executing Agency was not different from the original one as far as the substance is concerned. The report did not make any mention of achievements from concrete trans-boundary activities implemented by the project, nor the event relevant to such activities. The report also presented no critical analyses of the difficulties that have been met in reaching trans-boundary conservation objective and of the design of the project as far as such an objective is concerned. The Switzerland Delegation further noted that the report did not present any quantitative information on the effects and impacts of the project on community development. As the Completion Report did not follow the usual standards for such report he recommended that the Secretariat give sufficient guidance to the Executing Agency in this regard. He finally suggested that the new reporting should be done in the perspective of giving sufficient indications and recommendations for the follow up phase envisaged by the GOI with the involvement of key stakeholders. In light of the information by the Switzerland Delegation and the information by the Secretariat on the earlier submission by the Executing Agency of the Technical Reports and Final Financial Audit Report, the Committee decided to consider the project as completed only after the reception of an adequate and satisfactory Completion Report which should be tabled at the next Committee Session.

3) PD 122/01 Rev.1 (F) Support for the Establishment of a Cuttings Propagation Unit for the Production of Samba and Other Local Species (Togo)

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

4) PD 206/03 Rev.1 (F) Development of Human Resources in Sustainable Forest Management and Reduced Impact Logging in the Brazilian Amazon (Brazil)

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

(B) Completed Projects and Pre-projects, Pending Financial Audit

1) PD 185/91 Rev.2 (F) Sustainable Forest Management and Development in Peninsular Malaysia, Phase II (Malaysia)

The Committee noted that this project was reported as completed pending financial audit report at the Thirty-eighth Session of the Committee but its decision regarding the completion of the project has been postponed until the present Session where the Executing Agency is requested to make presentation on the project implementation and achievements as suggested by the Japanese Delegation. The Committee took note of the presentation which highlighted the activities and achievements of the project. The Japanese Delegate commended the presentation and strongly recommended that the project findings be widely disseminated considering their potential application in the management of logged-over natural forest in Malaysia and also in other member countries like Indonesia. He further encouraged the Executing Agency using its own resources to continue the trial on cutting propagation technique in view of improving its rate of success. The Secretariat informed the Committee that the Executing Agency has submitted the Completion Report, Technical Reports and the Final Financial Audit Report. The Committee therefore decided to consider the project as completed.

2) 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 Thirty-eighth Session, but the Final Financial Audit Report is still pending. 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.

3) PD 8/98 Rev.4 (F) Development of a Demonstration Area in the Sustainable Management of Gabonese Forests (Gabon)

The Committee took note that field activities have been completed and the Executing Agency has submitted the Project Completion Report and Technical Report, but the Final Financial Audit Report is still

pending. The Committee requested the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Session.

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

The Committee took note that field activities have been completed and the Executing Agency has submitted the Project Completion Report and Technical Report, but the Final Financial Audit Report is still pending. The Committee requested the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Session. In view of the importance of the project results, the Committee invited the Government of Cote d'Ivoire to make a presentation at its next Session, and requested the Secretariat to make available relevant reports of this project to members for information sharing at the same Session.

5) PPD 65/02 Rev.1 (F) Seed Management and Conservation (Côte d'Ivoire)

The Committee took note that the pre-project activities have been completed and the Executing Agency has submitted the Project Proposal PD 419/06 (F) appraised by the Thirty-second Expert Panel, the Pre-project Completion Report and End-of-pre-project Workshop Report; but the Final Financial Audit Report is still pending. The Committee requested the Executing Agency to submit the pre-project's Final Financial Audit Report to the Secretariat prior to the next Session.

Item 7 - Review of Implementation of Approved Projects and Pre-projects

7.1 Project Work in Progress

The Committee took note of a status report [document CRF(XXXIX)/4] by the Secretariat on the 108 projects, in the field of Reforestation and Forest Management, that have been approved by the Council, and which are either: A) in the process of implementation (68), B) awaiting the signing of an Agreement (12), C) projects awaiting financing (22), or D) falling under the sunset provision since the last Session (6).

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

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

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

7.1 *Projects*

(A) Projects under implementation

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

The Committee noted that all field activities had been completed by December 2004 and that the Executing Agency IBAMA had submitted the Project Completion Report to the Secretariat shortly afterwards. However, many of the project's technical reports, outputs and other means of verification are still pending submission, in addition to the Final Financial Audit Report. The Brazilian delegation informed the Committee that the IBAMA is currently compiling and finalizing the pending project outputs and would submit them to the Secretariat shortly. As regards the Final Financial Audit Report, it mentioned that the Federal Secretary of Control is currently backlogged with work and suggested the possibility that IBAMA's Comptroller carry out the final audit with a view towards accelerating the process and complying with ITTO's procedures. In this light, the Committee urged the Executing Agency to submit the project's products still outstanding to the Secretariat prior to the next Council Session; request a no-objection from the Secretariat for the execution of the Final Financial Audit Report by IBAMA's Comptroller and initiate the audit as soon as possible.

2) PD 9/97 Rev.1 (F) Landowner Education and Training for Sustainable Forest Management (Fiji)

The Committee took note of the information by the Secretariat on the serious delay in implementation of the project due mainly to political unrest, changes in project personnel and managerial problems. The Secretariat further informed the Committee that since September 2005 communication between the Secretariat and the Executing Agency has practically collapsed; attempts by the former to contact the Project Coordinator, either directly or through the Fiji Department of Forest and Fisheries, have proved unfruitful. In light of the problem facing the project, the Committee urged the Secretariat to consult with the Fijian Focal Point for ITTO and to report to the Committee at its 40th Session on outcomes of this consultation and prepare procedures for project termination in the absence of proper communication with the Executing Agency.

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

The Delegation from Cameroon informed the Committee on progress made by the Government to comply with conditions for further ITTO support to this suspended project: (a) the process for the gazetting of the Si-Kop Forest and signing of the Forest Classification Act is to be finalized soon, and (b) one third of the ITTO funds (US\$ 110,982), that have been utilized by the Executing Agency for other expenditures without prior consultation with and expressed approval by ITTO, has been replenished. The remaining two third is to be replenished before the end of 2006. The Committee took note of the information, requested the project Executing Agency (ANAFOR) to address these conditions for further ITTO support and allowed the Secretariat to lift the suspension of the project as soon as all requirements are met.

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

The Committee observed that project activities had been suspended by the Executing Agency in July 2005 due to an epidemic in the region, but that the outbreak is now under control. In addition, the Committee noted that the Executing Agency had submitted a formal request in order to reinitiate the project's activities, together with an updated Yearly Plan of Operations and a request for an extension in time without additional funds until April 2007 for the successful completion of the project, and that the Secretariat had considered it justified. In this light, the Committee endorsed an extension of the project until the end of April 2007, without additional funds.

5) PD12/99 Rev.4 (F) Model Forest Management Area (MFMA) Phase III (Malaysia)

The Executing Agency presented to the Committee for its review the proposal for extension of the project for six months with additional funds in the amount of US\$ 133,736.40. The document on this proposed extension was distributed to members during the meeting as it was received by the Secretariat only after the deadline to dispatch documents of the Session to the members. The Committee found that the proposed extension did not have a strong justification, lacked of details and did not adhere to the established procedures for project extension. Considering the observations and comments made by members, the Executing Agency decided to defer its request for additional funds to the next Committee Session and instead applied only for a three-month extension without additional funds starting March 2007. This extension will allow implementation of project activities beyond February 2007 and give time for the Executing Agency to prepare proper and adequate documentation for extension with additional funds for review by the Project Steering Committee scheduled for February 2007 and further for consideration by the Committee at its 40th Session in May 2007. In this light, the Committee decided to approve the extension of the project for three months without additional funds starting March 2007.

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

The Committee noted that all field activities had been completed by March 2005 and that the Executing Agency had submitted the Project Completion Report and the Final Financial Audit Report to the Secretariat shortly afterwards. However, two of the project's main outputs and its related products, as well as a draft

article for the TFU are still pending submission. In this light, the Committee urged the Executing Agency to submit the aforementioned products as soon as possible in order to enable the Secretariat to report this project as completed at the next Committee Session.

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

The Committee took note that Ministry of Environment made a substantial effort to meet the conditions required by the Committee in order to lift the suspension pending upon it. Furthermore, it noted that the Government of Colombia, in its intention to revamp the project so as to successfully achieve its objectives, has: i) followed legal procedures against the former head of SINERGIA-COLOMBIA; ii) drafted the final technical report covering SINERGIA's involvement in the project and the draft YPO for the period 2006-2007; iii) provided ITTO with an independent audit, iv) designated CODECHOCO, a former collaborating agency of the project, to execute the implementation of the project's remaining activities over a two-year period, and v) assigned the project approximately US\$ 280,000 from the Ministry's Environmental Compensation Fund (FCA) to cover the loss attributed to SINERGIA. The project's other collaborating agency, Maderas del Darien, is also expected to continue supporting the implementation of the project. In this light, the Committee requests the Executive Director to consider lifting the suspension at his earliest convenience and negotiate with the government of Colombia the development and ratification of an ancillary agreement for the continued implementation of the project.

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

The Committee took note that the Ministry of Environment made a substantial effort to meet the conditions required by the Committee in order to lift the suspension pending upon it. Furthermore, it noted that the Government of Colombia, in its intention to revamp the project so as to successfully achieve its objectives, has: i) initiated legal procedures against the former head of SINERGIA-COLOMBIA; ii) drafted the final technical report covering SINERGIA's involvement in the project and the YPO for the period 2006-2007; iii) provided ITTO with an independent audit, and iii) designated the Corporation for the Sustainable Development of the Northern and Oriental Amazon (CDA) to continue with the implementation of the project's remaining activities and simultaneously allocated approximately US\$ 114,000 to the project from the Ministry's Environmental Compensation Fund (FCA) to cover the loss attributed to SINERGIA. In this light, the Committee requests the Executive Director to consider lifting the suspension at his earliest convenience and negotiate with the government of Colombia the development and ratification of an ancillary agreement for the continued implementation of the project.

9) 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 noted that all field activities had been completed by March 2006 and that the Executing Agency had submitted the Project Completion Report, the Final Financial Audit Report and a draft article for the TFU to the Secretariat shortly afterwards. However, a few of the project's outputs and related products are still pending submission, particularly those contemplated in the Project Addendum. In this light, the Committee urged the Executing Agency to submit the aforementioned products as soon as possible in order to enable the Secretariat to report this project as completed at the next Committee Session.

10) PD 54/99 Rev.2 (F) Alternative Financing Model for Sustainable Forest Management in San Nicolas, Colombia (Colombia)

The Committee noted that most of the project's activities had been satisfactorily completed, except for the Clean Development Mechanism (CDM) provisions and validation process within the UNFCCC, due mainly to the fact that the timing of the validation process is beyond the control of the project, and actually lies directly with the Kyoto process within the UNFCCC. It further noted that due to the aforementioned impasse, the Executing agency CORNARE had requested an additional extension in time, without additional funds, until August 2007 with a view towards completing this activity by then, and that the Secretariat had sought this request to be justified. In this light, the Committee endorsed an extension of the project until the end of August 2007, without additional funds.

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

The Brazilian delegation informed the Committee that the problem behind the belatedness in the submission of the annual Financial Audit Reports was the current backlog the Federal Secretary of Control had in its work, and suggested the possibility that EMBRAPAs Comptroller carry out the audits in the future with a view towards effectively complying with ITTO's procedures. In this light, the Committee urged the Executing Agency request a no-objection from the Secretariat for the execution of the Annual Financial Audit Reports by EMBRAPA's Comptroller.

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

The Committee took note of the Executing Agency's request for an extension including minor budgetary modifications in order to successfully complete the project's activities and that the Secretariat had considered it justified. In this light, the Committee endorsed an extension of the project until the end of December 2006, without additional funds.

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

The Committee took note that while most of the project's activities are progressing satisfactorily, some have suffered delays, particularly those related to the development of the integrated management plan, due mainly to the participatory nature of the process involving indigenous communities. As such, the Executing Agency ANCON submitted to the Secretariat a formal request and a justification for the aforementioned extension in time, together with the required budget amendments and an updated work plan in order to successfully complete the project's activities, which the Secretariat considered to be justified. In this light, the Committee endorsed an extension of the project until the end of December 2007, without additional funds.

14) PD 23/00 Rev.4 (F) Promotion and Transfer of Knowledge on Sustainable Forest Management Models to Timber Producers (Peru)

The Committee took note of the Executing Agency's request for an extension including budgetary modifications in order to successfully complete the project's activities and that the Secretariat had considered it justified. In this light, the Committee endorsed an extension of the project until the end of December 2006, without additional funds.

15) PD 28/00 Rev.2 (F) Integrated Management of Community Forests in the Valley of Mefou and Afamba (Central Province of Cameroon) (Cameroon)

The Delegation from Cameroon informed the Committee that the Executing Agency has just submitted the Seventh and Eighth Project Progress Reports to the Secretariat, and necessary arrangements have been made to submit the Annual Financial Audit Report for the period ended 31 December 2005 before the end of 2006, prior to the request for the project extension without additional ITTO funds. The Committee took note of the information and requested the Project Executing Agency (DF/MINFOF) to submit the remaining report in time.

16) PD 156/02 Rev.3 (F) Conservation and Reforestation of Threatened Mangrove Forest Areas along the Pacific Coast of Panama – Phase I (Operational) (Panama)

The Committee took note of the Executing Agency's request for an extension including budgetary modifications in order to successfully complete the project's activities and that the Secretariat had considered it justified. In this light, the Committee endorsed an extension of the project until the end of August 2007, without additional funds.

17) PD 176/02 Rev.1 (F) Use of Remote Sensing Technology and Information Systems to Support Forestry Legislation Monitoring in the Republic of Congo (Republic of Congo)

The Delegation from the Republic of Congo informed the Committee that the Executing Agency has been facing the problem of lack of satellites images as LANDSAT satellite is no longer operational, and the Project Steering Committee requested the Executing Agency to contact other sources of satellite images for the project needs. The Delegation from Philippines informed the Committee on the possibility to replace LANDSAT images by ASTER images for similar use of forestry monitoring. The Committee took note of the information and requested the Delegation from the Republic of Congo to contact the Delegation from the Philippines for information sharing regarding the conditions to get satellite images, such as ASTER and other available products.

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

The Secretariat informed the Committee that implementation of the project activities should have been completed by December 2006. The Executing Agency has requested an extension for nine months with additional funds in the amount of US\$ 129,600.00. The document for the proposed extension was distributed during the meeting as it was received by the Secretariat only after the deadline to dispatch documents to members. The Committee took note of the presentation by the Executing Agency that highlighted the justifications for the extension, activities to be implemented, work plan for the extended period, strategy for implementation and detailed budget. The Committee considered the proposed extension as justifiable and decided to approve the extension of the project for nine months starting January 2007 with additional funds in the amount of US\$ 129,600.00 inclusive of ITTO's Programme Support costs.

19) 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) (Philippines)

The Secretariat informed the Committee that the project is nearing completion. The Committee took note of the presentation by the Executing Agency highlighting the achievements of the project and the potential application in the Philippines and other ITTO member countries of the Forest Density Canopy Mapping technology pilot tested under the project. The Committee commended the accomplishment of the project and requested the Executing Agency to submit to the Secretariat the Completion Report, Technical Report(s) and the Final Financial Audit Report prior to the next Council Session.

20) PD 240/03 Rev.1 (F) Alternative Financing Model for Sustainable Forest Management in San Nicolás – Second Phase: Non-Kyoto Rehabilitation Areas (Colombia)

The Committee took note of the Executing Agency's request for project budgetary amendments due to, among others, the fluctuating exchange rates in Colombia, in order to successfully complete the project's activities and that the Secretariat had considered it justified. In this light, the Committee endorsed the budgetary modifications without any additional funds, as proposed by the Executing Agency.

21) PD 288/04 Rev.2 (F) Development of Lanjak Entimau Wildlife Sanctuary as a Totally Protected Area, Phase IV (Final Phase) (Malaysia)

The Committee was informed by the Secretariat that the Executing Agency is currently finalizing the First Yearly Plan of Operation.

22) PD 324/04 Rev.3 (F) Sustainable Management of Tropical Forest Resources through Stakeholder Agreements in Traditional Owned Areas of Papua New Guinea

The Committee was informed by the Secretariat the Executing Agency is currently finalizing the First Yearly Plan of Operation.

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

The Delegation from the Ghana informed the Committee that the International Workshop has taken place from 2 to 5 October 2006 in Accra, Ghana, and briefly presented the recommendations of this meeting. The Delegation from Switzerland informed the Committee that one of the concrete outcomes of the meeting was the joint Ghana-Switzerland Draft Decision Proposal, on the development of approaches to reduce Greenhouse Gas emissions from tropical deforestation and tropical forest degradation, submitted to the Council for consideration. The Committee was also informed that the proceedings of this meeting will be made available before its next session. The Committee took note of the information and requested the Delegations to contribute to the discussion of the proposed decision.

(B) Projects awaiting implementation agreement

- 1) PD 234/03 Rev.3 (F) **Building a Framework and Strategy for Sustainable Forest Management in Trinidad and Tobago**

The Committee took note of the information by the Secretariat that the Project Agreement has been sent to the Government of Trinidad and Tobago in July 2005.

- 2) PD 237/03 Rev. 4 (F) **Binational Conservation and Peace in the Condor Range Region, Ecuador-Peru – Phase II (Peruvian Component) (Peru)**

The Committee took note of the information by the Secretariat that the Project Agreement has been sent to the Government of Peru in March 2006.

- 3) PD 289/04 Rev. 1 (F) **Management of the Emerald Triangle Protected Forests Complex to promote cooperation for Transboundary Biodiversity Conservation between Thailand, Cambodia and Laos – Phase II (Thailand and Cambodia)**

The Committee took note of the information by the Secretariat that draft of the Project Agreement has been sent to the Governments of Thailand and Cambodia on 16 February 2005; it has been duly signed by the latter and forwarded to the former earlier this year.

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

The Committee took note of the information by the Secretariat that the Project Agreement was duly signed on 10 October 2006.

- 5) PD 346/05 Rev.2 (F) **Conservation and Recovery of Degraded Land in Family Agriculture Units in the Eastern Brazilian Amazon (Brazil)**

The Committee took note that the Government of Brazil is currently reviewing the text of the Project Agreement as proposed by the Secretariat with a view towards finalizing it shortly.

- 6) PD 349/05 Rev.2 (F) **Criteria for the Management of Mangrove and Flood Forests in the Central Coastal Plains of Veracruz, Mexico: A Community Management Tool (Mexico)**

The Committee took note of the information by the Secretariat that the Project Agreement was duly signed on 29 September 2005.

- 7) PD 350/05 Rev.3 (F) **Production Systems and Integrated Management of Shoot-borers for the Successful Establishment of Meliaceae Plantations in the Yucatan Peninsula and Veracruz, Mexico**

The Committee took note of the information by the Secretariat that the Project Agreement was duly signed on 29 September 2005.

- 8) **PD 360/05 Rev.2 (F) Multispectral Three-Dimensional Aerial Digital Imagery for Monitoring Forest Management and Conservation in the Republic of Congo**

The Committee took note of the information by the Secretariat that the Project Agreement was duly signed on 10 October 2006.

- 9) **PD 372/05 Rev.1 (F) Contribution to Livelihood and Forest Rehabilitation in Thailand's Areas Affected by Tsunami Disaster (Thailand)**

The Committee took note of the information by the Secretariat that draft of the Project Agreement has been sent to the Government of Thailand on 17 February 2006.

- 10) **PD 376/05 Rev.2 (F) To Develop and Promote a Monitoring Information System to Support the Sustainable Development of Tree Resources Outside Forests at the Sub-district Level in Thailand**

The Committee took note of the information by the Secretariat that draft of the Project Agreement has been sent to the Government of Thailand on 18 July 2006.

- 11) **PD 389/05 Rev.2 (F) Application of the Internal Monitoring of SFM Performance at Forest Management Unit Level (Indonesia)**

The Committee took note of the information by the Secretariat that the Project Agreement was duly signed on 27 October 2006.

(C) Projects awaiting financing

The Committee noted that 22 projects approved at earlier Sessions are still awaiting funding, out of which 8 will be sunset if funding is not secured before the next Session.

- 1) *PD 38/98 Rev.2 (F) Technology Development and Demonstration on Reforestation Using Tropical Hardwood Species in Yunnan Province of China, Phase I (Operational), Phase II (Pending Finance) (China)

Phase I has been reported as completed in document CRF(XXXVI)/6.

- 2) PD 156/02 Rev.3 (F) Conservation and Reforestation of Threatened Mangrove Forest Areas along the Pacific Coast of Panama, Phase II (Pending Finance) (Panama)
- 3) PD 228/03 Rev.2 (F) Tropical Forest Fire Monitoring Management System Based on Satellite Remote Sensing Data in China – Phase II (China)
- 4) *PD 245/03 Rev.3 (F) Strategies for Sustainable Management and Use of the Sungai Sembilang Mangrove Ecosystem in South Sumatra (Indonesia)
- 5) PD 294/04 Rev.4 (F) The Study and Demonstration of the Management of Secondary Forests in Tropical Regions for the Purpose of Enhancing Economic and Ecological Benefits (China) – Phase II (China)
- 6) *PD 309/04 Rev.2 (F) Integrated Management of Mangrove Forests on the Caribbean Coast of Colombia
- 7) *PD 311/04 Rev. 2 (F) Integrated Development of Cote d'Ivoire's South-western Coastal Forests with the Participation of Communities Living in Forest Areas (Cote d'Ivoire)
- 8) *PD 314/04 Rev. 2 (F) Secondary Forest Management and Degraded Forest Land Rehabilitation Project in the N'Zi Comoe Area with Community Participation (Cote d'Ivoire)
- 9) PD 326/05 Rev.2 (F) Capacity Development of Private and Community Reforesters for the Sustainable Management of Teak Plantations in the Maritime and Plateaux Regions of Togo (Togo)

- 10) PD 327/05 Rev.3 (F) Rehabilitation and Management of the Degraded Tropical Forest Reserves in Ogun, Osun and Edo States of the Federal Republic of Nigeria through Community Participation (Nigeria)
- 11) *PD339/05 Rev.1 (F) Development of a Forest Genetic Improvement Programme to Enhance the Productivity and conservation of Tropical Forest Species in Guatemala
- 12) PD 342/05 Rev.2 (F) Development of Policy and Management Scenarios for Sustainable Management of Ghana's High Forests (Ghana)
- 13) *PD352/05 Rev.1 (F) Protocols and Criteria for Cedar (*Cedrela odorata*), Mahogany (*Swietenia macrophylla*) and Primavera (*Tabebuia donnell-smithii*) Germ Plasm Management in Southeast Mexico
- 14) PD 367/05 Rev.2 (F) Promotion of the Sustainable Management of Tropical Planted Forest in Congo's Tropical Forest Plantations (Republic of Congo)
- 15) *PD371/05 (F) The Rehabilitation of Mangrove on the Coastal Areas of Aceh Indonesia – Phase I (Indonesia)
- 16) PD 383/05 Rev.2 (F) Community Forest Development in Gabon (Gabon)
- 17) PD 387/05 Rev.2 (F) Promotion of Community-based Forest Plantations in Tanah Laut, South Kalimantan, Indonesia (Indonesia)
- 18) PD 392/06 Rev.1 (F) Phase I: Regional Project to Promote Reduced Impact Logging in the Congo Basin (Gabon)
- 19) PD 394/06 Rev.1 (F) Restoring the Ecosystem Functions of the Lake Toba Catchment Area through Community Development and Local Capacity Building for Forest and Land Rehabilitation (Indonesia)
- 20) PD 395/06 Rev.1 (F) Implementation of a Model of Local Community Stewardship for Rehabilitation and Sustainable Use of Mangroves in North Sumatra Province (Indonesia)
- 21) PD 399/06 Rev.1 (F) Expansion of Application of Forest Resources Monitoring System (FORMS) in Timber Corridor Areas of the Philippines by Utilizing the Forest Canopy Density (FCD) Software (The Philippines)
- 22) PD 407/06 Rev.1 (F) Support to the Implementation of the Action Plan for the Sustainable Management of the Assoukoko Gazetted Forest (Togo)

Note: Those projects with asterisk (approved but not funded within 20 months) will be sunset at the next Session.

(D) Projects coming under the sunset provisions since the last Session

The Committee noted that 6 projects have become sunset since its last Session.

- 1) PD 22/99 Rev.2 (F) Study on The Behaviour of Native Timber Species of Commercial Value in the Tropical Moist Forests of Honduras - Phase III (Honduras)
- 2) PD 201/03 Rev. 3 (F) Sustainable Management of 50,000 ha of Tropical Forests in the Municipality of Santa Rosa del Sur, Department of Bolivar, Colombia
- 3) PD 220/03 Rev.2 (F) Integrated Conservation and Management of Malaysian Mangrove Forests (Malaysia)
- 4) PD 247/03 Rev.2 (F) The Development of the Regional Seed Center as a Source of Local Precious Timber Species for Reforestation in Riau Province, Indonesia

- 5) PD 300/04 Rev.1 (F) Restoration and Sustainable Use of Forest Resources in Ghana: State-of-the-Art Conference (Ghana)
- 6) PD 301/04 Rev.1 (F) The Eighth Round-Table Conference on Dipterocarp (Malaysia)

7.2 *Pre-projects*

7.2 **Pre-project Work in Progress**

Fifteen pre-projects have been approved by the Committee and are either: A) under implementation (10), B) awaiting the signing of an Agreement (1), C) awaiting financing (3) or D) falling under the sunset provision since the last Session (1). The Committee took note of a status report of these pre-projects submitted by the Secretariat in document CRF(XXXIX)/4.

The Committee discussed the issues associated with a number of pre-projects. Details of these discussions are as follows:

(A) Pre-projects under implementation

All pre-projects are progressing as planned.

(B) Pre-projects awaiting implementation agreement

None.

(C) Pre-projects awaiting financing

The Committee noted that 3 pre-projects are still awaiting financing, 2 of which will be sunset if funding is not secured before the next Session.

- 1) *PPD 109/05 Rev.1 (F) Establishment of a Pilot Program for the Genetic Improvement of Native Forest Species (Ecuador)
- 2) *PPD 111/05 Rev.1 (F) Sustainable and Multipurpose Forestry to Settle the Tribal Shifting Cultivators of Tripura State in India by Providing Viable Economic Activities (India)
- 3) PPD 116/05 Rev.1 (F) Decentralisation of Forest Seed Production and Marketing (Guatemala)

Note: Those pre-projects with asterisk (approved but not funded within 20 months) will be sunset at the next Session.

(D) Pre-projects coming under the sunset provisions since the last Session

The Committee noted that 1 pre-project has become sunset since its last Session.

- 1) PPD 105/04 Rev. 1 (F) Feasibility Study for the Development of A Transboundary Elephant Conservation Corridor Between Cote D'Ivoire and Ghana (Cote d'Ivoire)

Item 8 - Consideration of Project and Pre-project Proposals

The Categories of Recommendations on Project and Pre-projects from the Expert Panel to the Committee and from the Committee to the Council, as accepted by the Committee at its Twentieth Session and by the Council at its Fortieth Session are listed in Appendix I, Table B and C respectively.

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 regard to Table C. 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, 4 project proposals were considered by the Committee; similarly 3 pre-project proposals were considered.

• **CATEGORY ONE PROJECT AND PRE-PROJECT PROPOSALS**

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 377/05 Rev.3 (F)	Development of Cloning for Samba (Obéché), West African Mahogany and Tiokoué Tree Species	Côte d'Ivoire
PD 393/06 Rev.1 (F)	Village-level Reforestation Plus Nutrition Promotion by Self-Motivated Community Women's Groups	Ghana
PD 396/06 Rev.2(F)	Strategy for Developing Plantations Forest: A Conflict Resolution Approach in Indonesia	Indonesia
PD 426/06 Rev.1 (F)	The Prevention of Further Loss and the Promotion of Rehabilitation and Plantation of <i>Gonystylus spp.</i> (ramin) in Sumatera and Kalimantan	Indonesia
PPD 124/06 Rev.2 (F)	Reforestation of Tropical Savannah Grassland with High Valued Teak in Papua New Guinea (PNG)	PNG
PPD 128/06 Rev.1 (F)	Strengthening Capacity of Forest Law Enforcement and Governance in Cambodia	Cambodia
PPD 130/06 Rev.1(F)	Identification of a Project for the Regeneration and Management of Mangrove Forests Surrounding the Douala/Edea Reserve, Department of Sanaga Maritime, Cameroon	Cameroon

• **CATEGORY FIVE PROJECT PROPOSALS**

The Expert Panel concluded its appraisal of, and recommended that the Committee not approve, the following project proposal:

PD 302/04 Rv.2 (F)	National Programme for the Restoration, Management and Rehabilitation of Secondary and Degraded Forests in Ecuador	Ecuador
PD 354/05 Rev.2 (F)	Productivity Enhancement of Tropical Forests of Uttar Pradesh State Using Clonal Technology	India
PD 369/05 Rev.2 (F)	Demonstration for Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forest in Hainan, China	China

Details of the technical evaluation of these proposals are presented in Appendix III of this report. The Committee's recommendations regarding approval of these proposals are presented in Item 13 (B) 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) Review and update the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests.

The Committee took note of the presentation made by Mr. Stewart Maginnis from IUCN on progress in the implementation of field tests in view of revising the guidelines [CRF(XXXIX)/7]. The representative of the Government of Indonesia urged IUCN to finalize the contracts to be established with national consultants as soon as possible in order to initiate the field testing of the Guidelines.

- (ii) The Promotion of the ITTO Guidelines for the Management, Restoration and Rehabilitation of Degraded and Secondary Tropical Forests.

The Committee took note that this policy issue is discussed under item 15 of the Council Agenda, including the Completion Report related to the organization of 9 national workshops on Forest Landscape Restoration, and briefing on the meeting of the Global Partnership on Forest Landscape Restoration that took place in Colorado Springs (USA) on 26-27 May 2006.

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

The Committee took note of the report of this study, as contained in document CRF(XXXIX)/9 presented by Dr. Ivan Tomaselli of SCTP. In his presentation, Dr. Tomaselli highlighted the following:

The study commissioned by the ITTO Secretariat focused on hardwood and softwood forest industrial plantations in the tropics and market issues. Two separated reports were produced for this study on plantation, the first one deals with tropical forest plantations and the second covers market of the tropical plantation timber. The report presented for the consideration of CRF deals specifically with the plantations component.

The study identified 67 million ha of tropical plantations in the world; being 80% of this area located in Asia-Pacific region. Out of this total planted area 36 million (53%) is classified as productive. These plantations have an estimated production capacity to produce around 150 million cubic meters of industrial round wood, representing almost 50% of the total round wood consumed by tropical countries.

Tropical forest plantations timber have comparative advantages over natural forest timber, and this will continue to be the main driving force to expand existing plantations. In spite of the growing interest on plantations in the tropics the study identified that there are several limitations (wood quality, industrial facilities, products and others) that need to be properly addressed by tropical countries when promoting forest plantations. These are areas that ITTO should be working together with producing member countries in order to ensure that investments in industrial plantations in the tropics will take into considerations factors that will maximize economic returns, as well as social and environment benefits.

The Committee noted that the title "Monitor and Assess the Environmental, Social and Economic Costs and Benefits of Forest Plantation Development and Utilize that Information to Promote New Plantations" [CRF(XXXIX)/9] was not fully developed in the report. The consultant agreed to highlight in particular the social and environmental aspects more explicitly in the Executive Summary and its conclusions. Once this is done, the Committee requests the Secretariat to ensure the wide dissemination of this informative report.

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

At the last Session of the Committee, the report of the case study in Peru was circulated and the Committee decided to postpone discussion of the report to this Session due to the absence of a representative of INIRENA at the Session. However, no Peruvian representative of INIRENA was present at this Session either.

Moreover, following up on Council Decision 6(XXXIII) on the Prevention and Management of forest Fire, the Secretariat informed the Committee that the Fourth International Wildland Fire Conference will be held in Seville, Spain on May 13-17, 2007 and encouraged member countries to participate, collaborate and share their experiences on tropical forest fire prevention and management at this event. For this purpose, members could explore with the donor community the possibility of support for their participation in this conference.

Item 10 – Election of Chairperson and Vice-Chairperson for 2007

Dr. Flip van Helden (Netherlands) was elected Chairman for 2007. Mr. Alfredo Carrasco Valdivieso (Ecuador) was elected as Vice-Chairman for 2007.

Item 11 - Dates and Venues of the Fortieth, Forty-first and Forty-second Sessions of the Committee

The Fortieth Session of the Committee would be held in conjunction with the Fortieth-second Session of the International Tropical Timber Council.

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

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

Item 12 - Other Business

The Brazilian Delegation requested clarification as regards the development of the activity within the ITTO Biannual Plan related to "Provisions for Strengthening Cooperation and Collaboration between ITTO and ACTO countries on C&I and the Organization of a Regional Workshop to Consolidate ITTO C&I and the Tarapoto Process". The Brazilian Delegation produced the Chair and Secretariat a draft TOR. As per the Brazilian request, the Secretariat briefed the Committee as regards events carried out to date in relation to the development of the terms of reference for this activity, as follows:

In October 2006 the ITTO Secretariat had the honor to receive the Secretary General of ACTO, Mdme. Rosalia Arteaga, the Executive Director of ATCO, Mr. Francisco Ortiz, and of ACTO Advisor Mr. Carlos Aragon at its headquarters in Yokohama. During this very fruitful meeting the aforementioned activity within the ITTO Biannual Plan related to "Provisions for Strengthening Cooperation and Collaboration between ITTO and ACTO countries on C&I and the Organization of a Regional Workshop to Consolidate ITTO C&I and the Tarapoto Process" was discussed and both ACTO and ITTO agreed in principle to work together to establish the terms of reference for this activity, with a view towards hiring an ACTO consultant in order to produce a draft text for a "consolidated ACTO(Tarapoto)/ITTO C&I for SFM in the Amazon Basin" and further hold a regional workshop with the participation of all ACTO member country forestry/environmental authorities in order to discuss and fine tune the consultant's draft text, with a view to arriving by consensus at a consolidated set of C&I for the Amazon Basin, and also outline an overall ACTO strategy and programme for the dissemination and institutional strengthening/capacity building in its member countries as regards the application of the consolidated C&I and the training of experts in forest monitoring.

It further informed that the main motivation of both ACTO and ITTO behind this path of action was twofold:

1) A consolidated set of C&I would substantially reduce the bureaucratic burden of ACTO/ITTO member countries in individually reporting to each organization on the in-country provisions taken towards the application of C&I, as instead a joint questionnaire would be elaborated for use by both organizations, and would also enhance the synergies between both organizations, and

2) This consolidated set of C&I would substantially strengthen both ACTO and ITTO's positions within the international community as regards the achievement of SFM and assist in considerably increasing international financial support geared towards both ACTO and its member countries for the application of C&I in the region.

In addition, the Secretariat also informed the committee that ACTO and ITTO had also agreed to look into the possibility of seeking the services of a consultant with experience in the development of both the C&I for the Tarapoto Process and those developed for ITTO, so as to produce a draft consolidated set of C&I and tentatively hold the Regional Workshop in Tarapoto or Lima sometime next year.

The Brazilian Delegation indicated that the draft TOR represents the main activities for the Amazon Basin Countries concerning C&I. Those activities were discussed and established by representatives from all Amazon Basin Countries who took part in the 41st and 42nd Session of COFLAC, held in Costa Rica in 2004, and in Republic Dominicana in 2006.

In this context, the draft TOR presented by Brazil reflects the conclusions of the final meeting of Project FAO/OTCA for validation of 15 indicators, which was held in Brasilia, in May 3-5, 2006.

In light of the apparent differences between the terms of reference developed by Brazil and the outcome of the discussions between ACTO's representatives and ITTO, the Committee suggested that

consultations be carried out between the Secretariat and ACTO and interested parties in order to agree on the terms of reference for the implementation of this activity, as contained in the Biennial Work Programme.

Item 13 - Recommendations to the International Tropical Timber Council

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

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 377/05 Rev.3 (F)	Development of Cloning for Samba (Obéché), West African Mahogany and Tiokoué Tree Species	Côte d'Ivoire
PD 393/06 Rev.1 (F)	Village-level Reforestation Plus Nutrition Promotion by Self-Motivated Community Women's Groups	Ghana
PD 396/06 Rev.2 (F)	Strategy for Developing Plantations Forest: A Conflict Resolution Approach in Indonesia	Indonesia
PD 426/06 Rev.1 (F)	The Prevention of Further Loss and the Promotion of Rehabilitation and Plantation of <i>Gonystylus</i> spp. (ramin) in Sumatera and Kalimantan	Indonesia
PPD 124/06 Rev.2 (F)	Reforestation of Tropical Savannah Grassland with High Valued Teak in Papua New Guinea	PNG
PPD 128/06 Rev.1 (F)	Strengthening Capacity of Forest Law Enforcement and Governance in Cambodia	Cambodia
PPD 130/06 Rev.1(F)	Identification of a Project for the Regeneration and Management of Mangrove Forests Surrounding the Douala/Edea Reserve, Department of Sanaga Maritime, Cameroon	Cameroon

Item 14 - Report of the Session

The Committee accepted this Report for submission to the Council.

Appendix I

TECHNICAL ASSESSMENT OF PROJECT PROPOSALS

(A) CATEGORY ONE PROJECT PROPOSALS

PD 377/05 Rev.3 (F) **Development of Cloning for Samba (Obéché), West African Mahogany and Tiokoué Tree Species** Côte d'Ivoire

Conclusion of the Thirty-ninth 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 377/05 Rev.3 (F) and recommended the Council to allocate US\$ 421,060 for its immediate implementation.

PD 393/06 Rev.1 (F) **Village-level Reforestation Plus Nutrition Promotion by Self-Motivated Community Women's Groups** Ghana

Conclusion of the Thirty-ninth 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 393/06 Rev.1 (F) and recommended the Council to allocate US\$ 165,335 for its immediate implementation.

PD 396/06 Rev.2 (F) **Strategy for Developing Plantations Forest: A Conflict Resolution Approach in Indonesia** Indonesia

Conclusion of the Thirty-ninth 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 396/06 Rev.2 (F) and recommended the Council to allocate US\$ 508,234 for its immediate implementation.

PD 426/06 Rev.1(F) **The Prevention of Further Loss and the Promotion of Rehabilitation and Plantation of *Gonystylus spp.* (ramin) in Sumatra and Kalimantan** Indonesia

Conclusion of the Thirty-ninth 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 426/06 Rev.1 (F) and recommended the Council to allocate US\$ 507,903 for its immediate implementation.

(B) CATEGORY FIVE PROJECT PROPOSALS

PD 302/04 Rv.2 (F) **National Programme for the Restoration, Management and Rehabilitation of Secondary and Degraded Forests in Ecuador** Ecuador

Conclusion of the Thirty-ninth Committee

The Committee noted that the 32nd 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 not to consider this proposal any further.

PD 354/05 Rev.2 (F) Productivity Enhancement of Tropical Forests of Uttar Pradesh State Using Clonal Technology India

Conclusion of the Thirty-ninth Committee

The Committee noted that the 32nd 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 not to consider this proposal any further. The India Delegation decided to withdraw this project proposal from the Project Cycle.

PD 369/05 Rev.2 (F) Demonstration for Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forest in Hainan, China China

Conclusion of the Thirty-ninth Committee

The Committee noted that the 32nd 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 not to consider this proposal any further. The Chinese Delegation decided to withdraw this project proposal from the Project Cycle.

TECHNICAL ASSESSMENT OF PRE-PROJECT PROPOSALS

(A) CATEGORY ONE PRE-PROJECT PROPOSALS

PPD 124/06 Rev.2 (F) Reforestation of Tropical Savannah Grassland with High Valued Teak in Papua New Guinea PNG

Conclusion of the Thirty-ninth Committee

The Committee noted that the revised pre-project proposal adequately addressed the Expert Panel's comments and recommendations. In addition, the Committee also decided to delete the word "species" from the pre-project title. Therefore, the Committee approved the pre-project PPD124/06 Rev.2 (F) and recommended the Council to allocate US\$ 79,920 for its immediate implementation.

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

Conclusion of the Thirty-ninth 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 PPD128/06 Rev.1 (F) and recommended the Council to allocate US\$ 66,636 for its immediate implementation.

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

Conclusion of the Thirty-ninth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PPD130/06 Rev.1 (F) and recommended the Council to allocate US\$ 79,164 for its immediate implementation.

(B) CATEGORY FIVE PRE-PROJECT PROPOSALS

None.

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

PROJECT DOCUMENT	BUDGET/ITTO CONTRIBUTION (US\$)	GEOGRAPHICAL COVERAGE	DURATION (months)	RECOMMENDATION*	
				32 nd EP	39 th CRF
PD 377/05 Rev.3 (F)	421,060	Cote d'Ivoire	36	1	1
PD 396/06 Rev.2 (F)	508,234	Indonesia	36	1	1
PD 426/06 Rev.1 (F)	507,903	Indonesia	36	1	1
PD 302/04 Rv.2 (F)	196,452	Ecuador	12	5	5
PD 354/05 Rev.2 (F)	579,416	India	36	5	5
PD 369/05 Rev.2 (F)	379,917	China	36	5	5
PPD 124/06 Rev.2 (F)	79,920	Papua New Guinea	9	1	1
PPD 128/06 Rev.1 (F)	66,636	Cambodia	5	1	1
PPD 130/06 Rev.1(F)	79,164	Cameroon	6	1	1
PD 393/06 Rev.1 (F)	165,335	Ghana	24	1**	1

* For Categories of Recommendation see Table B.

** This project proposal was evaluated as Category one at the 31st EP

TABLE B

Categories of Decision for 32 nd Expert Panel (old system)	Categories of Decision for 32 nd 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 re-formulation of the (pre-) project proposal is essential and the Panel will need to assess the re-formulated proposal before it can commend it to the Committee for appraisal.</p> <p>4. The Panel concluded that a pre-project (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 pre-project 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>Rating schedule of the revised ITTO System for Technical Appraisal of Project and Pre-project Proposals [doc.ITTC(XL)/5] of 13 April 2006</p> <p>Rating schedule for Project proposals</p> <p>Category 1: The Panel concluded that the proposal could be commended to the Committee with incorporation of amendments.</p> <p>Category 2: The Panel concluded that the proposal requires essential modifications and will be returned to the proponent. The Panel will need to assess the revised proposal before it can commend it to the Committee.</p> <p>Category 3: The Panel concluded that the proposal is not accepted because a pre-project proposal is required. According to the indication of the Panel the pre-project shall (a) be submitted to the Expert Panel for appraisal or (b) could be directly submitted to the Committee for appraisal.</p> <p>Category 4: The Panel concluded that the proposal is not commended to the Committee; the proposal is submitted with the recommendation not to approve the project proposal. Justification should be given to the proponent and the Committee (e.g. not passing thresholds; in case of rev.2 project proposals; project not relevant; project with insufficient information, etc.)</p> <p>Rating schedule for Pre-project proposals</p> <p>Category 1: The Panel concluded that the proposal could be commended to the Committee with the incorporation of amendments.</p> <p>Category 2: The Panel concluded that the proposal requires essential modifications and will be returned to the proponent. The Panel will need to assess the revised proposal before it can commend it to the Committee.</p> <p>Category 3: The Panel concluded that the pre-project proposal is not commended to the Committee. The proposal is submitted with the recommendation not to approve the pre-project proposal.</p>

TABLE C

**Categories of Recommendation
from 39th 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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REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

TWENTIETH SESSION OF THE COMMITTEE ON

FINANCE AND ADMINISTRATION

(6 – 11 November 2006, Yokohama, Japan)

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

**TWENTIETH SESSION OF THE
COMMITTEE ON FINANCE AND ADMINISTRATION**

Item 1: Opening of the Session

1. The Vice-Chairperson, Mr. James Singh of Guyana, informed the Committee that the Chairperson, Mr. Li Qiang of China, was not able to be present at this Session of the Committee due to his engagement in other official business in the home country. Therefore, as Vice-Chairperson, Mr. James Singh assumed the chairmanship of the Committee at this Session. He went on to welcome all delegates to the Twentieth 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(XX)/1. The Committee adopted its agenda as presented in that document.

3. The Chairperson drew the attention of the Committee to the work of the Panel on Sub-Account B of the Bali Partnership Fund (BPF) for the allocation of funds under Sub-Account B of the BPF, created under Council Decision 4(XXX). The 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 Thursday, 9 November 2006. 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(XLI)/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-second Meeting of the Expert Panel for Technical Appraisal of Project Proposals [Document CEM,CRF,CFI,CFA(XXXIX)/1] were deliberated and concluded in the joint Session of the Committees on 6 November 2006. The joint Session had not requested the CFA for any follow-up.

Item 5: Administrative Budget for 2007

6. The Secretariat introduced document CFA(XX)/2 (Indicative Administrative Budget for the Financial Year 2007), which had been distributed to Members in August 2006 in accordance with Rule 3 of the ITTO's Financial Rules and Rules Relating to Projects. The Secretariat informed the Committee that the Biennial Administrative Budget for the Financial Years 2006-2007 had already been approved by the Council at its Thirty-ninth Session held in Yokohama in November 2005. Although the exchange rate in August 2006 was the same as the rate that was applied in the approved Biennial Administrative Budget for 2006-2007 (of US\$1.00 = ¥115), the Indicative Administrative Budget for 2007 was revised to take account of the actual costs of the current number of staff which have changed slightly, and therefore resulted in a slight decrease of US\$132,905 against the approved amount (US\$5,556,075) in the budget for 2007 that was approved earlier in November 2005.

7. Following the instructions made at the Second Session of the Committee that the proposed budgets "should always be constructed using the current official U.N. exchange rate for the month of the Session in which it was considering the budget proposals", and as has been done in previous years, the Secretariat further amended the Indicative Administrative Budget for 2007, as shown in document CFA(XX)/2/Rev.1,

dated 2 November 2006, applying the exchange rate of 117 Yen to US\$1.00 (for the month of November 2006) against the rate of 115 Yen to US\$1.00 which was used in August 2006. The Secretariat advised that the United Nations post adjustment multiplier had been revised in November 2006 due to the results of the Cost-of-Living Survey by the United Nations System for Japan in September 2006. The new post adjustment multiplier of 97.8 was applied in recalculating the Indicative Administrative Budget for 2007, and therefore the total amount was revised totalling US\$5,460,138 which was still US\$95,937 (or 1.77%) lower than the amount of US\$5,556,075 for 2007 in the approved Biennial Administrative Budget for 2006-2007.

8. The representative of The Netherlands sought clarifications with regard to: (a) the inflation rates used in the preparation of the budget; (b) adequacy of the funds in the Working Capital Account (WCA); and (c) funding mechanism for a possible Inter-sessional Working Group on the Thematic Programmes. The Secretariat explained that: (a) the personnel costs which amount to more than 80% of the total budget was based on the prevailing rates and salary scales of the United Nations that take into account of the cost of living, etc.; and all the other expenditures are more or less on the same level as the previous year; (b) the current balance of the WCA of \$2.44 million could be considered as adequate and a reduction below the level of US\$2 million may not be advisable. The Secretariat added that the possibility of an Inter-sessional Working Group on the Thematic Programmes was discussed in the Council and later, if the Council accepts such a Working Group, it could also approve the utilization of funds from the WCA for its financing, if necessary.

9. In response to the interventions of the Representatives from the United States of America and the European Community, the Secretariat explained that four years earlier the funds in the WCA was around US\$4 million and it has since been reduced to the present level with the recent utilization of funds for supporting the Negotiation of a Successor Agreement to the ITTA, 1994, funding a number of activities of the ITTO Biennial Work Programme for 2006-2007, as well as funding shortages in the Administrative Budgets. The Secretariat confirmed that the amount of US\$1.5 million which had been set aside by the Council as Special Reserve Fund, and which is separate from the WCA, should currently be adequate for utilization in the unfortunate event of liquidation of the Organization. The Committee agreed that this situation could be reviewed at the next Session.

10. The Committee recommended that the Council approve the Administrative Budget for the Financial Year 2007 as presented in document CFA(XX)/2/Rev.1. The approved amount for the financial year 2007 would be US\$5,460,138. The approved budget for 2007 (of \$5,460,138) will be further increased by US\$92,862 to take account of the discount to be granted to Members for prompt payment of their contributions in 2006 (in accordance to Rule 4, paragraph 3, of the Financial Rules and Rules relating to Projects). The net amount to be assessed from Members towards the Administrative Budget for the Financial Year 2007 is therefore US\$5,553,000. The assessed contribution from Members to the budget for 2007 is shown in document CFA(XX)/2/Rev.2; and the Secretariat will be sending invoices to Members for payment in accordance to the Financial Rules.

Item 6: Review of Contributions to the Administrative Budgets

11. The Secretariat introduced document CFA(XX)/3, prepared on 31 October 2006, which detailed the history of Members' contributions to the Administrative Budgets for the financial years from 1986 to 2006, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed that in 2006, \$1,344,596.70 had been received to date from Producing Members out of the total net assessment of \$2,669,296.00; and \$2,539,210.20 had been received from Consuming Members out of the net assessed amount of \$2,624,935.00. As shown in the document, arrearages in contributions to previous years' budgets from Producing Members amount to \$5,658,479.05 and the outstanding payment of interest charges levied on late contributions under the ITTA, 1983, amount to \$177,789.54.

12. In response to the intervention of the representative of Indonesia, the Secretariat confirmed that the Government of Indonesia had indeed made an excess payment of US\$33,784.47 while settling its contribution for the Administrative Budget for the year 2006 and this amount was recorded as "advance payment of contribution" and will be credited against the assessed contribution from Indonesia for the year 2007. The Secretariat also added that a few other members had also made contributions in advance, mainly due to overpayments of their current year's contributions, and in the future all such "advance payment of contributions" will be included the report.

13. The representative of Switzerland requested clarification of the process adopted by the Secretariat with regard to the implementation of the condition of Decision 7(XXXIII), with regard to not processing of

projects and pre-projects proposals from Members with arrears. The Secretariat explained that the due date of the contribution is 1 January, and accordingly any Member not settling the amount by that date could technically be in arrears. However, the ITTA, 1994, stipulates that any Member who has not settled the due contribution within seven months shall lose voting rights, and therefore, the Secretariat has taken the view that project or pre-project proposals submitted by Members are to be processed and considered for approval until the end of July when they are considered to be in arrear. If by the time of the Autumn Session the arrears remained unsettled the concerned proposals will not be presented to the respective Committees for approval.

14. The representative of The Netherlands expressed grave concern with regard to the considerable overdue amount, which currently stood at over US\$7.33 million, and urged all Members to settle their dues promptly.

15. The representative of Brazil advised that its contribution for 2006 would be partially settled before the end of this year and most of the remaining contributions including arrears would be settled in the next year.

16. The Committee took note of the report.

Item 7: Current Status of the Administrative Account

17. The Secretariat presented document CFA(XX)/4 reporting the current status of the Administrative Budget for 2006, as at 31 October 2006, 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, plus funds already authorized by Council for use in 2006 from interest earned in 2005, it is anticipated that the estimated expenditures for current year would amount to \$4,751,323 (i.e. \$544,122 less than the total amount approved in the budget for 2006). This was due to the delay in the recruitment of two positions in the Secretariat and stringent cost saving efforts exercised by the Secretariat.

18. The Secretariat further informed the Committee that total contributions received to-date is \$3,883,806.90, and together with contributions expected to be paid by members before the end of 2006 (of \$692,838.10), it is still anticipated that contributions would fall short to finance the expenditures for 2006 in the amount of \$173,464. 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.

19. 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. The Secretariat added that in the previous year the Committee decided to recommend to the Council to authorize the Executive Director to transfer an amount not exceeding US\$500,000 from the Working Capital Account to the current account in the Administrative Account to meet the shortfall of funds. Moreover, since the current balance of the WCA amount to US\$2,441,460.56 which is \$58,539.44 less than US\$2.5 million, any further utilization of its resources at this stage would bring it considerably below US\$2,500,000.

20. The Committee took note of the report.

Item 8: Resources of the Special Account and the Bali Partnership Fund

21. The Secretariat presented document CFA(XX)/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 pro-rated refunds to relevant donors including the funds remaining under "monitoring and evaluation". In accordance with Council Decision 3(XXVIII) of May 2000, agreement of the donors was requested at regular intervals for the transfer of their share of the remaining "monitoring and evaluation" funds, to the "Pooled Sub-Accounts" for ex-post evaluations. The funds transferred to this pooled account to date, amount to US\$2,310,115.55 and regular ex-post evaluations of projects, as approved, are being carried out. Accordingly, the current available balance in this account amounts to US\$1,105,163.87.

22. 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\$109,363.66. 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\$976,153.73. The Panel would report directly to the Council.

23. 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.

24. The Committee took note of the document.

Item 9: Financing the positions of the two Regional Officers

25. The Chairperson recalled that at its Seventeenth Session held in Brazzaville, Republic of Congo, during 19-21 June 2005, the Committee, after a review of the Consultant's report on the evaluation of the performance of the Regional Officers, concluded to recommend to the Council that the current system of partially financing the positions of the two Regional Officers (through an increase to the charges to be deducted in all budgets of projects, pre-projects and activities, by 2%) be extended till the end of 2006.

26. The Chairperson also referred to the revised Indicative Administrative Budget for the financial year 2007, as presented in document CFA(XX)/2, where on the schedule of "Staff Establishment" it is shown that the posts of the two Regional Officers will be financed from the Programme Support Component (in the Special Account), while maintaining the charges of the 2% to be deducted in all budgets of projects, pre-projects and activities.

27. The representative from Germany requested further background information regarding the sources of financing approved earlier and also pointed out that the current mandate which is to expire on 31 December 2006, would need to be extended.

28. The Chairperson sought the views of the Committee on the need to continue with the services of the Regional Officers in the future. The representatives from Brazil, Germany, Indonesia and Malaysia concurred with the importance of the positions of Regional Officers and their valuable contributions to the work of the Organization.

29. As background information, the Secretariat explained that the positions of the two Regional Officers were initially approved during the Thirty-first Council Session held in November 2001, with an original budget of US\$400,000 financed partially from the savings of the Administrative Budget of 2001 (\$238,483) and the balance from the Unearmarked funds in the Special Account (\$161,517), on the recommendation of the CFA. Subsequently, during the Thirty-fifth Council Session held in November 2003, the CFA recommended the increase in the programme support charge of 2% to be deducted in all budgets of projects, pre-projects and activities, to partially finance the two positions, on conditions that a performance evaluation of the Regional Officers positions as well as their financing method are to be reviewed after a period of eighteen months.

30. Consequently, in June 2005, during the Thirty-eighth Council Session, in Brazzaville, Republic of Congo, after a review of the report of the Consultant on the Regional Officers system -- review and assessment of the appropriateness, effectiveness and evaluation of the performance of the Regional Officers -- the Committee concluded to recommend to the Council that the system of partially financing the positions of the two Regional Officers (through an increase to the charges to be deducted in all budgets of projects, pre-projects and activities, by 2%) be extended till the end of 2006. The Secretariat added that the increase of two per cent in the Programme Support charge was to provide partial funding and accordingly, at the Thirty-eighth Council Session, a further amount of US\$120,000.00 was financed through the Unearmarked Funds of the Special Account for the positions of the Regional Officers, since the funds from the additional Programme Support charge was found to be inadequate.

31. In response to the clarifications sought by the representatives of Malaysia, Indonesia and The Netherlands on the proposed financing mechanism and its impact on the Programme Support Fund, the Secretariat explained that the two Regional Officers positions costs around US\$300,000 per annum and are to be funded from the Programme Support Fund in the Special Account. Once the proposed financing method is approved, the additional funding requirement from the Programme Support Fund will be in the range of US\$150,000 which is in addition to the funds raised from the increased programme support charge of 2%. The Secretariat further added that the current available funding level of the Programme Support Fund amount to US\$5.6 million, while the annual receipts and expenditures for the last few years have been around one million respectively, therefore, the additional funding requirement of US\$150,000 will not create serious obstacle

32. The Committee recognizing the contributions of the Regional Officers for the effective monitoring of project implementation activities, decided to recommend to the Council that the posts of the two Regional Officers are to be continued and financed from the Programme Support Component (in the Special Account), while maintaining the charges of the 2% to be deducted in all budgets of projects, pre-projects and activities.

Item 10: Biennial Work Programme of the Committee for the Years 2006-2007

33. The Chairperson referred to the report by the Secretariat on the implementation of the Biennial Work Programme for 2006-2007 presented at this Session of Council in document ITTC(XLI)/8 which included the Biennial Work Programme for the Years 2006-2007 of the Committee of Finance and Administration. He informed that during this Session, the document was introduced in Council and the Council had instructed for its deliberation in the respective Committees. The Chairperson reminded the Committee of its mandate under the ITTA, 1994, and noted that the technical committees will be responsible for setting priorities in their respective areas, while the CFA would be responsible for examining the work programme for its implications on the capacity and workload of the Secretariat and to highlight issues that should be raised to Council.

34. The Committee took note of the Biennial Work Programme for the Years 2006-2007, including administrative activities, strategic policy activities, and with special attention to the sections related to the Secretariat, and the Administrative and Finance Activities as shown in Annex I to this Report.

Item 11: Election of Chairperson and Vice-Chairperson for 2007

35. The Vice-Chairperson of the Committee for 2006, Mr. James Singh of Guyana, was elected Chairperson of the Committee for 2007. Mr. Marcel Vernooij of The Netherlands was elected Vice-Chairperson of the Committee for 2007.

Item 12: Dates and Venue of the Twenty-first, Twenty-second and Twenty-third Sessions

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

Item 13: Other Business

A. Debt Relief Request by the Government of Liberia

37. The Chairman recalled that the IAG had requested the Committee to deliberate on the request from the Government of Liberia of the debt relief in the amount of US\$999,288.35 and invited the Secretariat to elaborate further.

38. The Secretariat informed that the Committee earlier at the Seventeenth Session of the CFA held in Brazzaville, Republic of Congo, in June 2005, after deliberating on the issue of "debt relief for Member Governments in dire economic situations due to prolonged civil wars", recommended to the Council that "if a formal declaration was received by the Governments 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." Consequent to this recommendation, the Government of Liberia had submitted a formal

request (in the form of a Draft Decision) to write off their debt to the Administrative Budget until the end of 2006, in the total amount of US\$999,288.35.

39. The Secretariat stated that to date there is no precedent in the Organization for debt relief other than what is provided under Decision 7(XXXIII), Annex I, Part C, paragraph 1, which stated that: "The Executive Director is authorized to write off, on an annual basis, one-fifth of a Member's arrears of the period 1986-1996 for any member which has no arrears in its contributions to the Administrative Budget in respect to its obligations related to the year 2002 and beyond. The Secretariat will not process projects and pre-projects proposals submitted by Members with cumulative arrears to the Administrative Account beginning from 2002 which are equal to or in excess of three times the Member's annual assessed contribution in the year the proposals are submitted". Since 2002 to date, arrears of contributions of four Members for a total amount of US\$743,097.39 had been written off. The Secretariat added that in May 2005, an ITTO Technical Country Mission to Liberia was conducted, the report of which is available in the ITTO website. However, Liberia has not been able to take advantage of the recommendations contained in the Mission Report in preparing Project proposals, since in view of their arrears they are not eligible to submit Projects to the Organization in accordance with Decision 7(XXXIII).

40. The representative of Ghana, on behalf of the Government of Liberia, stated that Liberia had gone through a real crisis for many years and is only now in the process of recovery and reconstruction. However, in view of its dire economic situation it is not able to pay the arrears in contributions and accordingly implored on the Committee for the recommendation of the debt relief. The Republic of Congo also supported the proposal.

41. The representatives of the European Community, Japan and the United States of America while expressing their sympathy with the desperate state of affairs in Liberia, nevertheless, observed that a complete write off of the debt would not be in the best interest of the Organization. The representatives, seconded also by Brazil, instead requested that the Government of Liberia be contacted with a view to reaffirm its commitments to the Organization, establish conditions with a view to reincorporate with ITTO, work out a repayment plan, and propose rescheduling the payments of its arrears, while meeting its obligations from 2007 onwards. The representatives of the European Community and the United States of America also suggested taking into account recent measures taken by the United Nations, the European Community and others to recognize ongoing Liberian reforms and to promote economic recovery through the lifting of sanctions on Liberian timber exports.

42. The Committee decided to recommend to the Council that the Secretariat urgently initiate consultations with the Government of Liberia (GOL) with a view to:

- a. ensuring as far as is possible that a member of the GOL attends the next Council Session to provide relevant information on the debt relief request;
- b. gathering information from the GOL that allows 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 GOL, the need for another technical Country Mission; and
- d. exploring the possibility of full participation of GOL in the activities of the ITTO under the ITTA, 1994, and gathering information on the intention of GOL regarding its ratification of the ITTA, 2006.

43. The Committee also decided to re-visit this matter on the basis of the information obtained in the contact with the GOL.

B. Financial Arrangements to cover External Costs for Holding the Forty-second Session of the Council

44. The Chairman informed the Committee that the Chairman of the Council has requested the CFA to consider the matter of identifying sources of funding in the amount US\$300,000 that will be required to cover external expenses for hosting the Forty-second Session of the ITTC in Port Moresby, Papua New Guinea in May 2007, over and above the local expenses to be provided by the Government of Papua New Guinea, and invited comments from Members.

45. The representative of Japan informed the Committee that after considerable efforts Japan has now been able to obtain the necessary funds in the amount US\$300,000 that will be required to fund the external expenditures for hosting the Forty-second ITTC Session in Papua New Guinea in May 2007. The representative emphasized that this would be the final financial assistance by the Government of Japan during the transitional phase of the current ITTA, 1994, with a view to enable the Council to proceed with the Session in PNG, and should not be a precedent with regard to the continuity of providing financial assistance by the Government of Japan for holding future sessions away from Yokohama, Japan. The representative of Japan also drew attention to the need to establish a predictable mechanism for financing all relevant costs of any future Council Sessions held outside Yokohama.

46. The representative of Papua New Guinea expressed sincere appreciation to Japan for the offer that cleared the way for PNG to proceed with the necessary preparations for hosting the Session in Port Moresby. The representatives of Brazil, Malaysia, the United States of America and the European Community expressed the utmost appreciation for the outstanding generosity and the sustained support of the Government of Japan for financing Council sessions held overseas. The representative of Brazil further observed that this financial assistance would convey an extremely positive message towards encouraging the Members of the Organization towards their action for entering into force of the new ITTA, 2006, and the mobilization of more resources for ITTO. The representative of The Netherlands also joined others in expressing his appreciation for the valuable contribution of Japan.

47. The representatives of the European Community and the United States of America, in thanking the Government of Japan, further added that since this would be the final financial assistance from Japan towards meeting costs of Council sessions held outside the ITTO Headquarters, they also underscores the need for the Council to deliberate and conclude the issues of frequency, duration and location of future Council sessions including the financial mechanism for holding such sessions.

48. The Committee took note of the offer of financial assistance by the Government of Japan in the amount US\$300,000 to meet external costs of the Forty-second Session of the ITTC scheduled to be held in Papua New Guinea in May 2007, and expressed its sincere appreciation.

Item 14: Recommendations to the International Tropical Timber Council

49. The Committee decided to make the following recommendations to the Council:

- (1) To approve the Administrative Budget for the Financial Year 2007 as presented in document CFA(XX)/2/Rev.2, of the amount of US\$5,460,138. The assessed contributions from Members for 2007 will be US\$5,553,000 to take account of the discount to be given to Members for timely payment of their contributions in 2006; and
- (2) That the posts of the two Regional Officers are to be continued and financed from the Programme Support Component (in the Special Account), while maintaining the charges of the 2% to be deducted in all budgets of projects, pre-projects and activities.

Item 15: Report of the Session

50. The Committee adopted this report as amended.

Annex 1

BIENNIAL WORK PROGRAMME FOR THE YEARS 2006 - 2007
COMMITTEE ON FINANCE AND ADMINISTRATION

ADMINISTRATIVE AND FINANCE ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Review the independent audited statement for the 2005 and 2006 financial years [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(ii) Make recommendations to Council on the appointment of auditors for a three-year term for the purpose of auditing the accounts of the Organization for the 2007, 2008 and 2009 financial years [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(iii) Review and make recommendations to Council, as necessary, regarding the Organization's administrative budget for the year 2007 of the approved biennial administrative budget for the years 2006-2007 [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(iv) Examine and make recommendations to Council, regarding the approval of the Organization's biennial administrative budget proposals for the financial years 2008-2009 [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(v) Review the assets of the Organization to ensure prudent asset management and that the Organization has sufficient reserves to carry out its work [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(vi) Examine and make recommendations to Council, on the budgetary implications of the Organization's work programme, and the actions that might be taken to secure the resources needed to implement it [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.

* * *

ANNEX VI

REPORT OF THE INFORMAL ADVISORY GROUP (IAG)

DOCUMENT: ITTC(XLI)/2

Distr.
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ITTC(XLI)/2
5 November 2006

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FORTY-FIRST SESSION
6 – 11 November 2006
Yokohama, Japan

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

**5 November 2006
Yokohama, Japan**

**Nineteenth Meeting of the Informal Advisory Group (IAG)
Yokohama, Japan, 5 November 2006**

Report of the Chairperson

Introduction

1. The Nineteenth Meeting of the IAG was convened on Sunday, 5 November 2006 at the Meeting Room of the ITTO Secretariat at 10:00 a.m. chaired by Mr. Koichi Ito (Japan), Chairperson of the Council. The meeting was attended by Ambassador Luis Macchiavello Amoroz (Peru), Vice-Chairperson of the Council, Dr. Petrus Gunarso (Indonesia), Chairperson of the Committee on Reforestation and Forest Management (CRF), Dr. Jung-Hwan Park (Republic of Korea), Chairperson of the Committee on Forest Industry (CFI), Mr. Luiz Cesar Gasser (Brazil), Producer Spokesperson, Ms. Aulikki Kauppila (Finland), Consumer Spokesperson, Mr. Hideo Fukushima (Japan), Representative of the Host Government of the Headquarters and Dr. Manoel Sobral Filho, the Executive Director.
2. The IAG considered and adopted the following agenda items for discussion:
 - i. Brief background on the IAG:
 - Decision 5(XXVI);
 - Report of the IAG at its Eighteenth Meeting, 28 May 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-first 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 Eighteenth Meeting held on 28 May 2006 in Mérida, Yucatán, Mexico as contained in document ITTC(XL)/2 Rev.1 dated 28 May 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 acknowledged that issues relating to the frequency, duration and financing of the sessions of the Council had remained unresolved in spite of strenuous efforts undertaken at its previous sessions as well as during the course of negotiating the ITTA, 2006. The IAG noted that the Producer Members were maintaining their position of continuing the prevailing practice by the Council in holding two sessions a year and to extend the practice under the ITTA, 2006 while the Consumer Members were equally strong in their view of limiting the sessions of the Council to only one a year, particularly in the context of the ITTA, 2006. The importance and urgency of resolving the issues had been heightened by the decision taken by the City of Yokohama that it would host and finance only one session of the Council a year in Yokohama beginning from 2007. This had a direct bearing on the decision already taken by the Council to hold its Forty-second Session in Port Moresby, Papua New Guinea (PNG) from 8 to 12 May 2007 which was still pending financing as well as on future decisions that might be taken by the Council to hold its sessions at venues other than Yokohama.
5. The IAG noted that the issues would need to be resolved in general as well as in respect of the Forty-second Session of the Council in particular. The IAG further noted that the Executive Director had issued letters to Members requesting them to make voluntary contributions to finance the costs of convening the Forty-second Session of the Council. The IAG accordingly recommended that the Caucuses would check on the responses of their respective Members to this request at their first meeting in the afternoon of Monday, 6 November 2006 with a view to reporting to the Chairman at the Bureau Meeting to be held in the evening of the same day. In the event that a solution had still to be found, the IAG recommended that the Chairman would report to the Council on Tuesday,

7 November 2006 with a view to initiating further consultations to resolve the issues during the course of the Forty-first Session of the Council.

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

6. The Executive Director informed the IAG that some Members had again raised the need for the Council to address the issue relating to the implementation of the 'Streamlining Council Decision-Making Procedures' as contained in paragraph 4b 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. The IAG duly recalled its recommendations made at its previous meetings that the Council would, at some point, have to address and reconcile the issue which had been initially agreed by the Council to be reviewed at the Thirty-fourth Session of the Council. The IAG noted that the procedures could be fully applied at the Forty-first Session of the Council but the problem of their applicability would recur in respect of the Forty-second Session of the Council scheduled from 8 to 12 May 2007.

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"

7. The IAG was informed that two draft decisions had been submitted for the consideration and adoption by the Council at its Forty-first Session as follows:
 - (i) Support the development of approaches to reduce Greenhouse Gas emissions from tropical deforestation and tropical forest degradation submitted jointly by the Governments of Ghana and Switzerland; and
 - (ii) Liberia debt waiver submitted by the Government of Liberia.

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

8. 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 of ITTC Decision 7(XXXIII). In addition and pursuant to the 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-first 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 Nineteenth Meeting with a view to facilitating the consideration of these draft decisions by the Council at its Forty-first Session under item 27 of its Agenda.
9. With regard to the draft decision submitted by the Government of Liberia, the IAG recalled the recommendation made at its Sixteenth Meeting that the proposal to relieve producing member countries emerging from long conflicts such as Liberia and the Democratic Republic of Congo from the measures regarding arrears to the Administrative Account as stipulated in paragraph 2, Part C of ITTC Decision 7(XXXIII) be referred to the Committee on Finance and Administration (CFA) for its consideration with a view to making appropriate recommendations to the Council. In this connection, the IAG duly noted the recommendation to the Council made by the CFA at its Seventeenth Session that the Council should consider whether to apply the provisions of Article 33 of the ITTA, 1994 in respect of the proposal if a formal declaration was received by the Governments of Liberia and the Democratic Republic of Congo of the application of *force majeure* with documented justification. In light of the submission of the draft decision by the Government of Liberia, the IAG recommended that the issue be considered again by the CFA with a view to making appropriate recommendations to the Council. The IAG further recommended that information relevant to the issue including on the decision taken in respect of the implementation of paragraph 1 of Part C – Measures Regarding Arrears to the Administrative Account of Annex 1 of ITTC Decision 7(XXXIII) be made available to all Members to facilitate the consideration of this matter.
10. In addition, the IAG recalled that at its Fortieth Session, the Council considered the draft elements of a decision for participation by ITTO in the Coalition Against Wildlife Trafficking (CAWT) submitted by the Government of the USA and decided to revisit the issue based on more information to be provided by the Secretariat. The IAG was informed by the Executive Director that the information requested had been compiled and would be made available to the Council at its Forty-first Session. The IAG recommended that the Council give further consideration to the draft elements of the decision as contained in Annex C to this report.

11. At the suggestion made by the Producer Spokesperson, the IAG recommended that all draft decisions submitted by Members in accordance with the 'Streamlining Council Decision-Making Procedures' contained in paragraph 4, Annex 1 of ITTC Decision 7(XXXIII) would be made available on the ITTO website.

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

12. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Forty-first Session as follows:
 - i. Projects, Pre-Projects and Activities;
 - ii. Extension of the International Tropical Timber Agreement (ITTA), 1994;
 - iii. Participation of ITTO in the Coalition Against Wildlife Trafficking (CAWT);
 - iv. Support for the Development of Approaches to Reduce Greenhouse Gas Emissions from Tropical Deforestation and Tropical Forest Degradation;
 - v. Relief from Obligations for Liberia pursuant to Article 33 of ITTA, 1994;
 - vi. Matters Related to Article 16 of the ITTA, 1994.

Other Matters

13. The IAG noted that five countries namely Guatemala, Indonesia, Madagascar, Norway and Togo had thus far signed the ITTA, 2006 pending ratification, acceptance or approval of the Agreement.
14. At the request of the Consumer Spokesperson and supported by the Producer Spokesperson, the IAG recommended that formal and/or informal consultations and discussions be held as appropriate during the course of the Forty-first Session of the Council on issues relating to the thematic programmes as provided for in paragraph 4 of Article 20 and paragraph 3 of Article 24 of ITTA, 2006 as well as the frequency of the sessions of the Council pursuant to Article 9 of the Agreement.

ANNEX A

PROPOSAL FOR DRAFT DECISION

Support the development of approaches to reduce Greenhouse Gas emissions from tropical deforestation and tropical forest degradation

The International Tropical Timber Council,

Recalling the Objective Year 2000 by which, through international collaboration and national policies and programs, ITTO Members will make progress towards sustainable management of tropical forests and trade in tropical timber from sustainably managed resources;

Recalling the ITTO Yokohama Action Plan 2002-2006, whose implementation is extended to the Year 2007, which makes reference to activities to secure the tropical timber resource base;

Welcoming ITTO's publication "Status of Tropical Forest Management 2005" which reports significant progress made towards SFM, while showing that the proportion of the total permanent forest estate under SFM is still very low;

Noting the continued threat to tropical forest resources and to sustainable supply of timber and non-timber forest products through deforestation;

Also noting that slowing down tropical deforestation may contribute to global efforts to stabilize greenhouse gas concentrations at levels that avoid interference with the climate system;

Recognizing the need for ITTO to assist member countries in their efforts to achieve sustainable management of their tropical forests and to slow down the rate of deforestation,

Recognizing further the submission on "Reducing Emissions from Deforestation on Developing Countries: Approaches to Stimulate Actions" made by the Governments of Papua New Guinea and Costa Rica at the Eleventh Conference of the Parties to the United Nations Framework Convention on Climate Change held in Montreal, Canada from 9-17 November 2005

Noting the subsequent discussions of the Conference of the Parties to the UNFCCC in Item 6 of their agenda on November 11, 2005 on the topic of emission reduction from tropical deforestation

Noting further the work of a contact group established by the UNFCCC and the deliberations of the Subsidiary Body for Scientific and Technical Advisory SBSTA in May 2006 on "Issues relating to reducing emissions from deforestation in developing countries and any further process"

Recognizing the considerable number of submissions on the topic of emission reduction from deforestation by countries, including ITTO member countries that will guide the further deliberations in the UNFCCC over the coming years

Decides to:

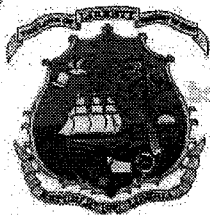
1. Authorize the Executive Director to actively engage ITTO in the technical and scientific deliberation on emission reductions from deforestation and forest degradation in the framework of the UNFCCC and to inform members regularly about progress
2. Authorize the Executive Director to assist producer countries, on request, to identify, in each country, those factors which most severely cause deforestation and forest degradation and to recommend measures and formulate an actions to overcome these factors;
3. Invite Member countries to make practical experience in reducing deforestation and forest degradation and in committing forests as carbon reservoir
4. Authorize the Executive Director to seek voluntary contributions from member countries to meet the financial requirements of this decision, not exceeding US\$ 500'000.-

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ANNEX B

PROPOSAL FOR DRAFT DECISION



REPUBLIC OF LIBERIA
MINISTRY OF FOREIGN AFFAIRS
MONROVIA, LIBERIA

Office Of The Minister

DECISION X, (XXXX)

LIBERIA DEBT WAIVER

The International Tropical Timber Council (ITTC)

Recalling Decisions of the ITTC at the 38th Session in Congo, Brazzaville (June 19-21, 2005) citing Liberia as a producing Country emerging from prolong conflict currently not in the financial position to repay its debt. Also, under the ITTA 1994, Article 33: relief from financial obligations that the ITTC, may by a special vote cancel a member of an obligation, if it is satisfied by an explanations from the member regarding the reasons why the obligation cannot be met.

Welcoming this understanding, especially keeping in mind that the Country has experienced fourteen (14) years of civil war, which hamper the performance of the Forestry Sector in meeting its financial obligation with the ITTC and other International Organizations.

Noting the communications from the GOL through the FDA relative to the waiver of Liberia debt to the ITTC requesting the GOL to prepare a waiver note through its relevant Ministry, preferably the Ministry of Foreign Affairs asking the ITTC at its next session to waive Liberia debt.

Recognizing the fact that ITTC will provide technical and financial assistance to the Country's forestry Sector if the debt relief vote is passed by the ITTC in favor of Liberia.

Acknowledging that the arrears of Liberia's contribution to the administrative budget (1986-2005) amounts to US\$896,343.00 (Eight Hundred Ninety-six Thousand Three Hundred Forty-three United States Dollars) with interest of US\$35,295.35 (Thirty-five Thousand Two Hundred Ninety-five & 35/100 United States Dollars) and expecting to pay

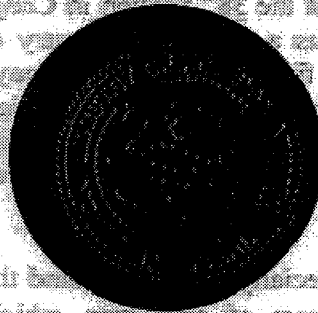
REPUBLIC OF LIBERIA


US\$67,650.00 (Sixty-seven Thousand Six Hundred Fifty United States Dollars) assessment in 2006.

Decides to:

1. Request that the Chairperson of the ITTC initiate the discussion of the waiver of Liberia debt at its 41st session.
2. That the ITTC unconditionally waive Liberia's financial obligations to provide room, for the way forward.

Approved and sealed under the signature of the Minister of Foreign Affairs
A.D. May 30, 2006 on behalf of the Government of Liberia (FDA)




George W. Wallace, Jr.
MINISTER
Ministry of Foreign Affairs
Republic of Liberia

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ANNEX C

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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