



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

Distr.
GENERAL

ITTC(XL)/11
2 October 2006

Original: ENGLISH

FORTIETH SESSION
29 May – 2 June 2006
Mérida, Yucatán, Mexico

**REPORT OF THE
INTERNATIONAL TROPICAL TIMBER COUNCIL
AT ITS FORTIETH SESSION**

Mérida, Yucatán, Mexico

29 May – 2 June 2006

Table of Contents

Pages

Report	1-29
Opening of the Session.....	1
Ascertainment of the Quorum	3
Adoption of Agenda and Organization of Work	3
Report of Membership of the Council	3
Report of the Credentials Committee.....	3
Proposed Distribution of Votes for 2006	3
Admission of Observers	3
Statement by the Executive Director.....	3
Report of the Informal Advisory Group (IAG) – Decision 3(XXII)	5
CITES Listing Proposals by Members – Decision 3 (XVI)	10
Measures to Improve and Strengthen the ITTO Project Cycle – Decision 3(XXXVII).....	11
Status of Tropical Forest Management Report – Decision 9(XXX)	13
ITTO Guidelines for Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII).....	14
Extension of the International Tropical Timber Agreement (ITTA), 1994	15
Matters Related to Article 16 of ITTA, 1994 – Decisions 3(XXV), 3(XXVII) and 5(XXXIV)	16
ITTO Fellowship Programme	17
Draft Annual Report for 2005	18
Special Account and Bali Partnership Fund	18
Reports of the Associated Sessions of the Committees.....	19
Dates and Venues of the Forty-first, Forty-second and Forty-third Sessions of the Council and Associated Sessions of the Committees.....	21
Other Business	21
Decisions and Report of the Session	26
Closing of the Session	26
 Annex I List of Participants	
 Annex II Agenda	
 Annex III Text of Main Decisions adopted by the Council at its Fortieth Session	
 Annex IV The Outcome of the Discussions of the Chairperson's Open-ended Drafting Group Meeting on the Extension of the International Tropical Timber Agreement, 1994	
 Annex V Reports of the Associated Sessions of the Committees	
 Annex VI Report of the Informal Advisory Group (IAG)	

REPORT

OPENING OF THE SESSION (Agenda Item 1)

1. The Fortieth Session of the International Tropical Timber Council was opened by the Chairperson of the Council, Mr. Koichi Ito (Japan), after a brief welcome address by the Mayor of the City of Mérida, H.E. Sr. Manuel Fuentes Alcocer. In his address, the Mayor indicated that the Government of Mexico considers the conservation and sustainable management of its forests as an issue of national security. He also called for measures to stop the destruction of forests by man and cited the expansion of agriculture, illegal logging, the growth of population, modernization of cities and forest fires as some of the causes of deforestation in Mexico.
2. The Chairperson welcomed all delegates to the Session and, on behalf of the Council, expressed sincere gratitude to the Government and people of Mexico for their warm hospitality and excellent preparations for hosting the Fortieth Council Session. Mr. Ito expressed satisfaction with the adoption of the ITTA, 2006 after almost three years of intense negotiations. He noted that the successful outcome was a great demonstration of the spirit of cooperation and flexibility among Member Countries and a reassurance of the common goals and joint commitment of Member Countries to the objectives of sustainable forest management. The Chairperson also recalled the outcome of the Sixth Session of the United Nations Forum on Forests (UNFF) and expressed his satisfaction that a non-legally binding instrument on forests would be concluded next year. He noted that although that was a tangible outcome, the ITTO would continue to be the only major treaty-based international organization dealing with sustainable forest management for years to come. He urged all Member Countries to ratify the ITTA, 2006, as soon as possible, in accordance with their respective domestic procedures.
3. The Chairperson recalled ITTO's achievements since its inception and he noted that ITTO had financed over 800 projects, pre-projects and activities to the tune of over 280 million dollars to assist Members in developing and implementing policies relevant to the objectives of the Organization. He expressed his disappointment that in spite of all the efforts and progress so far made by Members and the organization, significant areas of tropical forests were still being lost every year while illegal extraction of tropical forest resources remained widespread.
4. The Executive Director, Dr. Manoel Sobral Filho also welcomed delegates to the Fortieth Session of the Council and expressed sincere gratitude to the Government of Mexico and especially the National Forestry Commission (CONAFOR) for the outstanding arrangements put in place to ensure the success of the Session. Dr. Sobral also thanked the Mayor of Mérida and the Governor of Yucatán Province for hosting the Session. He noted that Mexico as one of ITTO's newest Members had already invested a great deal of energy in ITTO's work. He cited the ITTO diagnostic mission to Mexico and the investment forum on sustainable forest management which was hosted by the Government of Mexico in Cancun. He also noted that CONAFOR and other Mexican stakeholders were working with ITTO on a number of fronts. He stated that the partnership between ITTO and Mexico was strong and productive.
5. In his statement to the Council, the Governor of the State of Yucatán, H.E. Mr. Patricio Jose Patron Lavada, welcomed delegates to the State of Yucatán and expressed gratitude to the Council for choosing Yucatán as the venue for the Fortieth Session of the Council. The Governor stated that the forestry sector of Mexico was facing the challenges of globalization and Mexican forest industrialists had to compete with other parties with greater technological development, large plantation areas, simple financial schemes, efficient organization structures and aggressive marketing strategies. H.E. Mr. Lavada stated that Yucatán forestry had been developed on a mosaic of low and medium dense forests, which were largely under rehabilitation and produced timber resources that were less attractive than those produced by larger rainforests. He underlined that the traditions and lifestyles of most of the rural communities of Yucatán were still linked to the use of timber and non-timber resources, both in the crafts manufacturing sector and in industrial sectors. The Governor stated that in recent years, global climate change had led to a proliferation of forest fires which had affected the Yucatán Peninsular. He also mentioned that Hurricanes Wilma and Emily alone destroyed over 400,000 hectares of vegetation in Yucatán and about one million hectares in Quintana Roo. The Governor stated that in view of the environmental and socio-economic impacts on these phenomena in the region, it was essential and urgent to promote forest policies aimed at mitigating the pressure exerted on the natural resources of the region. He mentioned that as part of this environmental policy, the Government of the state of Yucatán had

launched an ecological land-use programme to promote sustainable development throughout the state.

6. In his address, Ing. Manuel Reed Segovia, Director General of the National Forestry Agency of Mexico stated that it was an honour for Mexico to host the Session of the Council. He noted that the Session reaffirmed the priority given to forest resources in the planning of environmental public policy throughout the world, as well as the recognition that forest conservation and sustainable utilization were both an obligation and an urgent need. "Whatever we do or do not do today in our forests will have an impact on the quality of life of the whole world in the near future", Ing. Segovia said. He stated that Mexico had undertaken a clear commitment to the environment and the social opportunities provided by its efficient and responsible management and Mexico's membership of ITTO had prompted the birth of a new era in the forest policy of the country. He noted that Mexico is one of the countries with the largest tropical forest resources in the world with 64 million hectares of forests and rainforests, 32 million of which belong to high, medium and low forest ecosystems. Mexico is also the fourth megadiverse country in the world in terms of its flora and fauna resources. He indicated that 5.6 million hectares of the national territory had been classified as natural protected areas. The enormous environmental wealth represented an excellent opportunity for economic and social development. Ing. Segovia stated that Mexico had learnt that forest development cannot be promoted from the government sector alone and that 80% of forest ecosystem in Mexico was owned by communities and *ejidos* who depend on the forest resources for their livelihood. The government of Mexico had therefore, undertaken a commitment to strongly promote the development of the forest sector on the basis of a social and inclusive vision which ensures the participation of landowners, institutions, technicians and researchers, non-governmental organizations, international cooperation and communication media.
7. In his statement, Hon. Patrick Pruaitch, Minister for Forests and Treasury of Papua New Guinea recalled that the Government of PNG had offered to host the Fortieth Session of the Council. However, since Mexico also requested to host the Session the two Governments managed to reach a compromise and decided that the Government of Mexico should host the Session. He expressed his appreciation to the former Chairperson of the Council, Mr. Alhassan Attah (Ghana) for his mediation. The Hon. Minister also expressed his delight at the successful conclusion of the new International Tropical Timber Agreement, ITTA, 2006. He noted with pleasure that ITTO was broadening its scope of responsibilities to cover forest environmental services, non-timber forest products, forest fires and transboundary conservation areas. He endorsed the approach to broaden the role of ITTO so that it would not be seen to be pursuing the narrow "forest for wood" definition of resource management. "We must promote a holistic approach to multi-purpose management and utilization of tropical forests," the Minister said. Hon. Patrick Pruaitch stated that formal and informal trade barriers were consistently becoming obstacles to PNG's wood products entering the global timber markets and the issue of forest law enforcement and governance were being used to impose trade barriers. He urged Consumer Members of the Council to intervene when NGOs and environmental groups try to perpetrate irrational agenda to blacklist certain countries. He stated that the Council had the obligation to mediate for Producer Members in the interest of economic survival and sustainable forest management and called on the Council to address the issue for free entry of forest products and remove trade barriers. The Minister mentioned that PNG had received criticisms for weak forest law enforcement and governance and cited the latest criticism from Forest Trends. He assured the Council of PNG's strong legal framework in the allocation of its forest resources. In his concluding remarks, the Minister reiterated the invitation of the Government of PNG to host the Forty-second Session of the Council in May 2007.
8. In his address to the Council, H.E. Mr. Jacques Andoh Alle, Minister of Environment and Forest Economy of Côte d'Ivoire noted that in spite of the socio-political problems suffered by his country since September 2002, ITTO had continued its cooperation with Côte d'Ivoire and expressed the full appreciation of the Government of Côte d'Ivoire to ITTO for the support. He informed the Council that with the assistance of the international community, the social and political situation of Côte d'Ivoire was gradually regaining normality and reaffirmed the commitment of Côte d'Ivoire to the sustainable management of its forests. He, however, acknowledged that the degradation of Ivorian forests had significantly accelerated during the past 30 years as land had to be made available for agricultural development. The Minister stated that in order to control forest degradation, the Government had undertaken actions since the early 1980s by issuing new legislations and regulations as well as through awareness-raising campaigns. H.E. Mr. Andoh Alle expressed his gratitude to all donor countries for the fourteen projects and pre-projects that had been funded in Côte d'Ivoire to promote development and sustainable forest management policy for the forest

sector. He noted that Côte d'Ivoire had remained consistent in her cooperation with ITTO and indeed throughout the past four-year long crisis, Côte d'Ivoire had regularly participated in ITTC Sessions and met her financial obligations to ITTO in a responsible manner. H.E. Mr. Andoh Alle indicated that it was the strong will of Côte d'Ivoire that the few projects and pre-projects it had developed – which were duly approved by the Council but not funded would receive funding as early as possible to encourage and provide support to the Government in its implementation of sustainable forest management policies. The Honourable Minister welcomed the system of rotation of the chairmanship of the Council as well as the rotation in the hosting of the Sessions of the Council. He stated that the principle of rotation in allocating major positions within the management of the Organization had [de facto] applied to the appointment of the Executive Director, and he expressed his support for a future candidate from Africa for the position of the next Executive Director. He invited all member countries to demonstrate the same consistency [i.e. rotating positions between Asia, Latin America and Africa] to ensure the harmonious development of the Organization.

ASCERTAINMENT OF THE QUORUM (Agenda Item 2)

9. The Executive Director reported that the quorum for the Fortieth Session of the Council had been met. The list of participants is contained in Annex 1.

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

10. The Chairperson referred to document ITTC(XL)/1 and invited comments from the Council on the provisional agenda. In the absence of any comments, the provisional agenda was adopted.

REPORT ON MEMBERSHIP OF THE COUNCIL (Agenda Item 4)

11. 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)

12. The report of the Credentials Committee was presented by the Chairperson of the Committee, Dr. Peter Schröder (Germany). The Committee was composed of representatives from Australia, Bolivia, Central African Republic, France, Germany, the Philippines, Togo and the United States of America. The Committee met on 1 June 2006 and accepted the credentials of thirty-seven (37) countries and the European Community which participated in Fortieth Session of the Council and the Sessions of the Committees.

PROPOSED DISTRIBUTION OF VOTES FOR 2006 (Agenda Item 6)

13. The Executive Director referred to the Annex to document ITTC(XL)/1 containing the proposed distribution of votes for 2006. He informed the Council that in accordance with Article 10(6) of the ITTA, 1994, the proposed distribution of votes would be used for the assessment of the contribution of each Member to the Administrative Budget for 2007. The Council approved the proposed distribution of votes.

ADMISSION OF OBSERVERS (Agenda Item 7)

14. The Chairperson drew the Council's attention to document ITTC(XL)/Info.3 which lists states, inter-governmental and non-governmental organizations applying for observer status and invited comments from the Council. The Council admitted all applicants. The Council observed a minute silence in honour of the victims of the Indonesia's earthquake.

STATEMENT BY THE EXECUTIVE DIRECTOR (Agenda Item 8)

15. The Executive Director welcomed all delegates to the Fortieth Session of the Council. He expressed his gratitude to the Government and People of Mexico for hosting the Session and for their excellent hospitality.

16. Dr. Sobral mentioned that Mexico should be recognized and commended not only for its natural wonders and ancient civilizations but also for the considerable progress made in the management of its forests, including the unique and well-developed forest management system in the ejido local communities. He urged Member Countries to take advantage of the Session to learn more about efforts being made by Mexico to promote the development and conservation of the country's forests.
17. Dr. Sobral stated that the new ITTA, 2006 was at the cutting edge of international efforts to promote sustainable forest management and sustainable timber trade. He noted that while the ITTA, 1994 contained thirteen (13) objectives, the new agreement has two key objectives and 19 specific objectives that would considerably expand the scope of ITTO's work. He said that issues like strengthening the capacity of Members to improve forest law enforcement and governance, illegal logging and related trade in tropical timber and contributing to sustainable development and poverty alleviation would be explicit tasks of the Organization. He further indicated that under the new agreement, the Organization would have a clear mandate to encourage its Members to recognize the role of forest-dependent indigenous and local communities in achieving sustainable forest management and to develop strategies to enhance the capacity of communities to sustainably manage tropical timber producing forests. He noted that although new objectives had been added and others reformulated, the Organization's central mission – to encourage a value-added timber trade based on sustainably managed resources – had not changed. "We are all about putting sustainable development into practice, and we will continue to promote ideas of social, economic and environmental sustainability," Dr. Sobral said. He also highlighted the new financial framework in the ITTA, 2006 and noted that it would provide for the financing of additional ITTO core operations mostly from the assessed contributions of Consumer Members as well as provisions calling for and facilitating Members' voluntary contributions at an adequate level to fully finance projects approved by the Council. Dr. Sobral indicated that the new financial framework would add flexibility to financing as well as open opportunity to increase the level of voluntary funding. He urged Member Countries to take prompt action to sign and ratify the new Agreement to enable it enter into force as planned. He also indicated that early thinking on the establishment of thematic programmes, a key feature in the new Agreement to make it easier for donors to contribute funds for projects and activities might be advisable. Dr. Sobral informed the Council that preparations for the entry into force of the new Agreement would be included in the agenda of the Council's Forty-first Session to be convened in November 2006.
18. The Executive Director also reported to the Council that the Secretariat had taken action to implement a large number of the activities included in the 2006-2007 Biennial Work Programme. He noted that some of the recently completed activities to be considered by the Council and the Technical Committees during the Session included a study on community forest industries, the successful convening of an international forum on investment promotion in the sustainable management of natural tropical forests and an expert meeting on the effective implementation of the inclusion of ramin in Appendix II of CITES. He also reported that a preliminary study on subsidies and timber products had been carried out, as well as an expert meeting convened in cooperation with IUCN to develop a methodology for field testing the revised ITTO/IUCN Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests.
19. Dr. Sobral noted the large number of actions initiated within the framework of 2006-2007 Biennial Work Programme and highlighted the assistance being provided to Brazil and Ecuador in devising ways to enhance forest law enforcement, taking into account, where necessary, illegal timber trade and its impacts, the work of the technical assistance missions to India, Papua New Guinea and Thailand to identify in these countries the factors which most severely limit progress towards achieving Objective 2000 and sustainable forest management, as well as the support for civil society/private sector partnership for sustainable forest management. The full report of these activities would be presented to the Council at its Forty-first Session in November 2006.
20. The Executive Director informed the Council that the landmark "Report on the Status of Forest Management in the Tropics" had been finalized and would be launched at the Session. He noted that the report provided the most comprehensive analysis of the forest management situation in the tropics ever undertaken. The data indicated that significant progress had been made since the first survey in 1988. However, the extent of such progress still remained far from satisfactory.
21. Dr. Sobral also brought to the attention of the Council developments related to tropical forests at the November 2005 Conference of Parties of the U.N. Framework Convention on Climate Change (UNFCCC). He mentioned that delegates at the meeting considered a proposal submitted by the

Governments of Papua New Guinea and Costa Rica on approaches to stimulate action to reduce carbon emissions from deforestation in developing countries. The issue was referred to the subsidiary body for scientific and technological advice. Dr. Sobral said that given the importance of the issue to tropical forests, the Council might wish to consider the desirability of an ITTO contribution to the process. The Executive Director recalled that in his address to the Council at its Thirty-ninth Session, he reminded the Council that tropical forests continued to be lost at over 14 million hectares per year during the 1990s. The alarming high figure was being masked in the lower, widely published global deforestation rate of 9.4 million hectares per year. He indicated that large part of the natural forest loss in ITTO Member Countries was due to illegal and/or unplanned activities. He had therefore, invited the Council to make provisions within the framework of the 2006-2007 Biennial Work Programme for a study to consider the impact of illegal deforestation on international trade in tropical timber on its resource base. The study would focus on the group of ten ITTO Member Countries accounting for about 80% of global annual loss of natural tropical forests. However, only countries that agreed to cooperate in the study would be covered. He indicated that the proposed study was not included in the final version of the Biennial Work Programme approved by the Council and stated that the study still remained highly relevant to ITTO Members and perhaps merited revisiting by the Council. Dr. Sobral said that the timely undertaking of such a study would provide very useful information for the UNFCCC process and would possibly contribute to the development of new financial mechanisms aimed at countering unplanned and illegal deforestation and supporting sustainable forest management.

22. Dr. Sobral said that since 1986, when ITTO became operational, it had committed about US\$280 million in grants towards the achievement of its objectives within Member Countries, and ITTO Members certainly were expecting ITTO to continue to be the most relevant and one of the most generous of all the international multilateral organizations concerned with forests. He underlined that this was a feature that countries preparing to take steps to sign a new Agreement would monitor closely. Countries would want to see clear evidence that the Organization would continue to be able to provide significant financial contributions to bring the tropical forest state under sustainable management and to promote a sustainable trade in tropical timber. "Under the circumstances, I appeal to donor countries to continue to support ITTO in the crucial transition period of 2006-2007, at least at the same average level we experienced in the period 1997-2005, which was about US\$17 million per year," Dr. Sobral said. He emphasized that that was essential to help reassure Members, especially developing countries, that the Organization would remain relevant and thereby take prompt action to ratify the new Agreement. He informed the Council that the Government of Indonesia had already signed the ITTA, 2006.

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

23. The Chairperson presented the report of the Eighteenth Meeting of the Informal Advisory Group (IAG), as contained in document ITTC(XL)/2. The meeting was held on 28 May 2006 and 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.
24. Issues considered by the IAG included preparations for the entry into force of the ITTA, 2006; 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"; lists of possible decisions for the Fortieth Session of the ITTC; Matters related to Article 16 of ITTA, 1994; and the venue for the Forty-second Session of the Council.
25. The IAG recommended that information on the progress in the signing, ratification, acceptance and approval of the ITTA, 2006 be monitored and appropriately disseminated to Members of the Council. The IAG presented the following list of possible decisions to be considered and adopted by the Council at its Fortieth Session:
 - (i) Projects, Pre-Projects and Activities;
 - (ii) Extension of the International Tropical Timber Agreement, 1994;
 - (iii) First International Parliamentarians Conference on the Sustainable Management of Central African Forest Ecosystems; and
 - (iv) Participation of ITTO in the Coalition Against Wildlife Trafficking (CAWT)

The IAG further recommended that the proposing Member Countries of the above list of possible draft decisions be afforded the opportunity of providing clarification on the draft decisions to the Council and presenting short background papers on these draft decisions to facilitate consideration by the Caucuses and through informal consultations, should these countries wish to do so. The full report is contained in Annex VI.

26. H.E. Mr. Mbella Mbella (Cameroon) presented to the Council background information on the proposed draft decision on "First International Parliamentary Conference on the Sustainable Management of Central African Forest Ecosystems".
27. Dr. David Brooks (U.S.A.) also provided more background information on the draft decision on "Participation of ITTO in the Coalition against Wildlife Trafficking (CAWT)." He underscored the importance of recognizing the necessary link between sustainable management of tropical forests and efforts to combat illegal harvesting and illegal trade in wildlife. He noted that many delegations understood this link very well and stated that in most ITTO member countries, forestry and wildlife management were the responsibilities of a single Ministry. Regarding the role of ITTO in relation to the draft decision, Dr. Brooks said that ITTO had long recognized wildlife as an element of diversity of tropical forests. ITTO had also recognized governance as a critical element of sustainable forest management. He underlined ITTO's leadership in international efforts to raise the profile of the need for effective governance and engaging in policy and practical activities to improve governance. He noted that in the past few years ITTO had increased its work and built synergies with CITES as an intergovernmental organization with responsibilities to protect flora and fauna. He stated that the proposed decision was within the mandate and strength of ITTO which would allow the Organization to continue to contribute to international efforts with direct links to tropical forests. Dr. Brooks stated that the proposed draft decision would provide the basis for ITTO's contribution to the Coalition against Wildlife Trafficking. He informed the Council that the Coalition already includes three member countries of ITTO (U.S.A, U.K, and India) and many other partners and the number of member governments of the Coalition was expected to increase quickly. He said the draft decision would also provide the basis for ITTO's contributions to an important initiative led initially by Thailand and currently taken up by all the Members of ASEAN. The draft decision would also allow the Council to authorize the Executive Director to participate, where relevant, in the activities of the Coalition against Wildlife Trafficking consistent with ITTO's mandate and objectives and provide for a study on the threats to tropical forests from wildlife poaching and illegal trade. Dr. Brooks proposed that, as an element of the draft decision, Member Countries should be invited to address this issue of wildlife poaching and illegal trafficking, as appropriate, when submitting project proposals to ITTO.
28. The Chairperson referred the proposed draft decisions to the caucuses for their deliberation.
29. Dr. Efransjah (Indonesia) referred to paragraph 10 of the IAG report and expressed gratitude to the Secretariat for providing the relevant supporting documents on matters related to Article 16 of ITTA, 1994. He requested the Secretariat to provide the following additional documents to the Council:
 - (i) The report of the Council at its Twenty-fifth and Twenty-sixth Sessions; and
 - (ii) Document ITTC(XXVII)/8 on "Report of the Panel on Matters Related to Article 16 of ITTA, 1994."

Referring to paragraph 4 of the IAG report – preparations for the entry into force of the ITTA, 2006 – Dr. Efransjah confirmed that the Government of Indonesia had through its Permanent Representatives at the United Nations in New York, signed the ITTA, 2006 on 7 April 2006.

30. Mr. Daniel Birchmeier (Switzerland) referred to paragraphs 9 and 10 of the IAG report and sought further clarification as to why the issue related to Article 16 of ITTA, 1994 was not listed as a possible draft decision. The Chairperson explained that the Council might not need to take a decision on matters related to Article 16 of ITTA, 1994 at the Fortieth Session of the Council. He noted that according to the relevant Council decisions the formal process of selection of a new Executive Director should begin 12 months before the end of the tenure of the incumbent Executive Director.
31. H.E. Mr. Mbella Mbella (Cameroon) expressed similar concerns on matters related to Article 16 of the ITTA, 1994. He sought further clarification on procedures for the selection of a new Executive Director based on past practices. He indicated that all the relevant information relating to the selection of a new Executive Director should be provided to the Council.

32. The Chairperson provided a brief explanation on the procedures for the selection of the Executive Director as contained in the IAG report, document ITTC(XL)/2.
33. Mr. Enzo Barattini (European Community) stated that he had personally participated in the drafting of all the procedures and decisions which led to the appointment of the incumbent Executive Director. He noted that the drafting of the procedures was a lengthy process and that the decision on Matters Related to Article 16 of ITTA, 1994 had been the result of over one year of discussions which also took into consideration the selection of future Executive Directors. He, therefore, urged the Council to simply update the existing procedures and also take a decision on when to begin the selection process.
34. After extensive discussions, the Council unanimously supported the draft decision proposed by the Government of Cameroon on "First International Parliamentary Conference on the Sustainable Management of Central African Forest Ecosystems". The Chairperson invited comments on the draft decision on "Participation of ITTO in the Coalition against Wildlife Trafficking".
35. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group, stated that Consumers recognized the importance of the issue. She indicated that Countries had different views and opinions on the proposal and they should be allowed to express their views in the Council.
36. Mr. Luiz Cesar Gasser (Brazil) informed the Council that the Producer Group members had discussed the original draft proposal submitted by the U.S.A and were of the opinion that the activity did not fall within the mandate of ITTO and should be referred to another relevant organization.
37. Dr. David Brooks (USA) stated that the United States was prepared to work with other Members of the Council to seek consensus on the valuable role that ITTO could play by participating in the Coalition against Wildlife Trafficking. He indicated that the draft decision had been modeled along the same lines as ITTO's cooperation with the Congo Basin Forest Partnership, UNFF and a number of other organizations. He underscored that ITTO's participation or cooperation with these institutions did not expand ITTO's mandate but simply allowed the Organization to play important, in some cases leadership, roles on issues related to tropical forests.
38. Mr. Enzo Barattini (European Community) raised the question of ITTO's competence in the Coalition against Wildlife Trafficking and also whether the initiative was within the objectives of the Organization. He stated that the initiative fell within the competence of other organizations, such as CITES. He also raised the issue of expertise and noted that the range of activities to be undertaken by ITTO within the Coalition would not cover only tropical forests but also other forests. He reiterated that the issue should be referred to a more competent and relevant organization.
39. Mr. Jan Abrahamsen (Norway) underscored the many values of tropical forests and their importance. He stated that forest must be managed through a holistic approach and mentioned that the draft proposal on ITTO's participation in the Coalition against Wildlife Trafficking was seeking a holistic approach to tropical forest management. He further noted that ITTO had had a holistic approach to forest management and cited ITTO's guidelines and criteria for sustainable forest management and criteria for sustainable biodiversity management. He disagreed with the proposal by the European Community to refer the matter to CITES.
40. Mr. Hideo Fukushima (Japan) noted that the draft decision showed some linkage between wildlife trafficking and sustainable forest management. He endorsed the proposal for ITTO to participate in the Coalition against Wildlife Trafficking. He also indicated Japan's support for two of the activities in the draft decision, namely,
 - Request the Executive Director to participate, where relevant, in the activities of the Coalition against Wildlife Trafficking, consistent with ITTO's mandate; and
 - Invite members when submitting projects for ITTO approval and financing to consider aspects, where relevant, which take into account illegal poaching and illegal trade in wildlife from tropical timber producing forests.

Mr. Fukushima, however, expressed reservation on the activity authorizing the Executive Director to engage consultants to conduct a case study on threats to wildlife in tropical forest from poaching and illegal trade. He reiterated that the draft decision was relevant to the mandate of ITTO.

41. H.E. Mr. Mbella Mbella (Cameroon) acknowledged the importance of protection of wildlife from poaching and illegal trade within tropical forests. He proposed that CITES and ITTO could work together in implementing the activity.
42. Dr. David Brooks (U.S.A.) noted that the comments by delegations were very helpful. He indicated that many of the suggestions would be incorporated in a revised draft of the decision. He, however, disagreed with comments suggesting that the activities were not within the mandate of ITTO. He said that he was encouraged by comments from many delegations that strongly supported the idea that there were in fact competencies and relevant activities that the Secretariat would seek to cooperate or participate in the Coalition against Wildlife Trafficking.
43. The Chairperson requested the delegation of the United States to provide a revised draft of the decision for the Council's consideration.
44. On resumption of the Session, Dr. David Brooks (U.S.A.) stated that the United States had incorporated many of the views expressed by delegations in a revised draft decision. He noted that the most substantial change in the revised draft decision was the elimination of what was previously operative element (ii) which was the proposal for a study. He indicated that many delegations had expressed concern about the study and that perhaps the most appropriate way to reflect the variety of concerns was to step back from that particular ambition. Dr. Brooks also drew the Council's attention to operative element (i) of the revised draft which addressed some of other concerns of delegations. He indicated that in the first operative paragraph the United States had tried to use the language very carefully, indicating that the objective was to stay within the boundaries of SFM and ITTO's objectives and at the same time taking into account the inter-linkages between forest and wildlife. On the second operative element, Dr Brooks pointed out that the United States had made a couple of changes and drew the Council's attention to the revised operative paragraph (ii) which stated inter-alia that "inviting Members when submitting projects for ITTO's approval and financing to consider where relevant illegal poaching and illegal trade in wildlife from tropical timber producing forests in the context of SFM and improve governance".
45. Mr. Luiz Cesar Gasser (Brazil) thanked the United States delegation for the revised draft. He informed the Council that the Producers Group had not been able to study the revised proposal and therefore he was commenting as a member of the Brazilian delegation and not as a Spokesperson of the Producers. He acknowledged that the revised draft was an improvement. However, he noted with concern the language in the opening paragraphs and referred specifically to "recognizing the growing consequences of unsustainable and illegal timber production, wildlife poaching and trafficking which threatens biodiversity, livelihoods and human health". He stated his reservations with the inclusion of this reference.
46. Mr. Enzo Barattini (European Community) proposed that the Secretariat be tasked to provide additional information for the consideration of the Council at its Forty-first Session. He objected to the proposal to submit the revised draft to the Chairperson's Open-ended Drafting Group Meeting.
47. Mr. Daniel Birchmeier (Switzerland) proposed that the Secretariat be tasked to provide the broader overview and framework on wildlife trade based on experiences within the ITTO project work as well as related works of other organizations such as CITES. He indicated that it would be more beneficial for the Council to have a more comprehensive picture and then identify ITTO's niche and the kind of cooperation that would be necessary. He sought clarification as to whether there was a specific urgency for the decision to be adopted at the Fortieth Session.
48. Mr. Dike Kari (PNG) underlined the importance of wildlife protection in forest management and indicated that all logging operations impact on wildlife and not only illegal logging. He also urged the Council to consider national legislations that also look at the protection of flora and fauna. He further urged the Council to have a holistic view and address the issue in a balanced manner.
49. Dr. B.C.Y. Freezailah (Malaysia) concurred with the sentiments and views expressed by Brazil and the European Community. He said that the issue of SFM and timber production was already a huge problem for ITTO and urged the Council not to open another new problem area of wildlife management because the Organization was still struggling to implement SFM, the heart of ITTO's

mandate, on a wider scale. He indicated that the Malaysian delegation had reflected on the revised draft but was somewhat deficient in expertise on the proposal dealing with wildlife. Dr. Freezailah stated that although the Malaysian delegation comprised of more than 10 persons, they only had expertise in forestry and timber production and there would be the need to have new delegates, people from the wildlife department and maybe from fisheries as well, if ITTO is to expand its mandate to include wildlife issues. He stressed that the issue would be cumbersome to handle and wondered whether that would be an efficient use of the limited resources of the Organization. He reiterated his support for the views expressed by Brazil and the European Community.

50. Dr. David Brooks (U.S.A.) thanked delegates for further comments. He expressed surprise at comments that suggested that the issues of wildlife in timber producing forests were somehow not within the scope of ITTO. He stressed that the concept of SFM should include the management of all of the elements of forests and that much of the wildlife in tropical countries depend fundamentally on the forests of these countries. He acknowledged that the initiative was reaching outside what had been the traditional scope of ITTO but this had been done in the past in order to find places to reinforce and extend as well as improve the ability of the Organization to help understand the issues and manage the problems relating to sustainable forest management. Dr. Brooks said that he was shocked at the suggestion that the issues of wildlife were not relevant to countries where Ministries of Forestry and Wildlife were single Ministries and Ministers were responsible for animals, trees and plants and must make these connections. He was also surprised at suggestions that some delegations were not capable of taking on questions of SFM in the holistic sense. Dr Brooks stated that from the interventions he saw the potential for further re-drafting that could gain consensus. He indicated that from his experiences, delegations had gone into drafting with even greater distance between them, a greater variety of views and still managed to come out in a reasonable amount of time with some consensus. He recognized that one or two delegations expressed reservations to go to drafting but some also agreed that in fact some improvement had already been made in revised draft. Dr. Brooks said that he recognized the finite amount of time but felt that the process in all fairness must take into account the possibility that there was further redrafting that could garner consensus on the draft decision. He stated that ITTO could contribute to efforts to combat illegal wildlife trafficking and improve governance.
51. Ms. Caroline Merle (France) sought further information on membership of the Coalition against Wildlife Trafficking.
52. Mr. Jan Abrahamsen (Norway) said that he was astonished that some delegations did not consider tropical forests as ecosystems with plants and animals (wildlife). He was confident that all delegations would agree that ITTO's objectives covered the whole forest system and not only the trees. He supported the proposal to refer the draft to the Chairperson's Open-ended drafting Group.
53. Mr. Alfredo Carrasco (Ecuador) underscored the importance of ITTO taking into account issues of wildlife. He recalled that he had participated in some other seminars and workshops organized and sponsored by ITTO where wildlife issues within the framework of criteria and indicators had been discussed. He noted that wildlife issues were essential for good management of forests. He supported the draft proposal for the participation of ITTO in the Coalition against Wildlife Trafficking.
54. Mr. Luiz Cesar Gasser (Brazil) noted that the issue had raised divisions within caucuses and supported the proposal by Switzerland requesting the Secretariat to provide more information and not to refer the matter to the drafting group.
55. The Chairperson noted that there were divided opinions on the issue with some delegations requesting more information whilst others were proposing to refer the matter to the drafting group. He sought clarification from the Secretariat as to whether the information being requested could be provided before the drafting resumed the next day. In response the Executive Director informed the Council that complete information as requested by the delegation of Switzerland could not be provided during the Session. However, information requested by the delegation of France on the composition of the Coalition could be provided. He reiterated that it all depended on the nature and extent of information being requested.

56. Mr. Enzo Barattini (EU) underscored the importance of having the relevant information and discussing it in order to arrive at a decision by the next Session of the Council. He said that the best solution would be to request the Executive Director to collect as much information as possible and to report back to the Council at its Forty-first Session.
57. Dr. David Brooks (U.S.A.) stated that some of the information such as requested by France on the composition of the Coalition had already been provided to the Council. He mentioned that the Chairperson's Open-Ended Drafting Group meeting would be a perfect setting for providing information e.g. on the three Member governments of ITTO who were the initial partners in the Coalition against Wildlife Trafficking along with many other organizations who were partners in the Coalition. Dr. Brooks mentioned that he was further puzzled at the suggestion that the Secretariat should be tasked to do some study over some period of time and report back to the Council. He recalled that the original proposal included a study by a consultant and not with the existing resources of the Secretariat which was withdrawn simply because some delegations said they did not want to see such a study being done. Dr. Brooks confessed his frustration and said that the discussions seemed to be bouncing somewhat illogically around different points. He reiterated that the proposal should be referred to the Drafting Group which was less formal. He mentioned that he did not see any reason for the Council not to take a decision at the Fortieth Session and that over the years some delegations had been advocating for two Council Sessions a year in order to take important decisions related to the management of tropical forest. "What is the argument for not doing it - is it that delegates have something else to do with their time?" Dr. Brooks said.
58. Mr. Daniel Birchmeier (Switzerland) stated that there appeared to be a misinterpretation on the study indicated in the original draft decision. He recalled that the original draft proposal which called for a study on threats to wildlife in tropical forest from poaching and illegal trade and noted that that study was different from information on work being undertaken on wildlife trade and who is acting in the field. He stressed that it was important to have such information in order to be able to decide on ITTO's niche in the Coalition. He supported the position of the European Community that the Council was not in the position to take the decision at the Fortieth Session.
59. In his concluding remarks the Chairperson endorsed the proposal for more information to be provided by the Secretariat and that the issue would be revisited at the Forty-first Session in November 2006, in Yokohama, Japan.

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

60. Dr. Steven Johnson (ITTO Secretariat) recalled 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 gave a brief update on progress in the implementation of activities to enhance collaboration and synergies between ITTO and CITES which were approved in the Biennial Work Programme for 2006-2007. He reported that ITTO hosted a meeting of Ramin experts in Kuala Lumpur, Malaysia from 16 to 19 May 2006. Fifty (50) participants from the range States, major importers, trade, NGOs and IGOs attended the meeting. The report of the meeting would be presented to the Forty-first Session of the Council in November 2006. Dr. Johnson also informed the Council that a meeting of the Mahogany Working Group would be convened in Lima, Peru, from 28 to 30 June 2006. He reported that the meeting would be a collaborative initiative between ITTO, CITES and UNEP. About forty participants from the range states, importers, trade NGOs and IGOs were expected to attend the meeting to discuss progress in implementing the mahogany listing. The report of the Mahogany Working Group meeting would also be presented to the Council at its Forty-first Session in November 2006. Dr. Johnson further reported that the Secretariat was developing an implementation approach under the activity in the Biennial Work Programme requesting ITTO to improve the capacity of Members to implement the CITES listings of timber species. The Secretariat was holding consultations with the CITES Secretariat, range states and donors on the implementation of the activity. He said that the basic approach would be to allow for flexibility in regional and national initiatives within the overall framework and to allow for differences between the regions and countries in their abilities and extent of implementation of CITES listings. He noted that there had been significant donor interest in the activity and that ITTO and CITES were working with the European Community in order to satisfy some of the procedural requirements to access the European Community's contribution to the activity.

61. Mr. Marcel Vernoji (Netherlands) informed the Council that the next Conference of Parties of CITES would be held in the Hague from 3 to 15 June 2007. He extended an invitation to all Member Countries to participate in the Conference. He expressed his acknowledgement for the good cooperation between ITTO and CITES.

**MEASURES TO IMPROVE AND STRENGTHEN THE ITTO PROJECT CYCLE – DECISION 3(XXXVII)
(Agenda Item 11)**

62. The report of the Expert Panel on the "Evaluation of the Trial Application of the Proposed Revised ITTO System for Technical Appraisal of Project and Pre-Project Proposals" was presented by Dr. Peter Schröder (Germany). He noted that following up on Council Decision 3(XXXVII), the Council at its Thirty-eighth Session authorized the Thirtieth and Thirty-first meetings of the Expert Panel for Technical Appraisal of Project and Pre-project Proposals to apply on trial basis the proposed "Revised ITTO System for Technical Appraisal of Project and Pre-Project Proposals based on Qualifying Methods for Assessment using Award Criteria and Weighted Scores."
63. The report of the Thirty-first Expert Panel on the results of the trial application is contained in document ITTC(XL)/5. The trial application by the Thirtieth and Thirty-first Expert Panels covered forty-three (43) new project proposals and twelve (12) new pre-project proposals. The assessment was complementary to the project evaluation based on the "current system" and each project and pre-project proposal was assessed by two Panel members and their assessment was discussed by the entire members of the Panel. The appraisal and rating results for each new project and pre-project proposal was compared by applying the proposed new system. The report noted that in most cases differences were modest. The report also concluded that on the whole there was a fair concordance between the rating obtained by applying the current system and the rating resulting from the proposed new system. The report further stated that the Thirty-first Expert Panel discussed the merits as well as the weaker points of the constituent elements of the proposed new system: "award criteria," "scoring tables," "thresholds" and the "flowchart for rating" contained in the proposed new appraisal system. The overall conclusion of the Panel was that the application of the proposed new system might enhance transparency and objectivity and accountability of the project appraisal process.
64. The report indicated further that the experiences obtained from trial applications had revealed some areas for possible improvement of the proposed new system. The Thirty-first Expert Panel, consequently made suggestions for amendments, taking into account the observations made by the Thirtieth Expert Panel. The amendments were on the "scoring table," "threshold" and "flowchart for rating".
65. The report recognized the need to provide for early preparation of a revised manual for ITTO project formulation based on the proposed new system. This would enable Member Countries to prepare project proposals to be in line with the proposed new system. The report recommended that the proposed new appraisal system should be tested in an actual decision-making process with the objective to gain more insight regarding its internal characteristics and use in bringing the panel to a final decision regarding a given new project proposal. It further recommended that the Thirty-second Expert Panel should be authorized to use the proposed new appraisal system as its primary decision tool. The results and experience obtained from the application in the decision making process would be used to consider the need for further amendments and enhancements to the proposed new system as appropriate.
66. Mr. Dike Kari (Papua New Guinea) welcomed the new project appraisal system. He stressed that training on the new system was very important and indicated that although countries were being trained on the ITTO guidelines for project formulation, lots of project proposals continued to be rejected by the Expert Panel. Mr. Kari also stated that the priorities of different countries might be different and might not be in line with the new appraisal system and sought clarification on how these could be re-conciled. He noted further that there were many proposals that had been recommended by the Expert Panel and the Committees that had not been financed and sought information on whether the new appraisal would provide a head way.
67. Mr. Alfredo Carrasco (Ecuador) commended the group that had developed the appraisal procedure. He indicated that once the new appraisal procedure was approved it would be beneficial for the Council to consider providing training mechanisms to the various countries or regions to make them conversant with the new procedures and the systems of evaluation. Mr. Carrasco noted that there were many approved projects pending financing. He expressed dissatisfaction with the current

system whereby projects were recommended for approval and financing but countries still had to lobby donors for their project to be financed. He stated that it would be preferable for the Panel to recommend five projects and all of them funded than recommend ten (10) projects only to have only five (5) of them funded. He abhorred the system where countries had to lobby and compete for their projects to be funded. He reiterated that the approval of projects often raised high expectations in Member Countries and therefore countries become demoralized and disillusioned when approved projects were not financed. He urged the Council to explore a more efficient system for project financing.

68. Mr. Daniel Birchmeier (Switzerland) commended the Expert Panel for the excellent report. He noted that the proposed new scoring table represented an important step forward in systematizing the project proposal appraisal process. He indicated that the proposed process was well structured and provided a more objective basis to assess the intrinsic value of project proposals. He pointed out that one of the problems with the current evaluation system was the use of important award criteria which were not sufficiently developed in the current ITTO Manual for Project Formulation and cited most of the elements in the project development process as an example. He, therefore, called on the Council to urgently revise the ITTO Manual for Project Formulation to be in harmony with the new appraisal system. He sought clarification on how the gap between the proposed evaluation system and the current Manual for Project Formulation would be bridged. Mr. Birchmeier also sought clarification on how the new appraisal system would move ITTO from an output oriented project planning to a more outcome and impact oriented project planning. He noted that the logical framework methodology currently being used by ITTO puts more emphasis on the achievement of outputs and less on outcomes and impacts. He indicated that in many project proposal documents the sub-chapter on the intended situation after project completion had been one of the weakest. He attributed the situation to the fact that the current ITTO Manual for Project Formulation does not provide sufficient guidance on how to plan with emphasis on outcomes and impacts. Mr. Birchmeier said that the revised scoring tables, especially the aspects regarding project proposal content, does not provide a mechanism for appraisal to ensure a coherent planning of the achievement of outcomes and impacts in the design of the project proposal and reflected in the logical framework. He conceded that the new appraisal system contains an important criterion on "impact" and its related sub-criteria but the way they have been presented did not provide a coherent link to the central project design. Mr. Birchmeier reiterated Switzerland's commitment to the project work of ITTO and hoped ITTO would overcome the structural difficulties in the project cycle. He noted the important efforts made by several countries, especially Brazil, to have a more structured way to prepare project proposals putting emphasis on the desired quality of proposals. Mr. Birchmeier supported the request of the Expert Panel to test the new appraisal system in an actual decision-making process. Mr. Birchmeier proposed that there should be an annotated appendix to the scoring table giving short and concise guidance to the users on how to assess each award criteria and sub-criteria. He indicated that that was necessary because the current formulation of the criteria did not provide appraisal indications and also there was the need to adapt the format of the report of the Expert Panel for Technical Appraisal of Project and Pre-Project Proposals to the new project rating system in order to obtain comparable summaries of the conclusions on proposals.
69. Mr. Gouesse Lancine Aidara (Côte d'Ivoire) commended ITTO's commitment to raise the standard of project proposals through the implementation of an efficient and objective system to carry out the technical appraisal of project and pre-project proposals. He noted with satisfaction the progress achieved in the preparation and drafting of the new appraisal system/guidelines for project and pre-project proposals. He indicated that the new system provides a significant improvement both with regard to the selection of rating criteria for project and pre-project proposals and the objectivity of the rating process using these criteria. He further noted that the report did not mention any discriminating factors between Optional 1 and Optional 2 of the "Revised Flowchart for Rating of Project Proposals" in Appendix V and so the understanding of the diagram was not easy for these two particular "Optionals." He also noted that there were no captions and/or explanatory notes attached to the scoring tables for project and pre-project proposals that would be explicit enough to ensure clear and full comprehension of these tables. For as it was, the respective terms "Marks," "Scores" and "Threshold" came with no explanatory notes. The rating method applied to project and pre-project was not very explicit and so the arithmetic computation and qualitative appraisal did not appear transparent. Mr. Aidara noted that the numbered list of "Categories of Decision" in Appendix VII did not fully reflect any parallel between these respective categories of decision and the "Revised Flowchart for Rating of Project Proposals." Mr. Aidara made the following recommendations: (i) identify discriminating elements (criteria/data) between "Optional 1" and "Optional 2" in the Revised Flowchart for Rating of Project Proposals in Appendix V; (ii) include

clearer and more explicit captions/explanatory notes in the Revised Scoring Tables for Project and Pre-Project Proposals to make them more easily understood; and (iii) harmonize the numbering of Decision Categories in Appendix VII with those Decision Categories in the Revised Flowchart for Rating of Project Proposals in order to help drawing a parallel between the two rating series. The following number rating could be adopted: (in Appendix VII), Decision Category 4 should be subdivided to include the subsequent categories as follows:

- * Item 4 to become 4-1
- * Item 5 to become 4-2
- * Item 6 to become 4-3
- * Item 7 to become 4-4

70. The report of the Expert Panel was approved by the Council.

STATUS OF TROPICAL FOREST MANAGEMENT REPORT – DECISION 9(XXX) (Agenda Item 12)

71. The report was presented by Mr. Alastair Sarre (Consultant). He referred to Decision 9(XXX) which authorized the Executive Director to prepare and publish a "Status of Tropical Forest Management Report" for ITTO Producing Member Countries based on available evidence, including:

- Examination of country reports using Criteria and Indicators reporting formats;
- Meeting with government officials, professional foresters, industry, concessionaires, NGOs and people's organizations; and
- Field visits to random sample of forest management units.

72. Mr. Sarre noted that the report was a follow-up to two earlier surveys. The first survey was carried out in 1988 and published as "No Timber Without Trees" which found that there was less than one million hectares of tropical production forests being sustainably managed. In 2000 ITTO carried out another survey based on country reports which provided a great deal of information on the status of tropical forest management.

73. Mr. Sarre mentioned that the "Status of Tropical Forest Management Report" had been prepared based on:

- Country reports using Criteria and Indicators reporting formats;
- Diagnostic Mission reports;
- Criteria and Indicators workshops reports; and
- Other sources including FAO, UNEP-WCMC, IUCN, Certification bodies.

74. The report stated that the total permanent forest estate of ITTO Producing Member Countries was 859 million hectares of which 353 million hectares was natural production forest; 45 million hectares of production planted forest; and 461 million hectares as protection forest. Within the natural production forest, the report estimated that 96 million hectares were under management plans; 10.5 million hectares had been certified and 25.1 million hectares were being managed in a manner consistent with sustainable forest management. Within the Protection Permanent Forest Estate (PPFE) 17.8 million hectares were under management plans; 11.2 million hectares were also found to be under sustainable forest management. The report stated that the total area of natural tropical PFE under management plans was estimated to be about 114 million hectares; total certified area was 10.5 million hectares and the area being managed consistent with SFM was 36.4 million hectares.

75. The report concluded that (1) the area of tropical forests under SFM had increased significantly but was still a small proportion of the Permanent Forest Estate; (2) Many countries still did not have a clearly defined and demarcated PFE; (3) Resources allocated by governments and international assistance to forest management were often seriously inadequate; (4) Sustainable forest management was often less profitable compared to other alternative ways of using the forest land; (5) There was an almost universal lack of resources needed to manage tropical forest properly; (6) Law enforcement was often weak due to inadequate staffing and support of enforcement agencies.

76. The report recommended that:

- (1) Regular reporting on the status of tropical forest management should be instituted at the international level;
- (2) International community should make resources available to improve capacity of countries to collect, analyze and make available comprehensive data on the status of forest management; and
- (3) International community should prioritize the development of a system for ensuring that SFM is a financially remunerative land-use.

77. Ms. Listya Kusumawardhani (Indonesia) commended the consultants for the report. She sought information on the follow-up actions to the report. She noted that the Global Forest Resource Assessment Report was being produced by FAO every five years and wanted to know whether ITTO was going to follow a similar pattern. She also requested to know whether the data contained in the report would be integrated with the FAO data on the Global Forest Resources Assessment report.

78. Dr. Steven Johnson (ITTO Secretariat) stated that ITTO was in the process of establishing closer links with FAO in the Forests Resources Assessment project. On the issue of future publications of the report, Dr. Johnson indicated that it was up to the Council to decide. He proposed that any future publications of the report would have to be dovetailed to the publication of the Global Forest Resources Assessment by FAO. He acknowledged that there were some complementarities in the two publications. However, the ITTO report on the Status of Tropical Forest Management contains much more detailed information on the status of the management of the forests in tropical countries which was not available in any other publications.

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

79. The report was presented by Dr. Steward Maginnis (IUCN). He updated the Council on the progress in the implementation of the ten (10) national training workshops to promote the understanding and use of the ITTO Guidelines for Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests. He provided a brief background of the guidelines covering forty-nine (49) principles and one hundred and sixty (160) recommended actions. He informed the Council that through the IUCN's Commission on Education and Communication an adaptable management approach was adopted in conducting the training workshops to ensure quality delivery. He said that the training materials were available on CD-Rom and had been used extensively not only by ITTO and IUCN but by other stakeholders as well. He also informed the Council that the handbook on the ITTO Guidelines for Restoration, Management and Rehabilitation of Degraded Secondary Tropical Forests, which was launched during the Thirty-ninth Session of the Council, had been approved for publication by Earthscan.

80. Dr. Maginnis stated that the seven (7) national workshops that had so far been conducted had been extremely successful. He indicated that three (3) more workshops would be conducted in Côte d'Ivoire, India and Myanmar. Seven workshops had so far been conducted in Brazil, Ghana, Mexico, Guyana, Guatemala, Cameroon and the Philippines. He noted that the agendas for these workshops were developed in consultation with the host country to make them nationally relevant. There were also national and international facilitators and participants were given the opportunity to review the proceedings daily and to propose amendments. There were also field trips which allowed the participants the opportunity to apply the Guidelines in real situations.

81. Dr. Maginnis noted that one hundred and seventy (170) managers and practitioners had been trained in the understanding and application of the Guidelines under the Forest Landscapes Restoration concept in addition to the one hundred and fifty (150) managers and practitioners who were trained during the regional workshops. Proposals had also been developed for national level forest landscape restoration activities and in some cases national working groups had been set up to advance the landscape approach to restoration. He noted that there had been good media coverage in most of the national workshops, thus raising the profile of ITTO's work in promoting restoration, management and rehabilitation of degraded and secondary tropical forests. He also informed the Council that initial feed back from the workshops had been very good and there were some issues to be addressed to make both the Guidelines and the Handbook and Manual clear with respect to terminology. He stated that there had been strong requests for the Handbook to be

/...

adapted into national context to assist in formulating project proposals on restoration and to add value to building capacity of the implementation of forests landscape restoration. Dr. Maginnis stated that the remaining three workshops would be completed by September 2006 and a full report would be presented to the Council at the Forty-first Session in November 2006 in Yokohama. He stated that there had been nine additional requests from countries to host the national workshops and urged the Council to consider extending the benefits of the training to other countries.

EXTENSION OF THE INTERNATIONAL TROPICAL TIMBER AGREEMENT (ITTA), 1994 (Agenda Item 14)

82. The Chairperson introduced the agenda item. He informed the Council that pursuant to Article 46 of the ITTA, 1994, the Council might wish to consider extending the ITTA, 1994 until the entry into force of the ITTA, 2006. He noted that a draft decision had already been circulated to Members to serve as the basis for discussions. He further elaborated that the ITTA, 1994 would terminate by 31st December 2006 and the ITTA, 2006 was not likely to enter into force by 1st January 2007, therefore, there was the need for the Council to take a decision to extend the current ITTA until such time that the new agreement would come into force. He invited comments from the Council.
83. Mr. Luis Cesar Gasser (Brazil), on behalf of the Producer Group, informed the Council that it was the opinion of the Producer Group that the draft decision as circulated could be acceptable with slight modifications. He proposed the following text for inclusion: "The Council shall review in 2007 the level of ratification or accession to the ITTA, 2006." Mr. Gasser also reported that some Producer Members had expressed concern over the lack of a specific deadline for the extension. He referred to Article 39 of the ITTA, 2006 which states inter-alia that "If this Agreement has not entered into force definitively on 1 February 2008, it shall enter into force provisionally on that date or on any date within six months thereafter if...."
84. Ms. Aulikki Kauppila (Finland) on behalf of the Consumer Group reported to the Council that the Consumer Group had discussed the draft decision on the extension of the ITTA, 1994 and were of the opinion that the decision was relevant and acceptable with the inclusion of minor modifications. She further informed the Council that some Consumer Members were of the opinion that the draft decision was too open and did not provide any dates. Other Members had expressed the opinion that there was no urgency for the Council to take the decision at the Fortieth Session and therefore the decision could be deferred to the Forty-first Session in November 2006. She elaborated that some Consumer Members wanted to give further consideration to the draft decision in consultation with their Capitals.
85. Mr. Enzo Barattini (European Community) provided further clarification on the deferment of the draft decision to the Forty first Session of the ITTC, in November 2006. He noted that the draft decision was in principle acceptable to the European Community. However, the final adoption of the decision should be deferred to the Forty-first Session to enable Member Countries ample time to consult with their legal experts in their Capitals. He also commended the Chairperson of the Negotiations Conference, Amb. Carlos Antonio Da Rocha Paranhos for his leadership which enabled the Conference to reach a successful agreement. He proposed that Amb. Rocha Paranhos and other people who played important roles during the Negotiations Conference should be commended in the draft decision.
86. H.E. Mr. Mbella Mbella (Cameroon) sought further clarification on the provisions of Article 36 of ITTA, 2006 – Signature, Ratification, Acceptance and Approval and Article 37, ITTA, 2006 – Accession. In his response, the Executive Director informed the Council that the procedures for Ratification, Acceptance and Accession would depend on the Member Countries' internal legal procedures. He further informed the Council that the simplest procedure for Accession would be to instruct the Permanent Representative of the Member Country to the United Nations to deposit an instrument of Accession at the Treaty Office of the United Nations in New York.
87. H.E. Mr. Mbella Mbella (Cameroon) stated that the clarification provided by the Executive Director meant that countries willing to accede to the ITTA, 2006 could simply submit a letter of ratification to the Treaty Office of the United Nations immediately and that would enable the ITTA, 2006 to come into effect very quickly. He sought information on the number of Member Countries needed to ratify the ITTA, 2006 to enable the Agreement to come into effect. The Executive Director provided further explanations on the provisions for entry into force of the Agreement as contained in Article 39 of the ITTA, 2006. He indicated that the Agreement would only enter into force

definitively on 1 February 2008 or on any date thereafter if the requirement of the minimum number of countries had been met. He indicated that even if the minimum number of countries required to accede to the Agreement was obtained within the next six months, the Agreement would still not enter into force because of the provision in Article 39. This provision was included into the Agreement by the negotiators to address the situation as mentioned by the delegate of Cameroon.

88. Mr. Hideo Fukushima (Japan) stated that the chairperson draft decision was acceptable to Japan and indicated that the draft decision should be adopted by the Council at its Fortieth Session given the simple formulation of the draft decision which had been based on previous extensions of the ITTA, 1994 and also from the point of view of policy it was important to urge Members to become parties to the ITTA, 2006 as contained in the draft decision. He noted that the earlier adoption of the decision would provide momentum to Member Countries to ratify the new agreement. From the legal point of view, Mr. Fukushima noted that the draft decision had been based on Article 46 of the ITTA, 1994 which provides for the simple extension of the current Agreement until the entry into force of a new Agreement and was wondering whether there was any additional legal advice required before the ITTA, 1994 could be extended. On the review of the level of ratification or accession to the ITTA, 2006, Mr. Fukushima indicated that there would definitely be a review in the course of 2007 and therefore there was no need to mention such a review in the draft decision.
89. Mr. Jan Abrahamsen (Norway) expressed his concurrence with the position of Japan and stated that the draft decision on the "Extension of the ITTA, 1994" should be adopted by the Council at its Fortieth Session and not deferred to the Forty-first Session.
90. Mr. Enzo Barattini (European Community) stated that since delegates were representing States and institutions, the European Community was not in a position to take a decision which might have legal repercussions because of the international commitments of Member States. He stated that the formal procedures must be followed and was confident of a positive response, and underlined that the European Community would state its reservations if the decision was to be adopted at the Fortieth Session.
91. Mr. Daniel Birchmeier (Switzerland) concurred with the opinion expressed by the Spokesperson of the Producer Group that it might be useful to include some specific date as a reference deadline. He also indicated that Switzerland would also have to follow a formal procedure to seek approval for the extension of the ITTA, 1994 which could take up to six weeks. However, he would still prefer to have the draft decision adopted at the Fortieth Session.
92. Mr. Alfredo Carrasco (Ecuador) indicated that since some delegations had indicated that they would require further consultations with their capitals before the adoption of the draft decision the Council should set a deadline for such consultations to avoid a repetition of such a situation in November 2006.
93. Mr. Enzo Barattini (European Community) proposed that the Council could proceed to draft an agreed text of the decision which could be adopted in November 2006 during its Forty-first Session of the Council.
94. Mr. Luiz Cesar Gasser (Brazil) endorsed the proposal made by the European Community.

**MATTERS RELATED TO ARTICLE 16 OF ITTA, 1994 – DECISIONS 3(XXV), 3(XXVII) AND 5 (XXXIV)
(Agenda Item 15)**

95. The Chairperson introduced the agenda item. He stated that the agenda item was related to the appointment of the next Executive Director. He also noted that the subject had been discussed in the Producer and Consumer Caucuses and invited comments from the Council.
96. Mr. Luis Cesar Gasser (Brazil), on behalf of the Producer Group stated that the Producer Group had discussed the issue as contained in the Annex of the IAG report, document ITTC(XL)/2. He indicated that the Producer Group was of the opinion that in general, the rules and provisions that had been applied to previous nominations remained valid. He, however, mentioned that some Producer delegations had expressed the opinion that the composition of the selection panel should be reviewed.
97. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group, stated that it was the opinion of the Group that the existing procedures, which had been decided by the Council, were still relevant

/...

and could be applied to the selection of a new Executive Director. She, however, pointed out that the Consumer Group had expressed concern about the implications that the ITTA, 2006 might have for the terms of reference and job descriptions of the new Executive Director and invited the Council to take this into consideration in the new procedures to be adopted.

98. Mr. Enzo Barattini (European Community), on behalf of the European Community, noted that the relevant decisions and procedures for the selection of a new Executive Director were already in place and should be applied in the selection of the next Executive Director. He urged the Council not to open a substantive debate on the procedures to be applied. He acknowledged, however, that it might be necessary to update some elements of the existing procedures and supported the position expressed by the Producer Spokesperson.
99. Dr. David Brooks (U.S.A.) stated that it was the opinion of the United States that it was necessary or desirable to take into account the implications of the new agreement for the qualifications and job descriptions of the new Executive Director. He noted, however, that the existing procedures were still valid and should be amended or updated to take on board additional relevant information as expressed by the Producers Spokesperson and the European Community. He cited Decision 3(XXV) Annex and noted that there might be some additional language relating to the requirements of the new agreement and the responsibilities of the Executive Director under the new agreement, and called for some amendments or updating of the procedures.
100. The Chairperson informed the Council that in accordance with the existing Decisions the selection process should begin in November 2006. He called on delegations requesting for amendments to the procedures to provide the Council with specific text for consideration.
101. Mr. Jan Abrahamsen (Norway) proposed that a small working group be constituted to look at small modifications and produce a working draft document. He cited the modifications on the composition of the selection panel and that proposed by the United States on the reference to the new ITTA, 2006 and indicated that the Working Group should examine these proposals and produce a draft document for the Council's consideration.
102. Mr. Enzo Barattini (European Community) expressed his objection to the idea of setting up a drafting working group and stated that that was tantamount to opening up the debate on the existing decisions which must be avoided. He proposed that the Council should rather take note of the different proposals that had been put forward and how these proposals could be reflected in the new procedures.
103. Mr. Asianto Sinambela (Indonesia) noted that the Council had taken important decisions during its Twenty-fifth Session in 1998 to establish procedures for the selection of an Executive Director as contained in Decision 3(XXV) Annex. He underscored that the two Executive Directors that had been appointed by the Council had undoubtedly performed very well and therefore indicated that no new additional measures were needed with regard to the selection of a new Executive Director. He believed that any new additional measures might complicate matters and therefore Indonesia would not support any new additional measures on the procedures for the selection of the next Executive Director.
104. The Chairperson stated that agreed procedures on the selection of a new Executive Director should be in place during the Forty-first Session of the Council in Yokohama in November 2006. The Council also agreed that countries wishing to propose any amendments to the existing decisions on the selection of a new Executive Director should make such amendments available to Members on the first day of the Forty-first session of the Council in Yokohama, Japan and that such amendments, should be limited to only revision of the job description and the composition of selection panel.

ITTO FELLOWSHIP PROGRAMME – DECISION 4(XXVII) (Agenda Item 16)

(a) Progress Report on the ITTO Fellowship Programme

105. The report was presented by Mr. E. Collins Ahadome (ITTO Secretariat). The report is contained in document ITTC(XL)/6. Three hundred and fourteen (314) fellowships amounting to US\$1,795,901.00 had so far been awarded under the Freezailah Fellowship Fund. Seventy-six percent of these awards were in the field of Reforestation and Forest Management, 16% in Forest Industry and 8% in Economic Information and Market Intelligence. In terms of geographical

/...

distribution of the awards, 28% were awarded to applicants from Africa, 31% from Asia-Pacific, 28% from Latin America, 11% from developing Consumer Countries and 3% from Consuming Countries. Females accounted for 33% of the total awards.

(b) Report of the Fellowship Selection Panel

106. The report was presented by Mr. Luis Macchiavello Amoroz, Chairperson of the Fellowship Selection Panel. The report is contained in document ITTC(XL)/7. 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 Fortieth Session of the ITTC and evaluated a total of one hundred and thirty-three (133) applications. While reviewing these applications, the Panel took into account the balance among the three subject areas and regions as well as the opportunity to promote the participation of women. The Panel recommended to the Council for approval and award of twenty-nine (29) applications at total cost of US\$149,660.00.
107. The Council approved the report of the Fellowship Selection Panel.

DRAFT ANNUAL REPORT FOR 2005 (Agenda Item 17)

108. The draft Annual Report for 2005 was presented by Mr. E. Collins Ahadome (ITTO Secretariat). The report is contained in doc ITTC(XL)/4. Mr. Ahadome presented the highlights of the work of Organization in 2005, including key decisions of the Council, policy work, voluntary contributions received by the Organization and a summary of projects, pre-projects and activities funded by the Organization in 2005. Also contained in the draft Annual Report was the work of the Committees and a summary of the World Timber Situation in 2005.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (Agenda Item 18)

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

109. The Chairperson invited pledges to the Special Account and Bali Partnership Fund.
110. Mr. Jan Abrahamsen (Norway), on behalf of the Government of Norway pledged US\$40,000 to the Sub-Account B of the Bali Partnership Fund.

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

111. The Chairperson referred to document CFA(XIX)/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

112. The report was presented by Mr. Li Qiang (China), Chairperson of the Panel. The Panel was composed of representatives of Gabon, Thailand, Venezuela, Japan, Switzerland, U.S.A. and the Executive Director. The Panel noted that at the end of the Thirty-ninth Session of the Council, forty activities (including activities for Work Programme 2006-2007), five pre-projects and five projects had been funded from the resources of the Sub-Account B of the Bali Partnership Fund. The Panel further noted that after including the activities for programme work 2006-2007, the current available resources of Sub-Account B would amount to a negative balance of US\$567,580.29. The Secretariat informed the Panel that adequate interest income was expected to be received in the BPF account prior to the commencement of the Work Programme for 2007. The Secretariat further informed the Panel that since the establishment of the Sub-Account B, the total receipts to-date amount to US\$15.84 million of which US\$13.13 million was from interest income and the balance of US\$2.71 million was from donors' contributions. The Panel also noted that the current funds available in the "Unearmarked Fund" would amount to US\$374,333.10 after taking into account the total allocations of US\$8.95 million including those for the Work Programme for 2006-2007. The Panel took note of the on-going work on the various pre-projects, projects and activities and indicated that the available funds in the Sub-Account B of the BPF and in the Unearmarked Funds had already been committed for these works, and accordingly agreed that no project, pre-project or activity was to be financed at the Session from the resources of the Sub-Account B of the BPF and the Unearmarked Funds in the Special Account.

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 19)

113. 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(XXXVIII)/7. He reported that the Committee on Economic Information and Market Intelligence met in joint session with the Committee on Forest Industry during the Thirty-eighth Session of the Committees.
114. The Committee noted the summary of the ITTO Annual Market Discussion 2006, held in joint session of the Technical Committees. The theme of the Market Discussions was "Timber Markets and Procurement Policies" and it was moderated by Mr. Barney Chang (TAG Coordinator) and chaired by Dr. James Gasana (Switzerland).
115. The Committee considered the completion report on one project PD80/01 Rev.6 (M) "Consolidating Sustainable Forest Management Certification System in Indonesia." The Committee noted that the final report of the project and its final audited financial statements and tangible outputs had been submitted to the Secretariat in accordance with the project agreement. The Committee declared the project complete. The Committee also received oral reports from the Secretariat on the progress in the implementation of the ex-post evaluation of six (6) completed projects and selected one completed project PD80/01 Rev.6 (M) for ex-post evaluation.
116. The Committee recommended to the Council the approval and funding of two new project proposals.
117. On policy work, the Committee on Economic Information and Market Intelligence considered 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 timber products; (v) assisting the Trade Advisory Group (TAG) in organizing and holding the ITTO Annual Market Discussion – 2006 and 2007; (vi) review of the timber market in two significant tropical timber importing countries; and (vii) studies on subsidies affecting tropical timber products.
118. The report of the Committee was approved by the Council. The full report is contained in Annex V.
119. The report of the Committee on Reforestation and Forest Management was presented by Dr. Petrus Gunarso (Indonesia), Chairperson of the Committee. The report of the Committee is contained in document CRF(XXXVIII)/4. The Committee considered the reports of ten (10) completed projects. The final financial audits of six (6) of these projects had been submitted to the Secretariat and the projects were duly declared complete by the Committee while four (4) other projects had not yet submitted their final financial reports. The Committee urged the Executing Agencies of these projects to submit the final financial reports to the Secretariat prior to the Thirty-ninth Session of the Committee. The Committee also reviewed the completion reports of five (5) pre-projects. The final financial audit reports from four (4) of these projects had been submitted to Secretariat and the pre-projects were duly declared complete. The Committee urged the Executing Agency of PPD104/04 Rev.1 (F) "Development of Project Proposal to Support the Implementation of a National Forest Strategy in Peru" to submit the final financial audit report prior to the Thirty-ninth Session of the Committee.
120. The Secretariat informed the Committee that independent consultants had been selected to conduct the ex-post evaluation of projects selected during the Thirty-eighth Session under the two thematic areas of "Training in Sustainable Forest Management" and "Community Participation in Sustainable Forest Management." The ex-post evaluation reports would be presented at the Thirty-ninth Session of the Committee in Yokohama in November 2006. The Committee deferred the selection of further completed projects for ex-post evaluation until its Forty-first Session.
121. On policy work, the Committee on Reforestation and Forest Management considered the following issues: (i) contributing appropriately to national and international efforts in the area of prevention and management of fire in relation to tropical timber producing forests; (ii) review and update the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests; (iii) the promotion of the ITTO Guidelines for the Management Restoration and Rehabilitation of Degraded and Secondary Tropical Forests; (iv) monitoring and assessing the environmental, social and

economic costs and benefits of forest plantation development and utilize that information to promote new plantations.

122. The Committee recommended to the Council the approval and funding of eleven (11) new projects and one pre-project. The Committee also recommended the approval of a revised version of three (3) projects approved at an earlier Session.
123. The report of the Committee was approved by the Council. The full report is contained in Annex V.
124. The report of the Committee on Forest Industry was presented by Dr. Jung-Hwan Park (Republic of Korea). The report is contained in document CEM-CFI(XXXVIII)/7. He reported that the Committee on Forest Industry met in Joint Session with the Committee on Economic Information and Market Intelligence during the Thirty-eighth Session of the Committee. The Committee reviewed the completion reports of three (3) projects and duly declared them complete. The Committee considered the Executive Summaries of the ex-post evaluation reports of two (2) projects: PD 71/94Rev.3(M,I) and PD 47/94 Rev.3(I) as contained in documents CEM-CFI (XXXVIII)/3 and CEM-CFI(XXXVIII)4 respectively. The Committee also received oral reports from the Secretariat on the progress in the implementation of the ex-post evaluation of five (5) completed projects. The Committee on Forest Industry selected two (2) additional completed projects, PD 24/00Rev.1(I) and PD 68/01Rev.2 (I) for ex-post evaluation and deferred the decision for selecting project PD 61/99 Rev.2(I) for ex-post evaluation to its next Session.
125. On policy work, the Committee considered the following issues: (i) promoting the establishment of efficient and socially responsible community-based forest industries; (ii) study and promote policies and other measures to increase tropical plywood industry competitiveness; (iii) promoting wood-based bio-energy using wood residues and wastes in tropical countries; (iv) promoting private investment through facilitating information exchange on investment opportunities - convening of investment promotion forum; (v) 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; and (vi) international conference on the transportation of timber products.
126. The Committee on Forest Industry recommended to the Council the approval and funding of five (5) projects and two (2) pre-projects. The Committee further recommended that funding be made immediately available for nine (9) projects and one pre-project approved at earlier Sessions.
127. The report of the Committee was approved by the Council (the full report is contained in Annex V).
128. The report of the Committee on Finance and Administration was presented by Mr. Li Qiang (China), Chairperson of the Committee. The report is contained in document CFA(XIX)/6. The CFA reviewed Members' contributions to the Administrative Budget and noted that a total amount of US\$735,223.76 had been received so far from Producing Member Countries out of the total assessed contributions of US\$2,669,296 while US\$1,608,649.00 out of the total net assessment of US\$2,624,935.00 had been received so far from Consuming Member Countries. On the current status of the Administrative Account, the Committee noted that the estimated expenditures for 2006 would be US\$4,852,095.00 (i.e. US\$443,350 less than the total amount approved in the budget for 2006). The Committee further noted that the balance of the working capital account stood at US\$2,273,280.41 as at 19 May 2006.
129. The CFA reviewed the resources of the Special Account and the Bali Partnership Fund and noted that at the end of the Seventeenth Session of the Committee, forty (40) activities, five (5) pre-projects and four (4) projects had been funded from the resources of the Sub-Account B of the Bali Partnership Fund. The Secretariat informed the Committee that after taking into account the activities in the Work Programme 2006-2007, the available resources of Sub-Account B would amount to a negative balance of US\$567,580.29. However, adequate interest income was expected to be received in the Bali Partnership Fund Account prior to the commencement of the programme of work for 2007.
130. The Committee reviewed the Auditor's Report of the Financial Year 2005 and recommended the report to the Council for approval. The Committee further recommended to the Council the re-engagement of the auditor, Grant Thornton-ASG Audit Corporation, Tokyo, for the final term of one year for the audit of the accounts of the Organization for the financial year 2006.
131. The Council approved the report of the Committee. The full text is contained in Annex V.

DATES AND VENUES OF THE FORTY-FIRST, FORTY-SECOND AND FORTY-THIRD SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 20)

132. The Chairperson introduced the agenda item and noted that the Council had already approved the date and venue of the Forty-first session to be held in Yokohama, Japan, from 6 to 11 November 2006. He also recalled that at the Thirty-ninth Session of the Council, the Government of Papua New Guinea extended an invitation to the Council to host the Forty-second Session of the Council in Port Moresby, Papua New Guinea from 9 to 12 May 2007. The Chairperson added that the Council was still looking for the necessary financial resources for the hosting of the Forty-second Session of the Council and invited comments on the proposed dates and venues.
133. Ms. Aulikki Kauppila (Finland) stated that the issue of frequency and duration of the Council Sessions had been discussed both in the ITTC and during the renegotiation of a successor Agreement to the ITTA, 1994. She stated that the Consumer Group had noted that the venues of the Fortieth and Forty-second Sessions had been negotiated during the Thirty-eighth Session in Brazzaville, Republic of Congo. She thanked the Government of PNG for the invitation to host the Forty-second Session in Port Moresby, PNG. The Consumer Group also noted that since the new ITTA, 2006 would be entering into force in 2008, there was the need for the Council to adopt its work, including the project cycle to be in the line with one annual Council Session. She further stated that the preparations for the entry into force of the ITTA, 2006 should be started as soon as possible and that Consumers were looking forward to working with Producers under a new and enhanced agreement.
134. Mr. Hideo Fukushima (Japan) confirmed that the Forty-first Session of the ITTC would be held from 6 to 11 November 2006, in Yokohama, Japan and on behalf of the Government of Japan, extended a cordial invitation to all delegates to attend the Forty-first session of the Council in Yokohama. He also proposed to the Council that the Forty-third Session of the Council should be held from 5 to 10 November 2007, in Yokohama, Japan.
135. Mr. Luis Cesar Gasser (Brazil), on behalf of the Producer Group expressed gratitude to the Consumer Group for accepting that the Forty-second Session of the Council should be held in Papua New Guinea from 8 to 12 May 2007. He called on donor countries to make financial contribution towards the organization and hosting of the Forty-second Session.

OTHER BUSINESS (Agenda Item 21)

Statement by the Delegation of Madagascar

136. The statement was presented by Ms. Monique Radiharisoa, Director General of Water and Forests of Madagascar. She expressed gratitude to the Council for admitting Madagascar as an Observer to the Fortieth Session of the Council. She informed the Council that Madagascar had participated actively during the negotiations of the ITTA, 2006 and was seriously considering the ratification or accession to the ITTA, 2006. She stated that Madagascar's special interest was in biodiversity resulting from wildlife and the huge flora and fauna resources of Madagascar. Unfortunately, there were threats to these resources from illicit exploitation and weaknesses in the implementation of forest regulations. Ms. Radiharisoa reported that Madagascar was losing approximately 200,000 hectares of its forest every year, although in the last few years several efforts, including the transfer of management of natural resources to local communities to ensure effective and efficient management and greater mobilization towards sustainable forest management had been instituted. She noted that currently only protected areas and few industrial plantations were under management plans. She reported that Madagascar was moving into a new phase in which the rate of forest exploitation would be subjected to management plans which would be validated.

Statement by the Consumer Spokesperson

137. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group made a proposal on how to start preparations for the entry into force of the ITTA, 2006. She mentioned that the Consumers held extensive discussions and recognized that preparations for the entry into force would involve checking:
 - (i) Rules of Procedures and Financial Rules;

- (ii) Creating new procedures for the thematic programme account and deciding on the themes to be used;
- (iii) The Project Cycle would also have to be amended; and
- (iv) There might be the necessity to make a compilation of ITTC Decisions to see which decisions would need to be revised.

She proposed that "Preparations for the Entry into Force of ITTA, 2006" should be put on the agenda of the Council at its Forty-first Session in Yokohama, Japan. She noted that that would allow the Council to start substantial discussions on how to put into practice the amendments made to the ITTA, 1994. She requested the Secretariat to prepare a document on the work needed.

Statement by the Delegation of Indonesia

138. Dr. Petrus Gunarso (Indonesia) made a proposal in response to the mounting requests from environmental NGOs to implement green reconstruction approach in the areas affected by the earthquake and tsunami in Aceh and Nias as well as the earthquake in the Island of Java in Indonesia. He proposed to the Council to conduct a study on the mandatory uses of certified timber advocated and supported by a number of Consumer Countries and NGOs. He requested that Consumer Countries should review their policies on the use of emergency relief aid by considering the availability of existing legal domestic timber in Indonesia. He appealed to donor countries to consider funding Indonesia's project on mangrove rehabilitation in Aceh and Nias. He acknowledged with gratitude efforts by donor countries that had pledged large amount of emergency relief aid, and appealed to ITTO Consumer Member Countries to provide funding for PD371/05 that was developed with the kind assistance of the Executive Director's special budget. He indicated that if it was not possible to get funding at the Fortieth Session, then donor countries should consider providing funds for the project during the Forty-first Session of the Council in Yokohama.

Statement by the Food and Agriculture Organization of the United Nations

139. The statement was presented by Mr. Wulf Killmann, Director, Forest Products Division of the Forestry Department. He commended ITTO for its continuing strenuous work in addressing the numerous issues confronting the world's tropical forests. He particularly expressed his appreciation to Dr. Manoel Sobral Filho, the Executive Director, for his leadership and his personal contribution to the excellent working relationship between ITTO and FAO. He underscored that in the efforts of ITTO and FAO to attain the Millennium Development Goals, the contribution of forests and forestry was of vital importance, and it was imperative that the two organizations should work closely together. He noted that the bilateral collaboration between ITTO and FAO went beyond their multilateral work within the Collaborative Partnership on Forests (CPF). The two organizations had, for the first time, aligned their programmes of work for the Biennium, 2006-2007, in order to complement each other and make better use of synergies. He cited new activities like monitoring and assessment of the social, economic and environmental costs and benefits of sustainable management of natural forests, and collaborative technical work on wood energy and non-wood forest products.

Mr. Killmann highlighted some of the collaborative activities between ITTO and FAO. He noted that Forest Law Enforcement had been a critical issue on the international agenda. FAO and ITTO had jointly conducted a multi-stakeholder process to provide options for practical solutions based on current and past country experiences as reflected in the joint ITTO/FAO publication on "Best Practices for Improving Law Compliance in the Forest Sector." He noted that joint follow-up workshops had been scheduled for four regions, starting with a meeting in August 2006 in the Amazon. He further noted that ITTO and FAO, together with other international organizations, NGOs and the private sector were developing the "Planted Forests Code." Mr. Killmann cited other technical areas of collaboration such as the "International Conference on Tropical Plywood" held in Beijing in September 2005, and the joint conferences on non-wood forest products and wood energy planned for later 2006 and 2007. He mentioned that during 2006, ITTO and FAO would jointly hold a forest policy course in Bangkok, an international conference on "Managing Forests for Poverty Reduction" in Ho Chi Minh City and a workshop on "Forest Governance and Decentralization" in Asia and the Pacific in Yogyakarta, Indonesia. He also mentioned the collaboration between ITTO and FAO on tsunami rehabilitation efforts in Thailand and Indonesia. Mr. Killmann placed on record FAO's appreciation for the collaboration with ITTO in compiling and reporting on forest-related data and information. He said that for many years ITTO, and FAO and other partners had worked together, using a joint questionnaire on forest products production,

/...

consumption and trade and that ITTO had long been an important member of the Forest Resources Assessment (FRA) advisory group and had strongly supported FAO's work on monitoring, assessment and reporting on the global forest resources. He indicated that there was the potential for both organizations to increase their collaboration, thus further reducing the reporting burden and costs for Member Countries of both ITTO and FAO, while at the same time pooling scarce resources and creating synergies. He noted that the upcoming "Expert Consultation on Global Forest Resources Assessment" to be held in Kotka, Finland, would be a timely opportunity to discuss ways in which to harmonize forest-related reporting. Mr. Killmann also acknowledged ITTO's important contribution to FAO's various regional forest sector outlook studies and mentioned that FAO was about to update the Asia Pacific Forestry Sector Outlook Study and was looking forward to working closely with ITTO on this. He expressed FAO's appreciation for ITTO's active participation in FAO's Regional Forestry Commissions.

Statement by the United Nations Forum on Forests (UNFF)

140. The statement was presented by Dr. Antonio Carlos Do Prado, Policy and Trade Officer of the UNFF Secretariat. He congratulated the Council for the successful outcome of the negotiations of the ITTA, 2006. He expressed UNFF's appreciation to the Council for the long lasting collaboration between ITTO and the UNFF Secretariat, both in terms of the preparation of substantive documents for UNFF meetings as well as through the secondment of technical staff to the UNFF Secretariat. Dr. Prado briefed the Council on the outcome of the Sixth Session of the UNFF held in February 2006. He noted that the Sixth Session of the UNFF agreed on a Resolution for adoption by the UN Economic and Social Council (ECOSOC) on the future direction of international forest policy and a clear strengthening of the International Agreement on Forests (IAF). The Resolution provided a roadmap on efforts for the advancement of sustainable forest management worldwide for a nine year period, until 2015. It also reaffirmed the Forum's role as a permanent UN body responsible for global forest policy deliberations and set out four global objectives on forests that highlight the urgent priorities for promoting sustainable forest management, curbing deforestation and forest degradation, enhancing the contribution of forests to the achievement of the internationally agreed development goals, and for increasing funding for sustainable forest management. The draft Resolution of UNFF6 also added three (3) more principal functions to the International Arrangement on Forests, enabling the Forum to encompass a regional focus which did not exist in the past and giving more opportunity to countries and processes to act more effectively at regional levels for sustainable forest management. Dr. Prado stated that the Sixth session of the UN Forum on Forests demonstrated a clear disposition for strengthening international and national level collaboration on implementing the newly established four (4) Global Objectives on Forests. He noted that in that regard, the stronger mandate from ECOSOC to provide further guidance to the CPF for improved and enhanced collaboration and policy and programme coordination would be of great significance to the future work of the CPF. That would imply that the means of implementation, particularly funding mechanisms, to facilitate action on the ground for sustainable forest management would also stand out prominently as part of the new Resolution. He stated that specific recommendations had been made concerning these financial mechanisms in relation to the future work of the CPF and the enhanced collaboration, cross sectoral and programme coordination among the CPF members. In that respect, Dr. Prado stated that the governing bodies of the National Forest Programme Facility, the Programme on Forests and the Bali Partnership Fund had been invited to enhance their contribution to sustainable forest management and the achievement of the four (4) Global Objectives on Forests by effectively managing and coordinating among themselves to facilitate access to their funds.
141. Dr. Prado noted that among the far reaching outcomes of the draft UNFF6 Resolution, most importantly the UN Member States agreed at UNFF6 that a non legally-binding instrument on the types of forests would be developed and adopted at the Seventh Session of the Forum, in April 2007. He reported that an Ad Hoc Working Group would be convened later this year to facilitate the preparation of a non legally binding instrument to be finalized at the Seventh Session. He urged all countries that had not yet submitted proposals on the possible elements of such an instrument to do so before 30 June 2006, so that the compliance of all proposals could be circulated by 31 July 2006. Dr. Prado stated that it was the anticipation of the UNFF Secretariat that countries would consult actively before the Seventh Session of UNFF in April 2007. He reiterated the UNFF Secretariat's disposition to work closely with ITTO and other international forest related organizations, partnerships and processes for the benefit of forests as a whole.

Statement by the United Nations Convention to Combat Desertification (UNCCD)

142. The statement was presented by Mr. Hector Matallo, Chief of Unit (LAC). Mr. Matallo commended the successful outcome of the negotiation of the ITTA, 2006 and stated that the UNCCD was looking forward to strengthening the relationship between the two Organizations. He, particularly underlined the importance of the ITTO Guidelines for Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests and noted that the Dry Zones Forests in the Tropics were the most fragile ecosystems among the forest types of the world and they continue to provide sustenance to millions of people living in developing countries. Due to excessive pressure on extraction, the rate of forest degradation and deforestation in dry tropical forests was alarmingly high and when combined with draught often resulted in disasters which require urgent global action. Mr. Matallo noted that about one million sq. km of tropical dry forests remained with more than half of the forests located in South America. The UNCCD was looking forward to a continuing collaboration with ITTO in the CPF as well as in the Congo Basin Partnership. Mr. Matallo stated that future ITTO project work related to youth employment in the forestry sector would be an area noteworthy for collaboration between the two Organizations. He expressed appreciation on the role being played by ITTO and UNCCD focal points on wild land fire management in Peru. He underlined that community-based approach to wild land fire management was a clear area of synergy between ITTO and UNCCD. Mr. Matallo informed the Council that 2006 had been designated by the United Nations General Assembly as the international year of deserts and desertification. He also informed the Council that an international conference on "Living with Deserts – Linkage between Dry Lands, Science and On the Ground Practice" would be convened in Japan at the end of August 2006.

Statement by Inter-American Institute for Cooperation on Agriculture (IICA)

143. The statement was presented by Dr. Jaime Muñoz-Reyes Navarro, Director of Operations and Integration of the Andes Region. He acknowledged the fruitful work done by ITTO since its inception and stated that IICA had begun discussing with the Executive Director on a process that would bring the two organizations closer together. He hoped that by November 2006, a strategic alliance would have been established between ITTO and IICA towards the attainment of the objectives of the two Organizations for the well-being of sustainable development of forests of Member Countries of ITTO that are also Members of IICA. He stated that because of the mandate of IICA and the Organization's medium term plan for 2006-2010 and the objectives set out in the Millennium Development Goals (MDG), there was the need to avoid duplication of actions. He mentioned that IICA had had sixty-four (64) years of fruitful work in the Americas, with representation in thirty-four (34) countries in the continent and the Americas and that joint work between ITTO and IICA would yield the best results for the benefit of countries in the region. He recalled his chairmanship of the ITTC eighteen years ago at the very inception of the Organization and noted with pleasure the great achievements of ITTO as the Organization embarks on a new stage with a new Agreement that would undoubtedly provide ITTO the necessary mechanisms to continue reaping fruits that would benefit its Member Countries.

Statement by the Trade Advisory Group (TAG)

144. The statement was presented by Mr. Barney Chan, General Manager, Sarawak Timber Association and Coordinator of the Trade Advisory Group. He commended the Civil Society Advisory Group (CSAG) for organizing the side event on "Community Forest Enterprises." He noted that many of the issues raised during the side event were also of interest to the Trade Advisory Group. He cited issues like market access, technology transfer, timber certification, lack of information and stated the desire of TAG to work together with Members of CSAG on such issues of mutual interest. In the statement, the TAG noted that the high fuel prices around the world had had adverse impacts on logging and mill operations, freight and other associated costs. Mr. Chan also noted that harmonization of standards was becoming a trade issue in both consuming and producing countries and urged ITTO to promote international harmonization of standards so as to facilitate trade in tropical timber. TAG also urged the different certification bodies to move towards mutual recognition of each other. TAG stated that illegal logging and illegal trade in timber still remained the focus of many people around the world and had turned into a serious issue where the legality of tropical timber was being questioned by everyone. TAG underlined that tropical timber should be treated as legal until and unless proven otherwise. TAG underscored the sensitivity of the issue of procurement policy to Producing Member Countries, and noted that some EU countries and Japan have written public procurement policies on tropical timber and cautioned that if the issue was not handled properly, it would attract the attention of the World Trade Organization. TAG also noted

that the EU FLEGT process was proposing a Voluntary Partner Agreement (VPA), on bilateral basis, with certain countries. However, so far, discussions on the VPAs had excluded certain major timber exporting countries and TAG finds the practice to be discriminatory and expressed concern. TAG strongly urged EU to start discussing with all timber exporting countries to sign VPAs with the following conditions:

- All 25 member countries of EU must accept the terms of any VPA signed, so that the particular partner country could enjoy the same access into all 25 EU countries;
- All 25 member countries of EU must influence their local governments to implement their national procurement policies so as to ensure fair trade.

TAG further noted that the verification of legality of timber was an expensive process and producers had been saddled with the costs and making it slightly more expensive to produce products with accompanying proof of legality, while illegal timber was still being sold cheaply. TAG underlined that illegal logging and illegal trade in timber remained a high profile issue and lauded efforts to combat illegal logging and illegal trade. However, there was much more legal tropical timber in international trade than illegal tropical timber and reiterated that presumption of legality should be the norm until proven contrary.

Statement by the Civil Society Advisory Group (CSAG)

145. The statement was presented by Ing. José Inés Loria Palma, National Network of Social and Community Organizations of Mexico. CSAG expressed its gratitude to the Government of Mexico and CONAFOR in particular, for their gracious hosting of the Council Session. CSAG noted that the civil society in Mexico was playing a central role in the forestry sector, owning over 80% of all forests and over 2,400 forest enterprises were making major contributions to local employment, social and economic development. The statement noted that the organization of the side-event on "Community Forest Enterprises" had enabled communities from Nicaragua, Panama, Guatemala, and Costa Rica to attend the Session and learned more about the structure of ITTO and also gained a better understanding of ITTO's activities in tropical timber producing countries as well as the dialogue regarding sustainable forest management and sustainable trade. CSAG also commended the Community Forest Enterprise (CFE) scoping study which was presented in the Committee on Forest Industry and stated that it was evident from the scoping study that community forestry was important globally. The study made it clear the key role of forest conservation, sustainable forest management and trade and value addition to the forest and noted that the negotiators of the new ITTA foresaw the relevance and importance of this issue. CSAG stated that it was evident from Sessions of the Committees that there were a growing number of projects with community element or dimension. It was also clear from the discussions in the Committees that there were no clear criteria or mechanisms for learning from these projects. CSAG called on the Council to develop a better understanding of the types of support that ITTO should be providing – particularly in developing its thematic programmes and biennial Work Programme for 2007. CSAG recommended that ITTO should develop a thematic programme focusing on community forestry and enterprises and thereby strengthening ITTO's work in that area. CSAG indicated that such a programme would need to address the following needs:

- More available information and support to governments engaged in on-going policy and legislative changes in the forest and environment sector;
- More possibilities for communities and their organizations to gain direct access to financing and to projects and activities;
- More capacity-building and exchange of experiences within and across regions for (i) government and those responsible for overseeing CFEs and implementation of policy; and (ii) CFEs and communities engaged in integrated ecosystem management; and
- Consider establishing an Expert Panel to guide the action related to the new thematic programme.

The CSAG proposed that the thematic programme should be defined in the context of ITTA, 2006 which would come into force in 2008 and there was an opportunity over the next nine (9) months to prepare the groundwork for the 2008-2009 Work Programme. The statement further noted that an international conference on CFEs had been planned for November 2006 and it offered an opportunity to develop recommendations for the Council on the design and organization of the thematic programme.

DECISIONS AND REPORT OF THE SESSION (Agenda Item 22)

146. The Chairperson referred to documents ITTC(XL)/9 and ITTC(XL)/10 comprising the two Decisions for consideration and adoption by the Council. The Council approved the two (2) Decisions. Amendments and editorial corrections were noted. Rule 33 of the Rules of Procedures was to be applied to the circulation of the Decisions and the report of the Council to Members.
147. The Chairperson also referred to the document titled "The Outcome of the Discussions of the Chairperson's Open-Ended Drafting Group Meeting on the Extension of the International Tropical Timber Agreement, 1994" (Annex IV). He mentioned that the document would not be adopted as a Council Decision at the Fortieth Session as a result of difficulties expressed by some delegations. He hoped that the document would be adopted as a Council decision during the Forty-first session in Yokohama, Japan.
148. Mr. Luis Cesar Gasser (Brazil) stated that it was his understanding and recollection that the document on "The Outcome of the Discussions of the Chairperson's Open-ended Drafting Group Meeting on the Extension of the International Tropical Timber Agreement, 1994" although would not be adopted as a Decision of the Council, it would contain the final inputs from Members in order that when the issue would be revisited in November 2006 it would be the final text. He specifically referred to an issue raised by the Producer Group which stated inter alia "That the Council shall review in 2007 the level of ratification/accession to the ITTA, 2006 and take appropriate measures". He indicated that this language had not been reflected in the document. He also pointed out that during the Chairperson's Open-ended Drafting Group meeting it was proposed that there was the need to have a language referring to a specific deadline for the extension of the ITTA, 1994, which had also not been reflected in the document and proposed the inclusion of these texts in the document.
149. In his response, the Chairperson noted that the document was the outcome of the Chairperson's Drafting Group meeting which was open-ended. He further noted that there were representatives of Producing Countries at the meeting and therefore, was of the understanding that the document reflected all the inputs of both Producers and Consumers. However, if Members still felt that the document did not reflect their inputs they could still re-open the document for discussions.
150. Mr. Enzo Barattini (European Community) concurred with the remarks made by the Producer Spokesperson. He stated that during the drafting group meeting there were suggestions to include a reference to a certain deadline by mentioning Articles 37, 38 and 39 of the ITTA, 2006 which implicitly provided the framework for a timeline. He stated that the inclusion of any deadline would call for much more detailed negotiations to access the time frame for the continuation of ITTA, 1994. He indicated that from his point of view he was of the opinion that that exercise was not possible at that stage of the discussions and would have to be done in November 2006 during the Forty-first Session of the Council.

CLOSING OF THE SESSION (Agenda Item 23)

Statement by CONAFOR

151. In his closing remarks Ing. Manuel Reed Segovia, Director-General of the National Forests Commission of Mexico, said that the ceiba tree represented the link between the "underwood" and the "supraworld" for the Mayan Civilization. The Mayans would turn to the ceiba tree to ask nature for gifts such as water, food, good weather for farming and availability of wildlife for hunting. Historical records, however, showed that the depletion of natural resources forced the Mayans to abandon their civilization, science and architecture, and emigrated to other regions in search of better opportunities. He noted that after hundreds of years later, the ITTO was still searching for ways to ensure the sustainability of forests throughout the world, trying to reach an understanding between the various nations to guarantee the abundance of forest resources for the benefit of all. He stated that things had not changed as we still believe that trees are the source of multiple environmental, social and economic benefits for mankind. Ing. Reed Segovia, on behalf of the Government of Mexico expressed his gratitude to the Council for the honour of choosing Mexico to host the Fortieth Session of the Council. "I am sure that the work carried out in Mérida has been fruitful and beneficial for the tropical forests of the world", Mr. Segovia said. He stated that it was necessary to strengthen the cooperation between Member Countries and to take actions to consolidate organizations such as ITTO, an inter-governmental body unique in responding to the interests of trade and industry while at the same time actively promoting the sustainable

/...

management of natural resources. He noted that though progress made by ITTO was significant, there was still much to be done. He believed that the commitments of tropical timber producers and consumers to sustainable forest management could only be achieved with the support of their respective societies.

152. On behalf of the Government of Mexico and the National Forest Commission, Mr. Segovia reaffirmed the commitment of Mexico and its institutions to the objectives and principles of ITTO.

Statement by the Hon Minister of Cameroon

153. In his address to the Council, H.E. Mr. Egbe Ahuo Hillman, Minister of Forests and Fauna of Cameroon, expressed his gratitude to the Government and People of Mexico for the warm reception accorded to delegates. He also conveyed to the delegation of Indonesia the compassion of Cameroon following the earthquake disaster that killed thousands of people in Indonesia. H.E. Mr. Hillman commended the Council for the successful renegotiation of the ITTA, 1994 and stated that the ITTA, 2006 would remain a reference framework to secure the sustainable management of tropical forests. He hoped that the new ITTA, 2006 would further promote the experience-sharing process among countries of the South in seeking appropriate solutions and noted that the Amazonian, Congo and South-Eastern Basins had a lot to share in terms of experience and knowledge. He urged Member Countries to ratify the new Agreement as early as possible, and most of all to see the same spirit of solidarity, prevailing in its implementation among tropical timber producing and consuming countries in order to achieve the objectives of the Agreement. The Hon Minister commended the Government of Indonesia for being the first country to sign the ITTA, 2006 and hoped that the provisions of the new Agreement would be implemented in good faith by all parties concerned. The Minister noted that for Producing Member Countries in general and African Countries in particular, the new Agreement would carry more expectations to see an effective acceleration of sustainable forest management in tropical forests and the increased contribution of these forests towards efforts to reduce poverty and the building of capacities for exporting processed products with increased added-value. The Hon Minister cited the following landmarks as efforts deployed by Cameroon in the area of sustainable management of natural forests: (i) Yaoundé Declaration of 1999, in which the Heads of State of the Congo Basin made a commitment to protect and sustainably manage the Congo Basin forests resources for the general development of their people and the international community; (ii) the holding of the AFLEG Ministerial Conference in Yaoundé in October 2003; (iii) the involvement of independent observers in the process of allocating forest concessions and the control of logging activities in the field; (iv) satellite monitoring of logging and vegetation cover; (v) the overall re-evaluation of controls strategy through a participatory approach, involving all stakeholders in the consumer chain; (vi) the mastery of permanent forest domain through management plans; the adhesion to the convergence plan of the Congo Basin; (vii) the on-going negotiations with the European Union for the voluntary partnership agreement; the signing of a code of conduct by all donors of the forestry sector to abide by the Cameroon national strategy; (viii) the move by many logging companies towards certification; (ix) the forest and environment programme as the unique strategic framework to facilitate the implementation of reforms in the forestry sector in the light of the Yaoundé Declaration and the treaty creating COMIFAC; and (x) the organization in November 2006 in Yaoundé of the International Parliamentarians Conference to promote the sustainable management of Central African moist forests.
154. H.E. Mr. Hillman expressed gratitude to the Council for approving the decision to support the organization of the "First International Parliamentarians Conference on the Sustainable Management of Central African Forest Ecosystems" to be held in November 2006. He underscored the fact that Cameroon and the countries in the Congo Basin had made commendable efforts and invited consuming Member Countries to join in the efforts of the Congo Basin countries not only to conform to the provision in the Bali accord but also to guarantee fair and equitable prices for timber originating from sustainably managed forests. He reaffirmed the commitment of the government of Cameroon to the sustainable management of its forests in order to fight against poverty and to collaborate with partners in maintaining the delicate balance between protection of natural resources, conservation of biodiversity and the enhancement of the quality of life of the people. He also expressed the wish and hoped that the spirit of solidarity and compromise which prevailed during the negotiations and adoption of the ITTA, 2006 would continue to guide the Council in the choice of the next Executive Director. He noted that many Ministers of forests from Africa had used several fora of the Council to re-echo Africa's legitimate expectation to the next mandate of the Executive Director and stated that Africa was ready to meet the challenge and was cautious of the high stakes. H.E. Mr. Hillman expressed his conviction that

Africa would present, at the appointed time, an experienced candidate who would be capable of steering the destiny of the Organization within the framework of the new order. He called for the support of both Producing and Consuming countries so that the spirit of solidarity characterizing the Organization would continue to thrive.

155. Ing. Luis Ernesto Barrera Garavito (Guatemala) commended the Government of Mexico, particularly the City of Mérida for their hospitality. He also thanked CONAFOR for the excellent arrangements put in place for the Fortieth Session. Mr. Garavito also commended the Executive Director and the Staff of the Secretariat for their hard work and support. He expressed his gratitude to the Council for approving a project and two pre-projects from Guatemala. He proposed that Guatemala be chosen to host the Conference on Community Forest and Sustainable Management if Brazil declines to host that forum.

Statement by the Producer Spokesperson

156. Mr. Luiz Cesar Gasser (Brazil), on behalf of the Producer Group referred to document ITTC(XL)/8 on "The Report of the Panel on Sub-Account B of the Bali Partnership Fund". He noted that after including the activities for programme work 2006-2007, the current available resources of the Sub-Account B of the BPF would amount to a negative balance of US\$567,000. He further noted that the report had recommended that no project, pre-project or activity was to be financed at the Fortieth Session from the resources of the Sub-Account B of the BPF and the Unearmarked Funds in the Special Account. He stressed that these issues were of great concern to the Producer Group. He mentioned that according to the document entitled "Status of Tropical Forest Management 2005" only 5% of the Permanent Forest Estate of tropical forests was under sustainable management. He indicated that the Bali Partnership Fund, the funding mechanism, created for this purpose in the ITTA, 1994 and also in the ITTA, 2006 was lacking resources. He called on the Council to reflect on this issue in the light of the new ITTA, 2006. He questioned how Producers could be encouraged to ratify the new agreement or encourage other potential members, such as Madagascar, who was attending the Session as an Observer, to join ITTO. He noted further that from the perspective of Producing Member Countries, they were confident that the adoption of the new ITTA, 2006 was a move in the right direction. He indicated that a concrete answer was needed from Consumer Members during the transition phase that would lead to the entry into force of the new agreement and expressed regret that Consumers did not provide the answer at the Fortieth Session. Mr. Gasser again referred to the ITTO publication on "The Status of Tropical Forest Management 2005" and proposed for the Council's future consideration, a similar study and elaboration on "The Status of Forest Management in Consumer Member Countries." He stated that the publication would be important for Producing Member Countries in providing tools for the development of timber marketing strategies in a growingly open market for timber, in particular certified timber. The study would also provide Producing Member Countries with lessons learnt and enable transfer of knowledge, in the spirit of cooperation and collaboration enshrined in the objectives of the Organization. Mr. Gasser further called on the Council to give some consideration to the problem of approved but unfunded projects, and proposed that the Council should tackle the situation at the Forty-first Session with a view to defining strategies and avoid the situation whereby approved projects were not funded. On behalf of the Producer Group, Mr. Gasser extended a heartfelt gratitude to the Government and People of Mexico for the excellent organization of the Session, as well as for their warm hospitality.

Statement by the Consumer Spokesperson

157. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group, expressed warm thanks to the Government and People of Mexico and the City of Mérida for the excellent working conditions and the warm hospitality of the people. Ms. Kauppila also expressed the condolences and sympathy of the Consumer Group to the Government and People of Indonesia for the devastating earthquake that struck the country. She noted that the Biennial Work Programme 2006-2007 had provided opportunities to the Council to engage in substantial discussions, including the Annual Market Discussions 2006 and many interesting side events. She expressed her gratitude to the organizers of the Annual Market Discussion 2006 and the side events. She noted that the Consumer Group was looking forward to many interesting new possibilities that the new ITTA, 2006 would offer. She urged all Member Countries to ratify the new ITTA, 2006 as soon as possible since it includes possibilities for enhancing the effectiveness of the Organization. Ms. Kauppila noted that there were obstacles in the present form of financing which had been recognized in Consumer Countries and the Council has the opportunity to deal with this issue. She indicated that the Consumer Group had requested the Secretariat to prepare a document on the preparations for the entry into

/...

force of the ITTA, 2006 and that the thematic programmes account would offer interesting opportunities and enhanced possibilities for both Producers and Consumers to work together towards common goals. On the proposal by the Producer Spokesperson for a study on the status of forest management in other regions, Ms. Kaupilla suggested that FAO could be requested to present to the Council some of the studies that it had already carried out. She expressed her gratitude to the Chairperson of the Council for his able leadership of the Council. Ms. Kaupilla also commended the Executive Director and Staff of the Secretariat, the interpreters and translators for their hard work and support.

158. Mr. Dike Kari (Papua New Guinea), on behalf of the Government of PNG expressed appreciation and gratitude to the Council for accepting the invitation of the Government of PNG to host the Forty-second Session of the Council in Port Moresby, Papua New Guinea in May 2007. He stated that PNG might not be able to match the hospitality of Mexico but would endeavour to make the Forty-second Session in Port Moresby successful.

Closing Remarks by the Chairperson

159. In his closing remarks, the Chairperson, Mr. Koichi Ito (Japan), on behalf of the Council extended thanks and gratitude to the Government of Mexico and the People of Mérida for their hospitality and excellent organization of the Fortieth Session. He expressed his gratitude to all delegations for their cooperation and support which enabled the Council to come to a successful conclusion.
160. The Chairperson officially closed the Fortieth session of the ITTC.

ANNEX I

LIST OF PARTICIPANTS

Document: ITTC(XL)/Info. 2

Distr.
General

ITTC(XL)/Info.2
2 June 2006

English/French/Spanish

FORTIETH SESSION
29 May – 2 June 2006
Mérida, Yucatán, Mexico

LIST OF PARTICIPANTS

* * * * *

LISTE DES PARTICIPANTS

* * * * *

LISTA DE PARTICIPANTES

MEMBERS

AUSTRALIA

- * Mr. Malcolm Jamieson
Senior Policy Officer, International Forest Policy,
Australian Government Department of
Agriculture, Fisheries and Forestry, Canberra

BOLIVIA

- * Ing. Oscar Edwin Camacho Olgún
Director General de Recursos Forestales,
Viceministerio de Biodiversidad, Recursos
Forestales y Medio Ambiente, Ministerio de
Desarrollo Rural, Agropecuario y Medio
Ambiente, La Paz
- ** Ing. Javier López Soria
Asesor de la Dirección General de Recursos
Forestales, Ministerio de Desarrollo Rural,
Agropecuario y Medio Ambiente, La Paz

BRAZIL

- * Mr. Luiz Cesar Gasser
First Secretary, Ministry of External Relations
- ** Ms. Simone Meira Dias
Diplomat, Division of Environment, Ministry of
External Relations of Brazil, Brasília
- ** Ms. Rócia Silva Oliveira
Manager, International Cooperation Program,
Brazilian Agency for Cooperation, Ministry of
External Relations, Brasília

CAMEROON

- * H.E. Mr. Egbe Ahuo Hillman
Ministre des Forêts et de la Faune, Ministère des
Forêts et de la Faune, Yaoundé
- ** H.E. Mr. Mbella Mbella
Ambassador, Embassy of Cameroon, Tokyo
- ** Mr. Denis Koulagna Koutou
Chef de Division de la Coopération et de la
Programmation, Ministère des Forêts et de la
Faune, Yaoundé
- ** Mr. Bakandjaken Nestor
Sous-Directeur, Ministère des Forêts et de la
Faune, Yaoundé
- ** Mr. Samatana Marc
Chargé de mission, Présidence de la République
du Cameroun, Yaoundé

CANADA

- * Ms. Sandra Ribey
Policy Analyst, International Affairs, Canadian
Forest Service, Natural Resources Canada,
Ottawa
- *** Ms. Sarah Bain
Policy Analyst, Trade & Competitiveness, Forest
Products Association of Canada, Ottawa

Notes: * Representative/Représentant/Representante
 ** Alternate representatives/Représentant suppléants/Representantes suplentes
 *** Advisers/Conseillers/Asesores

CENTRAL AFRICAN REPUBLIC

* Mr. Yves Yalibanda

Directeur Général des Eaux, Forêts, Chasse et
Pêche, Ministère des Eaux, Forêts, Chasse et
Pêche, Bangui

** Mr. Luc Dimanche

Cadre au Ministère des Eaux, Forêts, Chasse et
Pêche, Chargé de l'Environnement, Bangui

CHINA

* Mr. Li Qiang

*** Mr. Pan Hao

Division Director, Ministry of Commerce, Beijing
Program Officer, Department of International
Trade and Economic Affairs, Ministry of
Commerce, Beijing

*** Mr. Wang Hongfeng

Senior Engineer, Guangdong Provincial
Academy of Forestry, Guangzhou

*** Mr. Zeng Linghai

Professor, Guangdong Provincial Academy of
Forestry, Guangzhou

COLOMBIA

** Dr. Rosven Arevalo

Profesor, Universidad del Tolima, Ibagué

CONGO, REPUBLIC OF

* Mr. Jacques Kanwe

Directeur Général de l'Economie Forestière,
Ministère de l'Economie Forestière et de
l'Environnement, Brazzaville

** Mr. Grégoire Nkeoua

Directeur des Forêts, Ministère de l'Economie
Forestière et de l'Environnement, Brazzaville

** Dr. Gilbert Kaya

Coordonnateur de la Cellule OIBT, Ministère de
l'Economie Forestière et de l'Environnement,
Brazzaville

CÔTE D'IVOIRE

* H.E. Mr. Jacques Andoh Alle

Ministre de l'Environnement, des Eaux et Forêts,
Ministère de l'Environnement, des Eaux et Forêts,
Abidjan

** Ms. Adingra Heya Chantal

Directeur de la Planification et de la
Programmation, Ministère de l'Environnement,
des Eaux et Forêts, Abidjan

** Mr. Gouesse Lancine Aïdara

Directeur Général, Office Ivoirien des Parcs et
Reserves (OIPR), Abidjan

** Mr. Martial Me Kouame

Directeur des Projets, de la Recherche et de la
Cartographie, SODEFOR, Abidjan

** Mr. Kah Patrice

Chef de Service Suivi-Evaluation des projets,
SODEFOR, Abidjan

*** H.E. Mr. Koffi Yao Charles

Ambassador, Embassy of the Republic of Côte
d'Ivoire, Mexico City

*** Mr. Abie Obou Marcellin

First Counsellor, Embassy of the Republic of
Côte d'Ivoire, Mexico City

ECUADOR

- * Mr. Alfredo Carrasco
- ** Mr. Juan Carlos Palacios

Vice Minister of Environment, Ministry of Environment, Quito
Funcionario de la Corporación de Manejo Forestal Sustentable, Quito

EUROPEAN COMMUNITY

- * Mr. Enzo Barattini
- ** Mr. John Bazill
- ** Mr. Andrés Tobías y Rubio

Deputy Head - Commodities, European Commission, Brussels
International Forest Policy Officer, European Commission, Brussels
Principle Administrator, Council of the European Union, Brussels

AUSTRIA

- * Ms. Katharina Kuehmayer

Foreign Trade Policy, Legal Office, Federal Ministry of Economics and Labour, Vienna

DENMARK

- * Mr. Christian Lundmark Jensen
- ** Ms. Karen Sau Jespersen

Co-ordinator on International Forest Policy, Ministry of Environment, Danish Forest and Nature Agency, Copenhagen
Forest Advisor, Ministry of Environment, Danish Forest and Nature Agency, Copenhagen

FINLAND

- * Ms. Aulikki Kauppila

Counsellor, Ministry of Agriculture and Forestry, Helsinki

FRANCE

- * Mr. Yvan Vassart
- *** Ms. Caroline Merle
- *** Mr. Henri-Felix Maître

Conseiller Commercial, Representation de la France pres de l'Union Europeenne, Brussels.
Chargée de mission, Direction générale de la forêt et des affaires rurales, Ministère de l'Agriculture, de l'Alimentation, de la Pêche et des Affaires Rurales, Paris
Chargé de Mission, CIRAD-FORET, Montpellier

GERMANY

- * Ms. Ursula Horn
- ** Dr. Juergen Hess
- *** Dr. Peter Schröder

Deputy Head of Division, Federal Ministry of Economics and Labour, Berlin
Coordinator, Forest Certification, German Agency for Technical Cooperation (GTZ), Eschborn
Counsellor, retired, Adviser to Federal Ministry of Economics and Labour, Bonn

NETHERLANDS

- * Mr. Marcel Vernooij
- ** Mr. Frederik Vossenaar
- ** Dr. Flip van Helden

Head of the Division for Global Affairs, Ministry of Agriculture, Nature and Food Quality, The Hague
Agricultural Counsellor, Embassy of the Netherlands, Tokyo
Senior Policy Officer, Nature Department, Ministry of Agriculture, Nature and Food Quality, The Hague

*** Mr. Paul Van Den Heuvel

Secretary for Environmental Issues, Netherlands
Timber Trade Association, Almere

SPAIN

* Mr. Mariano Muel Pareja

Consejero Económico y Comercial, Embajada de
España en México

** Ms. Ana Isabel Dominguez Velasco

Agregada Comercial, Embajada de España en
México

SWEDEN

* Dr. Lennart Ackzell

Senior Advisor, International Affairs, National
Board of Forestry, Jönköping

UNITED KINGDOM

* Mr. Patrick Hardcastle

Forestry Development Specialist, Edinburgh

GABON

* Ms. Celestine Ntsame-Okwo

Conseiller Technique du Ministre, Ministère de
l'Economie Forestière, Libreville

** Mr. Pierre Ngavoura

Directeur Général des Eaux et Forêts, Ministère
de l'Economie Forestière Libreville

** Mr. Nze Nguema Sylvain

Directeur des Inventaires et de l'Amenagement,
Ministère de l'Economie Forestière Libreville

GHANA

* Mr. Joseph Kojo Attah Wireko-Brobby

Commissioner, Forestry Commission, Accra
Contract and Permit Manager, Timber Industry
Development Division, Takoradi

** Mr. Henry Coleman

Principal Planning Officer, Ministry of Lands,
Forestry and Mines, Accra

** Mr. Tabi Agyarko

President, Ghana Timber Millers Organization,
Kumasi

** Mr. Maxwell Owusu Jr.

GUATEMALA

* Ing. Luis Ernesto Barrera Garavito

Gerente, Instituto Nacional de Bosques (INAB),
Guatemala

** Ing. Roberto Bosch

Miembro de la Junta Directiva, INAB, Guatemala
Coordinadora del Proyecto de Investigación
Forestal, INAB, Guatemala

** Inga. Alejandra Hernandez Guzman

Coordinador de la Unidad de Planificación e
Información Forestal, INAB, Guatemala

** Ing. Adelso de Jesus Revolorio Quevedo

GUYANA

* Mr. Edward Goberdhan

Head of Finance, Guyana Forestry Commission,
Georgetown

** Ms. Pradeepa Bholanath

Head, Planning and Research Development
Division, Guyana Forestry Commission,
Georgetown

INDIA

* Mr. Jagdish Chandra Kala

Director General of Forests, Ministry of
Environment and Forests, New Delhi

INDONESIA

* Dr. Boen M. Purnama
** Mr. Asianto Sinambela

** Dr. Efransjah

** Dr. Upik Rosalina
** Ms. Listya Kusumawardhani

** Mr. Wisnu Prastowo
** Ms. Sri Murniningtyas

** Dr. Petrus Gunarso

** Dr. Tetra Yanuariadi

** Mr. Taufiq Alimi

*** Mr. Jimmy Purwonegoro
*** Mr. Jimmy Chandra

*** Mr. Dani Pitoyo
*** Mr. Agus B. Utomo

*** Mr. Izmy Ryan

Secretary General, Ministry of Forestry, Jakarta
Director for Trade, Industry, Investment and
Intellectual Property Right, Ministry of Foreign
Affairs, Jakarta
Senior Staff, Ministry of Forestry, Advisor to the
Indonesian Delegation in International
Cooperation, Jakarta
Director for Production, Perum Perhutani, Jakarta
Director of Forest Concession Planning, Ministry
of Forestry, Jakarta
Forestry Attache, Embassy of Indonesia, Tokyo
Deputy Director, Multilateral Division, Bureau of
International Cooperation and Investment,
Ministry of Forestry, Jakarta
Project Coordinator Bulungan Model Forest,
Seconded Ministry of Forestry in CIFOR, Jakarta
Thematic Program Manager and Project Leader,
Kalimantan, Forest Partnership, WWF-Indonesia,
Jakarta
Executive Director, Indonesian Ecolabelling
Institute, Jakarta
Vice Chairman, BRIK, Jakarta
Board of Director – Marketing Division,
Indonesian Sawmill and Wood Working
Association, Jakarta
Board of Director, APKINDO, Jakarta
Senior Sumatra Programme Officer, Birdlife
Indonesia, Bogor
Senior Environment Officer, PT. Riau Andalan
Pulp and Paper, Sumatra

JAPAN

* Mr. Hideo Fukushima

** Mr. Koichi Ito

** Mr. Taira Iwasaki

** Mr. Hideaki Takai

** Mr. Shigetoshi Hatazawa

Director, Global Environment Division, Global
Issues Department, Ministry of Foreign Affairs,
Tokyo
Advisor, Minister's Secretariat, Ministry of
Foreign Affairs, Tokyo
Official, Global Environment Division, Global
Issues Department, Ministry of Foreign Affairs,
Tokyo
Assistant Director, Wood Products Trade Office,
Forestry Agency, Tokyo
Technical Official, Wood Products Trade Office,
Forestry Agency, Tokyo

MALAYSIA

- * Mr. Mohd Aminuddin Hashim
 - ** Mr. Ahmad Loman
 - ** Ms. Norazeyan Dzul Kornain
 - ** Dato' Mokhtar Bin Mat Isa
 - ** Mr. Sapuan Ahmad
 - ** Mr. Kamaruzaman Othman
 - ** Dr. Norini Haron
 - ** Dato' Dr. Freezailah bin Che Yeom
 - ** Ms. Siti Syaliza Mustapha
 - ** Dr. Paul Chai
 - ** Ms. Zarina Shebli
 - ** Dr. Lee Hua Seng
 - ** Mr. Morris Kapong Senap
- Deputy Secretary General II, Ministry of
Plantation Industries and Commodities Malaysia,
Putrajaya
Undersecretary, Timber Industry Division,
Ministry of Plantation Industries and Commodities,
Putrajaya
Assistant Secretary, Ministry of Natural
Resources & Environment of Malaysia, Putrajaya
Deputy Director General of Forestry (Operation),
Forestry Department Peninsular Malaysia, Kuala
Lumpur
Senior Assistant Director, Forest Department
Sarawak
Deputy Director, Trade Development Division,
Malaysian Timber Industry Board, Kuala Lumpur
Head of International and Legal Affairs Unit &
Senior Research Officer, Forest Research
Institute Malaysia (FRIM), Kuala Lumpur
Chairman, Malaysian Timber Certification Council
of Malaysia (MTCC), Kuala Lumpur
Executive, Malaysian Timber Council, Kuala
Lumpur
Project Manager ITTO, Forest Department
Sarawak
Executive Forester ITTO, Forest Department
Sarawak
Chief Executive Officer, Sarawak Timber
Association, Kuching
Project Manager, Hirosar Jaya, Sdn Bhd,
Sarawak

MEXICO

- * Mr. Manuel A. Reed Segovia
 - ** Ms. Erika del Rocio López Rojas
 - ** Mr. Carlos E. González Vicente
 - ** Mr. Samuel Benjamin Monreal Rangel
 - ** Mr. Roberto Herrera Saldaña
 - ** Mr. Santiago Pinzón Lizarraga
 - ** Mr. Ramón Carrillo
 - ** Mr. Alejandro Jacques Castro
 - ** Ms. Alicia Judith Gómez Anaya
 - *** Mr. Idur Fernando Díaz Villanueva
 - *** Ms. Erika Patricia González Ríos
- Director General, Comisión Nacional Forestal,
Zapopan, Jalisco
Head of Unit of Cooperation and Finance,
Comisión Nacional Forestal, Zapopan, Jalisco
General Coordinator for Production and
Productivity, Comisión Nacional Forestal,
Zapopan, Jalisco
Manager for Commercial Forest Plants, Comisión
Nacional Forestal, Zapopan, Jalisco
Manager for Research and Technological
Development, Comisión Nacional Forestal,
Zapopan, Jalisco
Manager for Region XII, Yucatán Peninsula,
Comisión Nacional Forestal, Yucatán
Director for Commercial Promotion, Comisión
Nacional Forestal, Zapopan, Jalisco
Director for International Cooperation, Comisión
Nacional Forestal, Zapopan, Jalisco
Logística, Comisión Nacional Forestal, Zapopan
Comisión Nacional Forestal
Logística Región XII, Comisión Nacional Forestal

NORWAY

* Mr. Jan Abrahamsen

Special Adviser, Ministry of Environment, Oslo

PANAMA

* Mr. Carlos Giberto Melgarejo

Ingeniero Forestal, Jefe del Departamento de Manejo y Desarrollo Forestal, Autoridad Nacional del Ambiente (ANAM), Panamá

PAPUA NEW GUINEA

* Hon. Patrick Pruaitch, MP

State Minister, Papua New Guinea Forest Authority, Boroko

** Mr. Dike Kari

Director Policy, Papua New Guinea Forest Authority, Boroko

** Mr. Pomat Manuai

First Secretary to Minister for Forests, Papua New Guinea Forest Authority, Boroko

PHILIPPINES

* Mr. Marcial C. Amaro, Jr.

Director, Forest Management Bureau, Quezon City

REPUBLIC OF KOREA

* Mr. Ryu Kwang-Su

Senior Director, Korea Forest Service, Seoul
Research Scientist, Korea Forest Research Institute, Seoul

** Mr. Jung-Hwan Park

** Mr. Kug-Bo Shim

Research Scientist, Korea Forest Research Institute, Seoul

SWITZERLAND

* Mr. Daniel Birchmeier

Senior Programme Officer, State Secretariat for Economic Affairs (seco), Bern

** Dr. Jürgen Blaser

Team Leader, Intercooperation, Bern

** Dr. James K. Gasana

Program Officer, Intercooperation, Bern

*** Ms. Sibylle Vermont

Senior Scientific Officer, seco, Bern

THAILAND

* Mr. Chatchai Ratanophat

Director General, Royal Forest Department, Bangkok

** Mr. Suchat Kulyawongsa

Technical Forest Officer 7, Forest Management and Forest Products Research Office, Royal Forest Department, Bangkok

TOGO

* Mr. Daku Didi Mawunyo Komlan

Secrétaire Général, Ministère de l'Environnement et des Ressources Forestières, Lomé

** Mr. Kommongou Badekene Kampobiti

Directeur Général de l'Office de Développement et d'Exploitation des Forêts (ODEF), Lomé

UNITED STATES OF AMERICA

- * Dr. David Brooks
 - ** Ms. Kathleen Lenore Walz
 - ** Ms. Jennifer Conje
 - ** Mr. Thomas Westcot
 - ** Dr. Guy C. Robertson
 - ** Ms. Heather Hoppe
 - ** Ms. Alicia Grimes
 - ** Ms. Suzanne Morgan
 - ** Ms. Anne Divjak
- Director for Natural Resources Policy, Office of the U.S. Trade Representative, Washington, D.C.
Foreign Affairs Advisor, Office of Ecology and Terrestrial Conservation, Bureau of Oceans and International Environmental Affairs, Washington, D.C.
International Policy Analyst, USDA Forest Service, Washington, D.C.
Trade Policy Coordinator, Forest and Fisheries, U.S. Department of Agriculture, Foreign Agriculture Service, Washington, D.C.
Policy Analyst, USDA Forest Service, Washington, D.C.
Adviser, USAID, City of Mexico
Forestry and Natural Resources Management Specialist, US Agency for International Development, Washington, D.C.
Manager, Government Affairs and Membership Outreach, International Wood Products Association, Virginia
Director International, American Forest and Paper Association, Washington, D.C.

VENEZUELA

- * Mr. Juan Carlos Gonzalez Ortega
- Tercer Secretario, Ministerio Relaciones Exteriores, Caracas

OBSERVERS

Potential Member

MADAGASCAR

Ms. Monique Radiharisoa R.

Directeur Général des Eaux et Forêts,
Ministère de l'Environnement, des Eaux et
Forêts

Mr. Henrison Roland Raharisoa

Directeur de la Valorisation des
Ressources Forestières, Ministère de
l'Environnement, des Eaux et Forêts

Permanent Observers

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)

Mr. Wulf Killmann

Director, Forest Products Division, Forestry
Department, Rome

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION (UNCCD)

Mr. Hector Matallo

Chief of Unit (LAC)

UNITED NATIONS FORUM ON FORESTS (UNFF)

Mr. Antonio Carlos Do Prado

Policy and Trade Officer, New York

Inter-governmental Organizations

COMMISSION DES FORETS D'AFRIQUE CENTRALE (COMIFAC)

Prof. Jonas Nagahuedi Mbongu Sodi

Secrétaire Exécutif, Yaoundé

IUCN - THE WORLD CONSERVATION UNION

Mr. Stewart Maginnis

Head, Forest Conservation Programme,
Gland

Mr. Cleto Ndikumagenge

Coordonnateur du Project d'Appui a la
CEFDHAC, Yaoundé

INSTITUTO INTERAMERICANO DE COOPERACION PARA LA AGRICULTURA (IICA)

Dr. Jaime Muñoz-Reyes Navarro

Director de Operaciones e Integración
para la Región Andina

Governmental Organizations

ASSEMBLEE NATIONALE DU CAMEROUN

Hon. Martial Wa Mathurin

Député et Président Groupement Filière
Bois

Non-Governmental Organizations

ASOCIACION COORDINADORA INDIGENA Y CAMPESINA DE AGROFORESTERIA COMUNITARIA CENTROAMERICANA (ACICAFOC), COSTA RICA

Mr. Alberto Chinchilla Cascante
Mr. Andrew Chow Ezequiel

Director Ejecutivo
Vice Presidente CEPISD

ASOCIACION DE COMUNIDADES FORESTALES DE PETEN (ACOFOP), GUATEMALA

Mr. Marcedonio Cortave
Mr. Carlos Crasborn

Director
Tesorero Junta Directiva

ASOCIACION FORESTAL COMUNITARIA DE RIO TUPIZA, PANAMA

Mr. Edilberto Dogirama Aripe

Ingeniero Forestal

ASSOCIATION TECHNIQUE INTERNATIONALE DES BOIS TROPICAUX (A.T.I.B.T.)

Mr. Paul-Emmanuel Huet

Secrétaire Général

ASUMADU AND ASSOCIATES

Dr. Kwame Asumadu

Managing Director

COOPERATIVA REGIONAL AGRO-FORESTAL COLON, ATLANTIDA HONDURAS LIMITADA (COATLAHL), HONDURAS

Mr. Candido Lopez Ramos

Presidente de la Junta Directiva

COMUNIDAD LA ESPERANZA, NICARAGUA

Mr. Juan Carrillo Martínez

Técnico Forestal

EJIDO EL BALCON, AJUCHITLAN DEL PROGRESO, GUERRERO - MEXICO

Mr. Francisco Gonzalez Lopez
Mr. Felipe Barbossa Atanacio
Mr. Alvaro Atanacio López
Mr. Arnulfo Atanacio

Director General
Presidente del Comisariado Ejidal
Asesor Administrativo y Gerencial
Asesor

THE FOREST DIALOGUE

Mr. Gary W. Dunning

Executive Director

INTERNATIONAL WOOD PRODUCTS ASSOCIATION (IWPA)

Ms. Brigid Shea

Special Projects

IWOKRAMA INTERNATIONAL CENTRE FOR RAIN FOREST CONSERVATION AND DEVELOPMENT, GUYANA

Dr. David Singh

Director General

PERUBAMBU

Dra. Josefina Takahashi

Executive Director

PROGRAMA DE DESARROLLO FORESTAL COMUNITARIO (PROCYMAF)

Mr. Juan Rodriguez Salazar

Consultor

RED NACIONAL DE ORGANIZACIONES SOCIALES Y COMUNITARIAS, MEXICO

Lic. Guillermina Calleros Soto
Ing. José Inés Loria Palma
Ing. Juana Victoria Santos Jiménez
Lic. Laura Fabiola Rosales Gutiérrez

Representante de la Coordinación Norte
Representante del Estado de Yucatán
Coordinadora Región Sureste
Representante de la Región Centro

RIGHTS AND RESOURCES INITIATIVE (RRI), U.S.A.

Mr. Andy White
Ms. Augusta Molnar
Ms. Tania Kaimowitz

Presidente
Directora de Comunidades y Mercados
Facilitadora de Red Forestal

SARAWAK TIMBER ASSOCIATION

Mr. Barney Chan Sek Tee

General Manager

TROPICAL FOREST FOUNDATION

Mr. Keister Evans
Ms. Wendy Baer

Executive Director

UNION DE COMUNIDADES PRODUCTORAS FORESTALES ZAPOTECAS – CHINANTECAS DE LA SIERRA JUAREZ DE R.I. (UZACHI), MEXICO

Ing. Eusebio Roldán Félix

Director Técnico Forestal

AUTHORIZED INVITEES

Mr. Alberto Goetzl
Mr. Erik Lammerts Van Bueren
Mr. Alastair Sarre
Mr. Enrique Toledo

Consultant
Consultant
Consultant
Consultant

Mr. Jean-Marc Roda
Mr. Oliver Rupert

Market Discussion Speaker
Market Discussion Speaker

LANGUAGE TEAM

Interpreters

Ms. Odile Bertin-Faull

Ms. Bernadette Boyde

Ms. A. Subercaseaux-Bateman

Ms. Maria Cecilia Navas

Ms. Dina Kuriansky

Ms. Agnes Boonefaes

Ms. Carmen Huneeus de Espinosa

Ms. Beatriz Dorronsoro

Ms. France Fontaine de Lucioparedes

Ms. Gloria Santodomingo

Ms. Sarita Gomez Mola

Translators

Ms. Claudia Adán

Mr. Francis Marche

OFFICERS OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL AND ASSOCIATED COMMITTEES

Council

Chairperson	Mr. Koichi Ito
Vice-Chairperson	Amb. Luis Macchiavello Amoroz

Economic Information and Market Intelligence

Chairperson	Dr. James Gasana
Vice-Chairperson	Ms. Chantal Adingra

Reforestation and Forest Management

Chairperson	Dr. Petrus Gunarso
Vice-Chairperson	Mr. Flip van Helden

Forestry Industry

Chairperson	Dr. Jung-Hwan Park
Vice-Chairperson	Mr. Dani Pitoyo

Finance and Administration

Chairperson	Mr. Li Qiang
-------------	--------------

Spokespersons

Producers	Mr. Luiz César Gasser Dr. B.C.Y. Freezailah
-----------	--

Consumers	Ms. Aulikki Kauppila
-----------	----------------------

ITTO SECRETARIAT

Dr. Manoel Sobral Filho
Executive Director

Mr. Takeichi Ishikawa
Assistant Director, Management Services

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

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

Mr. Paul Vantomme
Assistant Director, Forest Industry

Dr. Steven E. Johnson
Statistician

Mr. Mahboob Hasan
Financial/Administrative Officer

Mr. Charas Mayura
Finance/Administrative Officer

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

Dr. Jairo Castaño Galvez
MIS Coordinator

Mr. Edmond Collins Ahadome
Information Officer

Ms. Patricia Hanashiro
Programme Officer

Ms. Lauren Flejzor
Projects Manager

Ms. Manami Oshima
Research Assistant

Mr. Michiaki Fujimoto
Secretary

Ms. Maiko Miura
Finance Assistant

Ms. Kanako Sakaguchi
Secretary

Ms. Naho Tamura
Secretary

Ms. Hana Rubin
Communications Assistant

Ms. Utako Aoike
Secretary

* * *

ANNEX II

AGENDA

DOCUMENT: ITTC(XL)/1

Distr.
GENERAL

ITTC(XL)/1
14 March 2006

Original: ENGLISH

FORTIETH SESSION
29 May – 2 June 2006
Mérida, Yucatán, Mexico

AGENDA

1. Opening of the Session
2. Ascertainment of the Quorum
3. Adoption of Agenda and Organization of Work
4. Report on Membership of the Council
5. Report of the Credentials Committee
6. Proposed Distribution of Votes for 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. Measures to Improve and Strengthen the ITTO Project Cycle – Decision 3(XXXVII)
12. Status of Tropical Forest Management Report – Decision 9(XXX)
13. ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII)
14. Extension of the International Tropical Timber Agreement (ITTA), 1994
15. Matters related to Article 16 of ITTA, 1994
16. ITTO Fellowship Programme – Decision 4(XXVII)
 - (a) Progress Report on the ITTO Fellowship Programme;
 - (b) Report by the Chairperson of the Fellowship Selection Panel
17. Draft Annual Report for 2005
18. Special Account and Bali Partnership Fund
 - (a) Pledges to the Special Account and the Bali Partnership Fund;
 - (b) Review of the resources in the Bali Partnership Fund;
 - (c) Report of the Panel on Sub-Account B of the Bali Partnership Fund (BPF).
19. Reports of the Associated Sessions of the Committees

20. Dates and Venues of the Forty-first, Forty-second and Forty-third Sessions of the Council and the Associated Sessions of the Committees
21. Other Business
22. Decisions and Report of the Session
23. Closing of the Session

ANNOTATIONS TO THE AGENDA

Item 1 - Opening of the Session

The Fortieth 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(XL)/1]

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

Item 4 - Report on Membership of the Council

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

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

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

Item 6 - Proposed Distribution of Votes for 2006 [Document ITTC(XL)/1 Annex]

The proposed distribution of votes for the year 2006, in accordance with Article 10(6) of the ITTA, 1994, is shown in the Annex to this Agenda. In accordance with Article 19(4) of the ITTA, 1994, this distribution of votes will be used for the assessment of the contribution of each Member to the Administrative Budget for 2007.

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

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

Item 8 - Statement by the Executive Director

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

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

Pursuant to Decision 5(XXVI), and in order to organize its work for the Session, the Council may consider the report of the Eighteenth Meeting of the Informal Advisory Group (IAG), to be convened on Sunday, 28 May 2006.

The report of the Eighteenth Meeting of the IAG will be presented by the Chairperson, Mr. Koichi Ito (Japan).

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 - Measures to Improve and Strengthen the ITTO Project Cycle – Decision 3(XXXVII)
[Document ITTC(XL)/5]

Pursuant to its Decision 3(XXXVII) and the recommendations of the Twenty-ninth Expert Panel for Technical Appraisal of Project and Pre-project proposals the Council may consider the report of the Thirty-first Expert Panel for Technical Appraisal of Project Proposals on the trial application of the Qualitative Award Criteria and Weighted Scores for project and pre-project proposals.

Item 12 - Status of Tropical Forest Management Report – Decision 9(XXX)

Pursuant to its Decision 9(XXX) the Council authorized the Executive Director to obtain appropriate expertise to prepare and publish "A Report on the Status of Tropical Forest Management". The Council may receive this report.

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

The Council will be updated on the progress in the implementation of training workshops to promote the understanding and use of the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests

Item 14 - Extension of the International Tropical Timber Agreement (ITTA), 1994

Pursuant to Article 46 of the ITTA, 1994, the Council may wish to consider extending the ITTA, 1994 until the entry into force of the ITTA, 2006.

Item 15 - 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 consider matters related to Article 16.

Item 16 - ITTO Fellowship Programme – Decision 4(XXVII)
[Documents ITTC(XL)/6 and ITTC(XL)/7]

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(XL)/6]; and (b) the report of the Fellowship Selection Panel presented by its Chairperson [Document ITTC(XL)/7]. The Council will announce the final selection of awards based on the Chairperson's report.

Item 17 - Draft Annual Report for 2005
[Document ITTC(XL)/4]

The Secretariat will present to the Council the draft Annual Report for 2005.

Item 18 - Special Account and Bali Partnership Fund

(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(XIX)/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(XL)/8].

Item 19 - 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 20 - Dates and Venues of the Forty-first, Forty-second and Forty-third Sessions of the Council and the Associated Sessions of the Committees

The Council has already approved the date and venue of the Forty-first Session to be held in Yokohama, Japan from 6 to 11 November 2006. The Council may wish to confirm this date and venue.

The Council also noted the invitation of the Government of Papua New Guinea to host the Forty-second Session of the Council in Port Moresby, Papua New Guinea from 21 to 26 May 2007. In order to maintain the established practice of setting Session dates and venues eighteen months in advance to facilitate logistical arrangements, the Council may also wish to approve the date and venue of its Forty-second Session and set the date and venue of the Forty-third Session.

Item 21 - Other Business

The Council may consider any matters brought under this item.

Item 22 - Decisions and Report of the Session

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

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

- (a) The Council will give guidance to the Executive Director through the Council Chairperson on routine or non-controversial matters not having financial implications. This guidance will be included in the Report of the Session, not reflected as decisions of Council;
- (b) In order for draft decisions by Members to be considered by Council, the following procedures will be adopted:
 - In relation to the Provisional Agenda, Members submit proposals for Council decisions to the Executive Director for circulation to all Members not less than two weeks prior to Council. Each proposal contains three elements: the subject, the purpose of the decision, and the proposed action, including any financial implications. The Executive Director will not circulate incomplete proposals.
 - Minus Day 1: The IAG considers the proposals for Council decisions from Members, as well as proposals from the Executive Director.
 - Council Day 1: The Chairperson presents the proposals to Council as part of the IAG report and identifies which, if any, can be handled per 4.a of the decision.
 - Day 2: The proposals for draft decisions are discussed in Caucuses and via informal consultations.
 - Day 3: The Council decides the topics it will consider for decision; then the Chairperson, assisted by a small group and the Executive Director, develops preliminary draft decisions for circulation to and consideration by all Members.

/...

- Day 4+: The Chairperson's Open-Ended Drafting Group convenes to discuss and finalize draft decisions.
- Noon, Penultimate Day: Final decisions are submitted for translation. Decisions still under negotiation are deferred to the next Council Session.

The Council may wish to review the above procedures.

Item 23 - Closing of the Session

Following any final statements by Delegates, the Chairperson will close the Fortieth Session of the Council.

Annex

PROPOSED DISTRIBUTION OF VOTES FOR 2006

	<u>No. of Votes</u>	
	2005	2006 (Proposed)
<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
<hr/>		
Total: 1,000	1,000	

	2005	<u>No. of Votes</u> 2006 (Proposed)
<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>

* * *

ANNEX III

TEXT OF THE DECISIONS

ADOPTED BY THE COUNCIL AT ITS FORTIETH SESSION

DOCUMENT: ITTC(XL)/9
DOCUMENT: ITTC(XL)/10

Distr.
GENERAL

ITTC(XL)/9
2 June 2006

Original: ENGLISH

FORTIETH SESSION
29 May – 2 June 2006
Mérida, Yucatán, Mexico

DECISION 1(XL)

PROJECTS, PRE-PROJECTS AND ACTIVITIES

The International Tropical Timber Council,

Having considered at its Fortieth Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(XXXVIII)/7, and CRF(XXXVIII)/4; and the report of the Tenth Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTC(XL)/8;

1. Decides:

(i) to approve the following Projects:

PD 340/05 Rev.2 (M)	National Forest Statistical Information System in Guatemala (Guatemala) ITTO Budget: US\$305,523.00
PD 406/06 Rev.1 (M)	Establishment of a National Forest and Timber Marketing Statistics System (Ecuador) ITTO Budget: US\$454,148.00
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) ITTO Budget: US\$674,071.00
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 (Mexico) ITTO Budget: US\$366,271.00
PD 376/05 Rev.2 (F,M)	To Develop and Promote a Monitoring Information System to Support the Sustainable Development of the Tree Resources outside Forest at the Sub-district Level in Thailand (Thailand) ITTO Budget: US\$462,645.00
PD 383/05 Rev.2 (F)	Community Forest Development in Gabon (Gabon) ITTO Budget: US\$594,432.00
PD 387/05 Rev.2 (F)	Promotion of Community-based Forest Plantations in Tanah Laut, South Kalimantan (Indonesia) ITTO Budget: US\$499,728.00
PD 389/05 Rev.2 (F)	Application of the Internal Monitoring of SFM Performance at Forest Management Unit Level (Indonesia) ITTO Budget: US\$381,888.00

/...

PD 392/06 Rev.1 (F)	Regional Project to Promote Reduced Impact Logging in the Congo Basin – Phase I (Gabon) ITTO Budget: US\$ 1,224,334.00
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) ITTO Budget: US\$ 549,974.00
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) ITTO Budget: US\$ 762,156.00
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) ITTO Budget: US\$ 444,960.00
PD 407/06 Rev.1 (F)	Support to the Implementation of the Action Plan for the Sustainable Management of the Assoukoko Gazetted Forest (Togo) ITTO Budget: US\$ 330,492.00
PD 348/05 Rev.2 (I)	Composites from Wood Residues and Recycled Plastics for Increasing Utilization Efficiency of Wood Resources (The Philippines) ITTO Budget: US\$ 99,792.00
PD 363/05 Rev.3 (I)	Harmonizing Forestry Training in order to Develop National SFM Capacities in Congo (Republic of Congo) ITTO Budget: US\$ 493,042.00
PD 364/05 Rev.3 (I)	Providing Village Communities with Basic Technological Training for Extracting Valuable Essential Oils from <i>Eucalyptus Citriodora</i> Plantations in Rural Areas of Congo (Republic of Congo) ITTO Budget: US\$ 391,510.00
PD 385/05 Rev.2 (I,F)	Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species (Mexico) ITTO Budget: US\$ 703,388.00
PD 416/06 (I)	Regional Workshop on Processing, Marketing and Trade of Quality Wood Products of Teak Plantations (India) ITTO Budget: US\$ 106,539.00

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

PD 340/05 Rev.2 (M)	\$305,523.00
PD 350/05 Rev.3 (F)	\$366,271.00
PD 376/05 Rev.2 (F,M)	\$462,645.00
PD 389/05 Rev.2 (F)	\$381,888.00
PD 416/06 (I)	\$106,539.00

(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 406/06 Rev.1 (M)	\$454,148.00
PD 327/05 Rev.3 (F)	\$674,071.00

PD 383/05 Rev.2 (F)	\$594,432.00
PD 387/05 Rev.2 (F)	\$499,728.00
PD 392/06 Rev.1 (F)	\$1,224,334.00
PD 394/06 Rev.1 (F)	\$549,974.00
PD 395/06 Rev.1 (F)	\$762,156.00
PD 399/06 Rev.1 (F)	\$444,960.00
PD 407/06 Rev.1 (F)	\$330,492.00
PD 348/05 Rev.2 (I)	\$99,792.00
PD 363/05 Rev.3 (I)	\$493,042.00
PD 364/05 Rev.3 (I)	\$391,510.00
PD 385/05 Rev.2 (I,F)	\$703,388.00

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

PD 353/05 Rev.2 (M,F,I)	\$477,889.00
PD 349/05 Rev.2 (F)	\$387,296.00

- (vi) to authorize the amendments in the budgets and the release of funding for the immediate implementation of the following Projects which were approved at earlier Sessions:

PD 294/04 Rev.4 (F) – Phase I	\$286,091.00
PD 297/04 Rev.3 (F)	\$406,836.00
PD 360/05 Rev.2 (F)	\$610,000.00

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

PD 294/04 Rev.4 (F) – Phase II	\$180,373.00
--------------------------------	--------------

2. Decides:

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

PPD 123/06 Rev.1 (F)	Controlling the Dieback and Decay Phenomenon in Plantation Species (Côte d'Ivoire) ITTO Budget: US\$ 79,920.00
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) ITTO Budget: US\$ 54,000.00
PPD 122/06 Rev.1 (I)	Wood Technology (Guatemala) ITTO Budget: US\$ 49,926.00

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

PPD 123/06 Rev.1 (F)	\$79,920.00
----------------------	-------------

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

PPD 117/05 Rev.2 (I,M)	\$54,000.00
PPD 122/06 Rev.1 (I)	\$49,926.00

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

PPD 19/01 Rev.2 (I)

\$75,625.00

- (v) to approve and authorize the financing for implementation as soon as earmarked funds are available in the Special Account for the following Activity:

First Regional Parliamentary Conference on the Sustainable Management of Central African Forest Ecosystems
[Decision 2(XL)] Up to the amount of US\$200,000.00

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.

* * *

Distr.
GENERAL

ITTC(XL)/10
2 June 2006

Original: ENGLISH

FORTIETH SESSION
29 May – 2 June 2006
Mérida, Yucatán, Mexico

DECISION 2 (XL)

FIRST REGIONAL PARLIAMENTARY CONFERENCE ON THE SUSTAINABLE MANAGEMENT OF CENTRAL AFRICAN FOREST ECOSYSTEMS

The International Tropical Timber Council,

Recognizing the value of Africa's forests and the economic, environmental and social significance of the timber trade in many countries on the African continent;

Recalling the commitment taken by the Heads of State of Central Africa to sustainably manage tropical forests under the Yaoundé Declaration of March 1999 and the signing of the Treaty establishing the Commission en charge des Forêts d'Afrique Centrale (COMIFAC) and the adoption of the Convergence Plan in February 2005 in Brazzaville, Congo;

Recalling ITTO's Decision 11(XXX) on the Promotion of Sustainable Forest Management in the Congo Basin, which, inter alia, engages ITTO in the Congo Basin Forest Partnership;

Recalling ITTO's work already implemented to support the Congo Basin Forest partnership and the Yaoundé Declaration process;

Recalling the commitment of 31 African countries, through the Africa Forest Law Enforcement and Governance (AFLEG) Ministerial Declaration of October 2003 in Yaoundé, Cameroon, to promote forest governance and law enforcement;

Recalling ITTC Decision 2(XXXII) in order to enhance the participation of civil society in the relevant activities of the ITTO;

Underscoring the importance of the potential contribution of Parliament Members in the promotion of sustainable forest management;

Noting the intention of the Network of Parliamentarians for the Sustainable Management of Central African Forest Ecosystems to organize the First Regional Parliamentary Conference in order to promote the sustainable management of Central African moist forests;

Further noting the support given to the Conference by the international community and the importance of building partnerships in an initiative of this kind;

Decides to:

1. Commend the organization of the First Regional Parliamentary Conference to promote the sustainable management of Central African moist forests;
2. Authorize the Executive Director to seek from Member countries voluntary contributions not exceeding US\$200,000.00 to partially meet the expenses related to the Conference.

Requests the Executive Director to ensure that ITTO is represented at the Conference and report on its results at the Forty-second Session of the Council, including the objectives, outcomes and utilization of funds provided by ITTO.

* * *

ANNEX IV

THE OUTCOME OF THE DISCUSSIONS OF THE CHAIRPERSON'S OPEN-ENDED DRAFTING GROUP MEETING ON THE EXTENSION OF THE INTERNATIONAL TROPICAL TIMBER AGREEMENT, 1994

**The Outcome of the Discussions of the Chairperson's
Open-ended Drafting Group Meeting on the
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;

Recognizing that the International Tropical Timber Agreement, 1994, is scheduled to expire on 31 December 2006;

Noting the provisions on accession, notification of provisional application and entry into force set out in Articles 37, 38 and 39 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 entry into force of the successor agreement;

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

* * *

ANNEX V

REPORTS OF THE ASSOCIATED SESSIONS OF THE FOUR COMMITTEES

Documents: CEM-CFI(XXXVIII)/7
 CRF(XXXVIII)/4
 CFA(XIX)/6

Distr.
GENERAL

CEM-CFI(XXXVIII)/8
2 June 2006

Original: ENGLISH

THIRTY-EIGHTH SESSION
29 May – 2 June 2006
Mérida, Yucatán, Mexico

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

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

Table of Contents

Report

Appendix A: Report on the ITTO Annual Market Discussion – 2006

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

REPORT

1. Opening of the Session

The Thirty-eighth Session of the Committees was opened on 29 May 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 1-5. 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(XL)/Info. 2.

2. Adoption of Agenda and Organization of Work

The Committees adopted the Agenda for the joint Thirty-eighth Session as contained in document CEM-CFI(XXXVIII)/1.

3. Admission of Observers

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

4. Report of the Meeting of the Expert Panel for Technical Appraisal of Project Proposals [Joint Session with the Committee on Reforestation and Forest Management (CRF) and the Committee on Finance and Administration (CFA)]

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-first Meeting held on 6-10 February 2006 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXVIII)/1. In summary, the report of the EP indicated:

- (i) A total number of 60 proposals evaluated comprising 49 project and 11 pre-project proposals; compared with 41 proposals assessed at the previous EP meeting.
- (ii) A total number of 22 proposals (35% of proposals evaluated) comprising 18 project and 4 pre-project proposals were accorded category 1 rating, compared with 24% accorded at the previous EP meeting.
- (iii) 11 out of the 22 proposals accorded category 1 rating (50%) were revised project proposals.
- (iv) The percentage of proposals requiring amendment or reformulation was still high.
- (v) Total funding sought for proposals submitted to the EP at its Thirty-first Meeting and accorded category 1 rating was US\$29 million, compared with US\$20 million and US\$23 million sought during the Thirtieth and Twenty-ninth Meetings of the EP respectively.
- (vi) Actual funding of projects in 2005 totalled only US\$12.2 million, thus showing that ITTO would need a substantial increase of funds to implement projects with category 1 rating or that fewer projects should be submitted.

The Chairman of the EP highlighted a number of common weaknesses and persistent problems in project formulation including:

- (i) Lack of clear and comprehensive "problem analysis" and its presentation summarized in a "problem tree" which shall also serve as basis for an "objective tree".
- (ii) The "development objective" as well as the "specific objective(s)" tend to be misunderstood as being "outcome" or "activity"; as a consequence, the activities often tend not to be clearly focused on solving a defined problem and/or serving a development objective (such project proposals "lack focus").
- (iii) The "logical framework" (presenting the summary table of the project) often does not meet the requirements set out in the ITTO Manual for project formulation.
- (iv) Project strategy (which shall be built on the basis of an objective tree) in many cases does not sufficiently consider possible risks, cost, mitigation measures or alternatives and time requirements for reaching the objective(s).
- (v) Projects proposals in many cases do not elaborate sufficiently on the necessity for phased approach towards output and related activities, for risk assessment, for the need of timely capacity building to assure infrastructure for successful start of projects.
- (vi) In many cases, future sustainability of projects remained uncertain (lack of follow-up).

- (vii) Social, environmental, economic and technical problems identified in the analysis were often not directly or only insufficiently covered in project proposals.
- (viii) Regional and trans-boundary proposals presented by a single country often lack evidence of support from the other partner countries or organizations.
- (ix) Many proposals do not clearly show how they relate to ITTO Objectives, relevant Action Plans, Guidelines, etc.
- (x) Budget items and TOR's for staff often are not well presented.
- (xi) Methodologies for implementation are insufficiently articulated.

The findings and recommendations of the EP at its Thirty-first Meeting included:

- (i) Project proposals focusing on Non-timber Forest Products (NTFPs) such as rattan, bamboos and environmental services, need to clearly show direct relevance to sustainable forest management (SFM) and their contribution to ITTO Objective 2000.
- (ii) Regional proposals should contain evidence of firm commitments from participating countries to seriously pursue common objectives and conduct joint activities.
- (iii) There continues to be an unclear understanding of the scope and expected results for projects on phased approaches to certification.
- (iv) Continuing confusion exists on whether projects are to be submitted as small project, pre-project, or full project proposals. Project proposals should follow strictly the ITTO Manual on Project Formulation, second edition, May 1999 in this regard.
- (v) The strategy, methodology and approach to community-based plantation projects should be explained in detail and explaining the close relation to SFM objectives, as these vary from country to country and the sites in a country.
- (vi) Phase II project proposals can only be assessed if results of Phase I are already available to the Panel.
- (vii) Ex-post evaluation should be conducted immediately after completion of phased projects.
- (viii) Training and capacity building proposals should be supported by needs assessment, curricula or training modules, and targets to be trained etc.
- (ix) Project durations are often too short and funds requested over-estimated.
- (x) Technical and scientific aspects are weakly developed, in particular for genetic improvement projects, the choice of species and use of technologies should be clearly justified.
- (xi) Creation of new institutions for implementation should be justified with appropriate government policy and sustainability.
- (xii) The Panel noted that some projects are too heavily weighted to needs for management staff, travel, DSA, cars and overhead expenses.
- (xiii) To the extent possible, salaries to local inhabitants and related direct benefits should be emphasized in project design and budgeting.
- (xiv) Many proposals did not refer to any internal monitoring mechanism which would be necessary for the Executing Agency to secure successful implementation of projects.
- (xv) Many proposals which were related to statistics were not sufficiently developed.

The Chairman of the EP further informed the Committees that the Report of the Thirty-first Expert Panel for Technical Appraisal of Project Proposals on the trial application of the Qualitative Award Criteria and Weighted Scores for project and pre-project proposals as contained in document ITTC(XL)/5 would be presented to the Council at its current Session under item 11 of the Agenda.

The delegate of Indonesia sought clarification on the issues relating to the streamlining of DSA rates for projects, ownership of patent and intellectual property rights and involvement of private companies in projects. The delegate from Brazil informed the Committees on its initiative to improve the quality of project proposals through an internal reviewing system prior to submission to ITTO. She further indicated that some of the EP's recommendations might not be practical such as the requirement of an ex-post evaluation of a first phase of a project before the subsequent phase be considered and whether the focus of evaluation was on a programme or a specific project under a programme.

The delegates of Guatemala and Gabon raised the issue of approved projects not being funded and there was discussion on whether this was due to the quality of the projects or the lack of funding. The delegate of France suggested that information on all approved projects and pre-projects pending financing should be made available on the ITTO homepage to ensure that these would not be overlooked by potential donors.

The delegate of Japan urged members to adhere to the recommendation contained in ITTC Decision 3(XXXVII) which encouraged members to submit a maximum of 3 projects to each EP on a

prioritised basis to facilitate predictable funding. The Chairman of the EP provided explanation on issues raised that were within the competence of the EP. The Committees agreed that some of the issues raised could be discussed and considered in the on-going process of revising the ITTO Project Cycle Manual and Guidelines.

5. Measures to Improve and Strengthen the ITTO Project Cycle

The Secretariat briefed the Committees on progress in implementing measures to improve and strengthen the ITTO Project Cycle according to the terms of reference approved by the Committees during their Thirty-Sixth Sessions in Brazzaville in June 2005. Three consultants had been hired to review and update the existing ITTO related manuals and guidelines, to develop an ITTO manual on project standard operating procedures (SOP) and computerized tools (software) to facilitate project proposals and budget preparation.

A validation workshop comprising 4 representatives from producer member countries and 4 representatives from consumer member countries would be convened in July 2006 to review the work of the consultants, including the draft revised manuals and guidelines and the computerized tools.

The Secretariat also called the attention of the Committees to item 11 of the Council Agenda "Measures to Improve and Strengthen the ITTO Project Cycle" regarding the trial application of the Qualitative Award Criteria and Weighted Scores for project and pre-project proposals. The Secretariat informed the Committees that the Award Criteria System was being taken into account in the on-going process of revising and updating the ITTO Project Cycle Manuals and Guidelines.

6. ITTO Annual Market Discussion – 2006 [Joint Session with the Committee on Reforestation and Forest Management (CRF)]

The Committees noted the summary of the ITTO Annual Market Discussion – 2006, held in the Joint Session of the Technical Committees on 31 May 2006, as contained in Appendix A. The theme of the Market Discussion was "Timber Markets and Procurement Policies". Dr. James Gasana (Chairperson of CEM) chaired the meeting and Mr. Barney Chan (T-A-G Coordinator) served as the moderator of the Market Discussion. The following feature presentations were made during the Market Discussion:

Mr. Mario Molina CONAFOR, Mexico	"Tropical Woods for Industrial Use in Mexico"
Mr. Rupert Oliver Forest Industries Intelligence Ltd., UK	"Recent Trends in Timber Procurement Policy"
Dr. Jean Mark Roda CIRAD, France	"European New Trends of Public Procurement Policies for Tropical Timber: Lessons from the French Case and Global Implications"
Mr. Christian Lundmark Jensen Danish Ministry of Environment	"Implementing Public Procurement Policies in Practice, Lessons Learnt – A Case from Denmark"
Ms. Brigid M. Shea IWPA, USA	"Corporate Procurement Policies in the USA"

7. Report on Completed Projects and Pre-projects

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

Committee on Economic Information and Market Intelligence

PD 80/01 Rev.6 (M)

Consolidating Sustainable Forest Management Certification System in Indonesia

The delegate of Indonesia reported on the implementation of the project. 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.

Committee on Forest Industry

PD 61/99 Rev.2 (I) Increasing the Efficiency in the Tropical Timber Conversion and Utilization of Residues from Sustainable Sources (Brazil)

The Secretariat reported on the implementation of the project. The Committees noted that the completion report and the audited financial statements of the project had been submitted to the Secretariat in accordance with the project agreement and that publications and guidelines on the use of forest and timber processing waste for energy production were being made available for dissemination. The Committees duly declared the project complete.

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

The delegate of Thailand reported on the successful implementation of the project and presented a movie on the project. The Committees noted that the completion report and the audited financial statements of the project had been submitted to the Secretariat in accordance with the project agreement and the project was duly declared complete.

PD 68/01 Rev.2 (I) Training in Reduced Impact Logging in Guyana

The delegate of Guyana reported on the successful implementation of the project. The Committees noted that the completion report of the project had been submitted in accordance with the project agreement and the project was duly declared complete, subject to the submission of the audited financial statements to the Secretariat. The delegate of Brazil informed the Committees that the Training Centre for promoting Reduced Impact Logging (RIL), created in the Brazilian Amazon region with the support of an earlier implemented ITTO project, is now fully integrated with national agencies in Brazil to support RIL activities within the framework of the Amazon Cooperation Treaty and is eager to explore bilateral collaboration with the centre in Guyana.

8. Ex-post Evaluation

(A) Ex-post Evaluation Missions/Report

Committee on Economic Information and Market Intelligence

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)

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)

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)

The Secretariat informed the Committees that a consultant was being sought for a joint ex-post evaluation of PD 34/00 Rev.2 (M) and PD 27/95 Rev.3 (M) Phase II Stage 2.

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

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

PD 74/01 Rev.1 (M)

Development and Implementation of Guidelines to Control Illegal Logging for Sustainable Forest Management in Indonesia

The Committees noted that a consultant had been engaged to undertake the ex-post evaluation of the project and the report of the ex-post evaluation was expected to be presented at the next Session of the Committees.

Committee on Forest Industry

PD 7/94 Rev.3 (M,I)

Information and Technical Assistance for Production and Trade on Tropical Timber (Brazil)

The Committees considered the executive summary of the ex-post evaluation report on the project as contained in document CEM-CFI(XXXVIII)/3. A presentation before the Committees was made by the consultant, Ing. Enrique Toledo (Peru), in respect of his ex-post evaluation report on this project. Recommendations identified by the consultant included: 1) to focus project formulation more on industrial processing and international trade related components, 2) to provide for a strategy for sustainability of project outputs in the field of trade and for the financing of technical assistance and training, 3) for the executing agency to involve a larger number of companies interested to participate and promote more interagency cooperation. In addition it was felt that the selected companies did not provide a significant counterpart contribution to the project. The delegate of Brazil welcomed the report and its recommendations. The delegate further informed the Committees that the lessons learned by the implementation and ex-post evaluation mission of this project had helped the Brazilian Government in its efforts to improve the design and implementation procedures for future project proposals.

The Committees commended the consultant for his report and presentation.

PD 47/94 Rev.3 (I)

Industrial Utilization of Lesser-known Forest Species in Sustainably Managed Forests (Honduras)

The Committees considered the executive summary of the ex-post evaluation report on the project as contained in document CEM-CFI(XXXVIII)/4. A presentation before the Committees was made by the consultant, Ing. Carlos Gonzalez Vicente (Mexico), in respect of his ex-post evaluation report on this project. Recommendations identified by the consultant included: 1) promptly integrate, regularize and control rural groups that have access to tropical forests of Honduras; 2) eliminate legal disposition that limits the harvest of forests to 200 m³ per group; 3) make better and more competitive use of NTFPs for energy generation; 4) make training more continuous and focused; 5) strengthen the link between academic universities, governments and associations; 6) pre-group species so they can be more closely studied; 7) create better schemes for financing and credit; 8) encourage more extensive participation from interested partners; and 9) disseminate results more widely.

The delegate of Japan requested further clarification as to why the project was delayed from 36 to 72 months, and the consultant replied that the delay was due to repeatedly changing project managers and the high complexity of the project. The delegate from the European Community said that the project was relatively successful, since it marketed 20 out of 25 species and wondered how to increase interaction between the project and consumers to improve market acceptability of lesser known species. The delegate from the US expressed hope that the lessons learned could be disseminated to areas outside the project and promote synergies between ITTO projects. The delegate of Indonesia also asked how to build awareness in local communities. In response to the delegate of Indonesia, the consultant noted that local communities were involved in the design of the project, but representation of stakeholders in projects could be improved.

The Committees commended the consultant for his report and presentation.

The Committees noted that the Secretariat was in the process of identifying a consultant who would conduct the ex-post evaluation of the following project:

PD 56/99 Rev.1 (I)

Promotion of the Utilisation of Bamboo from Sustainable Sources in Thailand

The Committees further noted that the Secretariat was in the process of identifying a consultant who would conduct the ex-post evaluation of the following two projects in a single mission to save costs:

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 further noted that the Secretariat was in the process of identifying a consultant who would conduct the ex-post evaluation of the following two projects in a single mission to save costs:

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)

(B) Selection of Projects for Ex-post Evaluation

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

Committee on Economic Information and Market Intelligence

PD 80/01 Rev.6 (M)

Consolidating Sustainable Forest Management Certification System in Indonesia

Committee on Forest Industry

PD 24/00 Rev.1 (I)

Promotion of Sustainable Utilization of Rattan from Plantation in Thailand

PD 68/01 Rev.2 (I)

Training in Reduced Impact Logging in Guyana

The Committees discussed the selection of the following project for ex-post evaluation:

PD 61/99 Rev.2 (I)

Increasing the Efficiency in the Tropical Timber Conversion and Utilization of Residues from Sustainable Sources (Brazil)

The delegate from Brazil requested a delay in considering the project for ex-post evaluation. After consultation among delegates from Guatemala, France, Brazil and the ITTO Secretariat, the group recommended that the decision on selecting the project for ex-post evaluation be deferred to the next Session of the Committees. In response to a proposal that ex-post evaluations be considered by Council on a joint session of all Committees, the ITTO Secretariat informed the Committees that pursuant to ITTC Decision 3(XXVIII), the decision on the selection of projects for ex-post evaluation should be taken by the Committee(s) overseeing the implementation of the projects.

The Committees agreed to defer consideration of the project to the next Session.

9 Consideration of Project and Pre-project Proposals

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

Committee on Economic Information and Market Intelligence

- | | |
|---------------------|---|
| PD 340/05 Rev.2 (M) | National Forest Statistical Information System in Guatemala |
| PD 406/06 Rev.1 (M) | Establishment of a National Forest and Timber Marketing Statistics System (Ecuador) |

Committee on Forest Industry

- | | |
|------------------------|---|
| PD 348/05 Rev.2 (I) | Composites from Wood Residues and Recycled Plastics for Increasing Utilization Efficiency of Wood Resources (Philippines) |
| PD 363/05 Rev.3 (I) | Harmonizing Forestry Training in order to Develop National SFM Capacities in Congo |
| 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 |
| PD 385/05 Rev.2 (I,F) | Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species |
| PD 416/06 (I) | Regional Workshop on Processing, Marketing and Trade of Quality Wood Products of Teak Plantations (India) |
| 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 |
| PPD 122/06 Rev.1 (I) | Wood Technology (Guatemala) |

The Committees considered PD 385/05 Rev.2 (I,F) "Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species". The US delegate suggested that the lessons learned from the project should include the experiences with integrated management of the ten species, that the project is an opportunity to encourage the sustainable use of the species, and that the project could contribute to long-term doctoral studies on these species and integrated forest management.

The Committees noted the importance of the work done by ITTO on lesser known species and the opportunities for synergies between different ITTO projects on this topic.

The Committees also 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) |
|---------------------|--|

The delegate of the Central African Republic (CAR) informed the Committees that due to the regional nature of both project proposals CAR required time to liaise with neighboring countries to ensure their cooperation and support. He requested the Committees to defer consideration of these proposals

until the next Session of the Committees. The delegates of Congo, Gabon and the representative of COMIFAC supported this proposal and indicated interest in collaborating. The delegate of USA noted the decision of the Expert Panel on these projects and requested that the extenuating circumstances that would allow the Committees' further consideration of the proposals be made explicit. The Committees recommended that the decision on considering these 2 project proposals be deferred and requested the delegate of CAR to provide revised proposals addressing all of the Expert Panel's concerns for consideration at the next Session of the Committees.

The Committees considered in detail the comments and recommendations of the Thirty-first 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 B.

The Committees also considered the following project proposal which had been approved earlier by the Committees but has now been recommended to be transferred from the original submitting member country to another member country:

PD 268/04 Rev.2 (I)

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

The Australian delegate explained that his government's support for the project had been withdrawn and encouraged another member country to become the submitting government, noting that the project would otherwise lose its status as an approved project by the next Session of Council under the ITTO sunset provisions. The delegate from Côte d'Ivoire indicated that her government was interested in taking responsibility for this project. The Secretariat suggested that Côte d'Ivoire submit a formal letter to the Secretariat indicating its willingness to take over the project.

In addition, the Committees considered the following proposal which had been revised from the previously approved PPD 19/01 Rev.1 (I) in order to meet the recommendations and requirements of the Common Fund for Commodities (CFC) pursuant to Decision 4(XVIII) on "Cooperation between ITTO and the Common Fund for Commodities". The delegate of Congo noted the need for synergies between this project and the FAO regional project on non-timber forest products (NTFPs). The Committees recommended that the Council approve the amended proposal:

PPD 19/01 Rev.2 (I)

"Sustainable Management of Non-timber Forest Products (NTFPs) in Cameroon, Congo, Gabon and Central African Republic" (CFC/ITTO/68FT)

10. Policy Work

Thirteen issues and six issues and strategic policy activities under the CEM and CFI respectively, were discussed by the Committees.

Committee on Economic Information and Market Intelligence

(i) Market Access

The Committees noted that the topic of building codes and the wood products sector had been raised at a recent meeting of the Negotiation Group on Non-Agricultural Market Access (NAMA) in the context of the on-going negotiations of the WTO Doha Development Agenda (DDA). The Committees recalled that the issue was addressed in the ITTO Study on Measures to Promote the Expansion and Diversification of International Trade in Tropical Timber which was completed in 2005. The Committees further noted the latest developments in negotiations on forest products within NAMA including the proposal on tariff liberalization in the forest products sector aimed at eliminating tariffs on wood and paper products which was the topic of discussion at a recent NAMA meeting.

(ii) Forest and Timber Certification

The Committees were informed that following ITTO policy work on phased approaches to certification, one project proposal for the development of a national certification scheme based on a phased approach had been submitted for ITTO's appraisal and approval. The Committees noted that

while progress was being made in some producing member countries, the overall share of certified tropical forests to the total area of certified forests in the world remained less than ten percent. The delegate of Malaysia informed the Committees that a written update on the progress in certification in Malaysia would be submitted to the Secretariat. It was observed that as a voluntary market-based mechanism, certification was only one of the tools to promote sustainable management of forests. The Committees nevertheless noted the emerging relationship between certification and public and corporate procurement policies and the attendant challenges and opportunities for the international timber trade.

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

The Secretariat presented selected data from the 2005 Annual Review and Assessment of the World Timber Situation with a focus on China. The presentation focused on China's large log and sawnwood imports, as well as its rapidly growing plywood and SPWP exports. The presentation also highlighted discrepancies in China's reported imports of tropical logs and sawnwood with Indonesia's reported exports of these products, and between its exports of SPWP and import reports of major importers. The delegate of the Netherlands asked if the increased production and trade of value-added products by China was impacting producer exporters. The Secretariat pointed out that China was a formidable competitor in both plywood and SPWP markets, and that its export growth in recent years had far exceeded that of producer countries, possibly displacing some producer exports. The delegate of the USA noted the importance of monitoring trade flows and discrepancies therein, and urged that this work be continued.

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

The Committees were informed that a consultant firm had been engaged to carry out the study together with the Study on Encouraging Private Sector Investment in Industrial Forest Plantations in the Tropics under the CRF. The Committees further noted that the report of the market study was expected to be presented at the next Session of the Committees.

(v) Assist the Trade Advisory Group (T-A-G) in Organizing and Holding the ITTO Annual Market Discussion – 2006 on the World Tropical Timber Trade during the Fortieth Session of the ITTC in May/June 2006

The Committees noted that the theme for the ITTO Annual Market Discussion – 2006 was "Timber Markets and Procurement Policies" and the discussion would be held on 31 May 2006 (see item 6). The report of the Market Discussion is contained in Appendix A.

(vi) 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 would be decided in November 2006 in conjunction with the Forty-first Session of the International Tropical Timber Council in Yokohama.

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

The Committees were informed that the implementation of the review had been scheduled to begin during the second half of 2006.

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

The Committees took note of the presentation by the consultant (Mr. Alberto Goetzl) on his preliminary report. The Committees recalled that this study was the result of their request for a preliminary study on this issue and that funds remained available under the ITTO Biennial Work Programme 2006-2007 for further work on this activity. The Committees had a wide ranging discussion on the report and the issues it raised, with divergent views expressed on the need for and scope of any additional work to be undertaken by ITTO on this issue. The Committees decided to request members to submit written comments to the Secretariat on the draft report by 31 July 2006

so it could be finalized before the next Session. The Committees also requested the Secretariat to compile all 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 so that this issue could continue to be discussed at the next Session.

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

The Committees were informed that consultants had been engaged to undertake the auditing of these systems. The Committees noted that the report of the auditing of existing tracking systems in tropical forest industries was expected to be presented at the next Session of the Committees.

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

The Committees were informed that the implementation of this activity had been scheduled in 2007 after the completion of the activity on auditing of existing tracking systems in tropical forest industries [PP-A/37-156].

The Secretariat also reported progress in a related work programme activity to organize four regional workshops to promote the ITTO-FAO Best Practices for Improving Law Enforcement in the Forest Sector. Consultations on the first workshop were underway in collaboration with FAO and the Amazon Cooperation Treaty Organization. Other workshops will be convened in late 2006 in Africa (COMIFAC countries) and in 2007 in Asia and Central America. Brazil noted that regional consultations on the first workshop were underway and requested details on the ITTO budget for this activity to assist in finalizing the location. The EU requested that information on the workshops under this work programme activity be provided to all members when available. The representative of PNG informed the Committees that his country was organizing a meeting on forest law enforcement in 2006.

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

The Secretariat reported on preparations undertaken with FAO to convene a statistical training workshop for Latin America in September 2006. The Secretariat also responded to a request from the Committees at their last Session to provide ideas on how to enhance forest sector statistics reported by member countries. The Secretariat made the following recommendations:

- (i) Countries should agree on consistent methods for quantifying or estimating timber production;
- (ii) Countries should work to revise the Harmonized System of Customs Classification to allow tropical products to be better recognized, particularly for plywood;
- (iii) Countries should establish working groups on timber/forest statistics including representatives of all relevant agencies/ministries to harmonize approaches to forestry data collection/reporting;
- (iv) Countries should attempt to ensure stability in terms of the staff charged with reporting forestry data internationally and, when staff turnover is inevitable, ensure appropriate training of new staff is undertaken;
- (v) Countries should take advantage of the data-checking tools incorporated in the electronic version of the Joint Forest Sector Questionnaire;
- (vi) Countries should take advantage of training workshops, missions and capacity building projects on forestry statistics available through ITTO and others;
- (vii) ITTO should consider providing targeted assistance to countries unable to report statistics due to lack of capacity/infrastructure, etc.; and
- (viii) More resources should be directed toward forestry statistics within the ITTO Secretariat.

The Committees appreciated the work of the Secretariat and concluded that this item should remain on the Committee's policy work agenda for its next Session.

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

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

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

The Committees were informed that the implementation of the activity had been scheduled in the second half of 2006 in consultation and collaboration with Brazil. The delegate of Ecuador expressed his government's interest in this activity.

(xiv) **Policy Work for the next Session**

The delegates of PNG and Malaysia requested that issues relating to public procurement policies (PPP) in member countries and developments in WTO negotiations be included under the Committee's policy work agenda item. The EU and the USA asked for details on the specific policy aspects that would be discussed under such items. The EU suggested that two types of discussion could be foreseen: information updates (e.g. on PPPs, on FLEGT developments, etc.) and discussions leading to further work to be undertaken by ITTO. The EU offered to provide information on FLEGT developments to the Committees. The Secretariat noted that both items suggested by PNG and Malaysia could be covered under the on-going Market Access policy work agenda item. The Secretariat also informed that all of the Committee's policy work items requiring funding were drawn from the 2006-2007 Work Programme which included details of budgets and agreed terms of reference for all such activities.

Committee on Forest Industry

(i) **Promote the Establishment of Efficient and Socially Responsible Community-based Forest Industries** [PP-A/36-151A]

The Committees were briefed on the results of the study that had been implemented by Forest Trends and Rights and Resources Initiative in collaboration with other partners. In the presentation of the report, Ms. Augusta Molnar highlighted the findings from a review of 19 case studies on community based forest enterprises in tropical forest countries, and which indicated that community forest management could reduce deforestation and contribute to improved management, conservation and fire protection. Community based forest enterprises did significantly contribute to the rural economy, employment generation and improved livelihoods. However, the study found that there were only a limited number of tropical countries where conditions had been favourable to the emergence and growth of community forestry enterprises (CFE). The main recommendations of the study to the producing countries are: 1) to reduce or modify regulations that impede the emergence of CFE, 2) to secure tenure and access to forest resources, 3) to increase community participation in the forest policy dialogue and 4) to strengthen capacity building. The study's recommendations to ITTO are: 1) to analyze and exchange lessons learned on CFE status and performance in the market place and 2) to promote more projects and policy work that support CFE. In addition, the CSAG spokesperson presented the recommendations resulting from the side event on CFE that the CSAG had organized earlier: 1) to include a CFE programme into ITTO's Biennial Work Programme 2008-9, 2) to undertake a review of the projects and programmes dealing with CFE of the 3 Committees for presentation at the Forty-first Council Session, and 3) to create an Expert Panel to elaborate a CFE workplan to be presented at the Forty-first Council Session and at the International Conference on CFE.

The delegates from the Philippines, EU, Switzerland, Brazil and PNG commended the presenters and stressed the importance of CFE for both poverty alleviation and sustainable forest management. However, some of these delegates cautioned that the findings of this study may be too optimistic and may require more clarification regarding the risks and challenges that CFE face, including those related to increased globalization and benefit sharing. The delegate from Switzerland supported the proposal for a global review of lessons learned by ITTO from projects and programmes dealing with CFE for presentation at the Council and at the International Conference on CFE, while expressing reservations about the need for an Expert Panel on CFE. The Committees recommended to take up this issue at its next Session. The delegates of Brazil and Guatemala expressed the interest of their governments in hosting the International Conference on CFE.

- (ii) Study and Promote Policies and Other Measures to Increase Tropical Plywood Industry Competitiveness [PP-A/36-152]

The Committees were informed by the Secretariat that the Proceedings of the International Conference on Tropical Plywood, which took place from 26 to 28 September 2005 in Beijing, China have been printed and that the presentations, findings and recommendations of the Conference are still available from ITTO's website.

- (iii) Promote Wood-based Bioenergy Using Wood Residues and Wastes in Tropical Countries

The Secretariat informed the Committees on the progress made by the Secretariat with the preparations for the organization of an International Conference on Wood-based Bio-energy Using Wood Residues and Wastes in Tropical Countries, which is planned to take place during the first half of 2007.

- (iv) Promote Private Investment Through Facilitating Information Exchange on Investment Opportunities – Organization/Convening of Investment Promotion Forum/Seminar [PP-A/35-141]

The Committees were briefed by the Secretariat on the successful outcome of the International Tropical Forest Investment Forum, which took place on 26 - 27 April 2006 in Cancun, Mexico and which was organized jointly by ITTO, Forest Trends and CONAFOR (Comisión Nacional Forestal - Mexico). The Committees took note of the main opportunities and constraints to private sector investment in natural forest management in tropical countries, of the Forum's recommendations and follow-up and that this Forum was instrumental for guiding the preparations to organize the 3 follow-up Regional Investment Fora that had been approved at the Thirty-ninth Council Session.

The priorities for action identified by the Forum for the following target groups for further consideration at the regional level are:

For Small Scale Enterprises

- support the trend towards community and private forest ownership;
- create innovative financial incentive mechanisms;
- develop markets for certified products through Producer Consumer Groups
- mobilize technical assistance for training;
- simplify Government regulatory and bureaucratic procedures.

For Large Scale Enterprises

- transparent and secure concession contracts;
- political risk insurance mechanisms;
- less complex and more equitable taxation and revenue sharing;
- independent certification + market access;
- strengthen forest governance (i.e. FLEG processes);
- promote adoption of environmental safeguard policies by financial institutions such as export credit agencies, commercial banks;
- outsource fiber supply to local communities and small holders.

For Environmental Services

- take advantage of emerging mechanisms to pay for environmental services especially carbon (Kyoto) and support reliable monitoring procedures.

The Secretariat informed the Committees that the presentations, list of participants, findings and recommendations of the Forum are available at the ITTO's website and that the Proceedings of the Forum are under preparation by Forest Trends.

The delegates from Germany, Netherlands, Mexico, Guatemala, USA, EU, France, Brazil and Ghana underlined the important contribution of this Forum to further clarify opportunities and constraints for investment in natural tropical forests and on the proposed priorities for follow-up action through the 3 follow-up Regional Investment Fora.

The delegates of Brazil and Ghana expressed the interest of their governments to host the Regional Investment Fora for Latin America and Africa, respectively.

- (v) 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

The Secretariat informed the Committees on the progress made by the Secretariat with the preparations for the organization of an International Conference to Promote the Development of Non-Timber Forest Products and Services, and which is planned to take place during 2007.

- (vi) International Conference on the Transportation of Timber Products

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. The information and knowledge made available in this small consultation meeting would be used by the Secretariat in its further preparations for 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 (including a draft program for the International Conference on the Transportation of Timber Products) for the consideration of the Committees at its next Session. The Committee noted the need to include expertise on customs statistics at the small meeting.

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

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

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.

12. Other Business

The Committees noted the presentation made by the delegate of Colombia on the preliminary results of project PD 203/03 Rev.3 (M). The Committees further noted the satisfactory progress in the implementation of project activities which were expected to be completed in June 2006.

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 340/05 Rev.2 (M)	National Forest Statistical Information System in Guatemala [US\$305,523]
PD 406/06 Rev.1 (M)	Establishment of a National Forest and Timber Marketing Statistics System (Ecuador) [US\$454,148]

Committee on Forest Industry

The Committees recommended to Council for approval and that funding be made immediately available for the following projects and pre-projects

PD 348/05 Rev.2 (I)	Composites from Wood Residues and Recycled Plastics for Increasing Utilization Efficiency of Wood Resources (Philippines) [US\$99,792]
---------------------	--

- | | |
|------------------------|--|
| PD 363/05 Rev.3 (I) | Harmonizing Forestry Training in order to Develop National SFM Capacities in Congo [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 [US\$391,510] |
| PD 385/05 Rev.2 (I,F) | Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species [US\$703,388] |
| PD 416/06 (I) | Regional Workshop on Processing, Marketing and Trade of Quality Wood Products of Teak Plantations (India) [US\$106,539] |
| 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 [US\$54,000] |
| PPD 122/06 Rev.1 (I) | Wood Technology (Guatemala) [US\$49,926] |
- (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 298/04 Rev.1 (M) | Strengthen the Capacity to Effectively Market Exports of Forest Products from Guyana [US\$130,896] |
| 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 353/05 Rev.2 (M,F,I) | Adoption and Implementation of the Forestry Information System (FIS) for the Philippines [US\$477,889] |

Committee on Forest Industry

- | | |
|---------------------|---|
| PD 177/02 Rev.3 (I) | Establishment of the Kinshasa National Saw Doctoring Center in the Democratic Republic of Congo [US\$637,838] |
| PD 227/03 Rev.4 (I) | Action Research and Systems Analysis: Capacity Building in Central Africa and Analysis of the Social and Environmental Sustainability of Forest Logging Concessions in the Subregion (Democratic Republic of Congo) [US\$625,320] |
| PD 285/04 Rev.2 (I) | Introduction of a Village Industry in the Community around an Industrial Forest Plantation in Sumatra, Indonesia [US\$319,221] |
| PD 299/04 Rev.3 (I) | Reduction of Timber Wastes in Both Logging and Mechanical Processing Operations (Republic of Congo) [US\$608,970] |
| 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 313/04 Rev.3 (I) | Development of the Rubberwood Industry in Côte d'Ivoire – Phase II [US\$503,736] |

PD 316/04 Rev.2 (I)	Which Species to Log in Tomorrow's Central African Forests? (Tools for the Sustainable Management of the Central African Republic's Rainforests) [US\$772,238]
PD 343/05 Rev.1 (I)	Bamboo for Development through Community Driven Industries (Philippines) [US\$508,651]
PD 344/05 Rev.2 (I)	Utilization of Lesser Used Wood Species in Guyana [US\$95,040]
PPD 68/03 Rev.2 (I)	Study on Utilization of Plantation Teak (Myanmar) [US\$80,000]

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

REPORT ON THE ITTO ANNUAL MARKET DISCUSSION - 2006 31 May 2006, Mérida, Yucatán, Mexico

The market discussion 2006 was held on 31 May 2006 and the theme was "Timber Markets and Procurement Policies". The discussion featured 5 speakers namely Mr. Mario Molina (CONAFOR, Mexico), Mr. Rupert Oliver (Forest Industries Intelligence Ltd., UK), Dr. Jean Mark Roda (CIRAD, France), Mr. Christian Lundmark Jensen (Danish Ministry of Environment) and Ms. Brigid M. Shea (IWPA, USA). The discussion was moderated by Mr. Barney Chan (Sarawak Timber Association, Malaysia), Coordinator of the T-A-G.

Mr. Mario Molina made a presentation on the forest sector in Mexico, including the country's forest resources, wood production and capacity, industrial uses, apparent consumption and correlation of the latter with imports. Apparent consumption was almost 30 million m³ in 2003, up from 17 million m³ in 2000. About 75% of the wood consumption was accounted for by wood imports in 2003, up from 47% in 2000. The growth of wood imports had been stimulated by greater consumption and economic and exchange stability. The wood trade sector was characterized by high intermediation due to lack of capital in the marketing channels, high production costs, obsolete production technology and heavy focus on the national market. These characteristics suggested the need for national producers to design strategies that would allow them to develop and preserve sustained market niches by integration or alliances and greater focus on added value and semi and finished products demanded by the market. Mr. Molina indicated that the demand for certified wood products in Mexico was negligible and there was no price premium for such products. This was probably due to the lack of knowledge of no certified products and policy promoting certification as an element of sustainable forest management (SFM).

In his keynote presentation, Mr. Rupert Oliver provided a background on public wood procurement policies (PPP), the driving forces (public, industry but mainly ENGO driven) involved and the salient features of these policies. He underlined that government procurement policies should be developed in line with WTO obligations and EU Procurement Directives. The criteria for selection of contractors must be non-discriminatory and the same rules must apply irrespective of point of origin. If a government agency should decide that the timber must be traceable to forest of origin to prove "sustainability", this must be applied equally to timber from other countries of origin. Specifications must be directly related to the subject matter of the contract. EC legal advice on criteria for "sustainable timber" might refer to direct environmental and sustained yield aspects of timber production but might not refer to broader social issues such as rights of labour and indigenous people.

Mr. Oliver said that a fair PPP should be driven less by exclusive commitment to any particular certification brand and potential acceptance of a wider range of schemes. The exclusion of social criteria meant that schemes should be judged on what they were best able to deliver and there should be flexibility to provide alternative forms of evidence where certification was impractical. Mr Oliver pointed out that some EU member governments (UK, Belgium, Netherlands, France, Germany and Denmark) were developing their own PPPs with little evidence of coordination, let alone harmonisation. He considered it unrealistic to expect timber suppliers to adapt operations to ensure conformance with 25 different sets of criteria.

Formal efforts to develop PPPs were only at national government level which was a less significant timber buyer than local and regional government (estimated at 200,000 authorities). Mr. Oliver said that procurement policy was often driven by public pre-conceptions and the media rather than objective assessment. ENGO grass root activism was a key influence. FSC had benefited from ENGO recognition, mass marketing and on-product brand promotion by large retailers while the industry was shy of tackling authorities with FSC-only policies, despite these clearly contravening EU procurement directives.

Mr. Oliver identified opportunities and threats arising from PPPs:

Opportunities:

- Creating stronger demand for certified wood.
- Potential to improve returns from investment in certification.
- Reduce unfair competition from illegal wood.
- Development of public procurement policies based on WTO rules counters ENGO efforts to promote FSC-only agenda.

Threats:

- Inconsistent policies at national level create a barrier to trade.
- Major beneficiaries likely to be forest owners in rich western countries.
- Single-issue ENGO campaigns lead to uneven approach.
- Procurement requirements reflect media inspired perception of forestry issues, not sustainable development needs of supplying countries.
- Goal posts constantly shifted to satisfy ENGOs.
- Green requirements on timber not matched by equivalent requirements on substitutes.

Mr. Oliver concluded his presentation by recommending that producers should engage themselves in the process of the development of PPPs so as to avoid being excluded from the market.

Dr. Jean Marc Roda described the ongoing development of France's public timber policy from a researcher's perspective. The French government issued a set of rules for public procurements which:

- are applied equally to temperate and tropical timbers;
- accept all existing eco-certificates, or even proofs of legality or of effective management plans endorsed by independent third bodies;
- carefully avoid potential contradiction with WTO agreements;
- will be enforced gradually: 50% of the public procurement by 2007 and 100% by 2010.

According to Dr. Roda, public procurement accounted for about 25% of the tropical timber imported by France. Problems foreseen included inadequate availability of products meeting the requirements, impossibility to correctly identify the origin (temperate or tropical) of 70% of the products and difficulty in monitoring *a posteriori*. The lack of availability of certified tropical wood as compared with greater availability of certified temperate wood were likely to create market distortions for tropical wood products. However, the ongoing trend among European countries to increase the level of their environmental requirements for tropical forest products was a reality that was expected to persist.

Dr. Roda discussed the broader implications of PPPs on the tropical timber economy. Timber procurement policies could create an indirect segregation between some temperate and some tropical producers or, more precisely, between producers with a high level of economic stability, and those with a low economic stability. A factorial analysis of FSC certified areas versus more than 200 economic and development indicators showed a very strong relationship between certified forest areas and the country's welfare. This explained why only 5% of the certified forests were in tropical developing countries. He concluded that an increase in European environmental requirements for tropical forest products should be accompanied by the development of side-measures to tackle poverty and the comparative disadvantages faced by producing countries.

Mr. Christian L. Jensen provided an overview of the Danish PPP, which since 1995 has been covered by voluntary guidelines for a wide variety of products and materials. Voluntary guidelines for purchase of tropical timber were launched in 2003. Following a 9-point plan of February 2006 from the Danish Minister for the Environment, the Danish timber procurement policy and guidance will expand to all kinds of timber. An evaluation of the Danish PPP revealed, among others, that many did not know the guidelines or followed them incorrectly; the guidelines needed more focus on different user groups' specific needs (harbour engineers, institutions, central procurement officers, etc.); and that there were differences with PPPs from other EU countries with regards to criteria for legality, sustainability and documentation, most notably regarding inclusion of social criteria. The initial exclusive focus on tropical timber could potentially conflict with WTO rules. There were some attempts to evaluate the impact of the Danish PPPs on tropical forests and tropical timber trade, noting increased area coverage of certified tropical forests since 2003 and some minor, but probably not significant changes in the Danish import volumes of tropical timber.

Ms. Brigid Shea said that US industry procurement policies were largely different compared to those in the EU and varied by industry (paper or solid wood products) and species (softwood or hardwood). Although IWPA represented 221 companies, most were small businesses and even the largest importers had less than 1% of the total market share for a given product. This meant that no company has significant supply-chain leverage to force requirements upon suppliers. Furthermore, very strict US anti-trust rules meant that wood procurement decisions must be made voluntarily and by each company. These two features made US procurement policies different from those in other countries. US companies respected the sovereignty of supplying countries and the issuance of export certificates or licenses as proof of legality. Most US consumers did not have procurement policies and did not exert pressure on

suppliers for any kind of proof of origin. Nonetheless, IWPA extensively visited suppliers to assure quality, legality and high standards of professional and market conduct. In 1992, IWPA endorsed two voluntary policies for its members' use entitled Environment Policies for Wood and Purchasing Policies for Wood and Wood Products. These policies were being widely used by its members. IWPA had also adopted policies against illegal logging and on an importers "code of conduct".

With regards to downstream industries, these varied in the degree they pushed suppliers on wood procurement policies. Big retailers like Home Depot and Lowe's that imported directly or used large importers, took one approach, whereas the thousands of custom cabinet shops that bought from US distributors took a completely different approach. An IWPA review of corporate procurement policies in different segments of the wood products industry found that the majority of the market was not placing "procurement policy" demands on importers. Several IWPA members were participants in the WWF Global Forest and Trade Network as a way to position themselves pro-actively in the marketplace or an attempt to garner a greater share of ultra-competitive markets. However, price, availability, quality and consistency tended to dominate business discussions in the US more than procurement policies. Home Depot and Lowe's listed environmental policies on their web sites. While they tended not to pay a premium for certified product, their tremendous appetite for wood played a strong role in supporting the development of the certified wood industry. Most US-based home builders did not pay attention to the source of their wood, but a few of the large national builders had committed to buying certified wood. A large portion of softwood lumber imports came from Canada, although an increasing volume was entering from Europe. Softwood plywood from Brazil had captured a significant share of the US market and played an important role in helping US manufacturers produce quality homes at competitive prices. In the domestic furniture market, manufacturing was moving increasingly off shore to China where decisions on wood purchasing were not made on the basis of environmental consideration.

The projection for the future of wood procurement policies varies throughout the US industry. Success would depend on the market demand and competitive prices because in a mostly commodity market, everyone sold the same product at the same price. Those companies who chose to sell certified products did so because they felt it benefited their companies – either through market positioning, by assuring supply or as initiative to respond to environmental campaigns against their companies. Most companies had not yet chosen to pursue certification solely on the basis of projected profit. However, producer countries should engage in the PPP process to avoid being excluded from the market.

In the ensuing discussion, the speakers were congratulated for their presentations. The French delegate clarified that France's PPP was on all timbers, not only tropical and that the guidelines were not perfect and were subject to revision every two years. The Malaysian timber industry delivered a statement on its views regarding the international development of timber procurement policies. While fully supporting the efforts to address the complex problems of illegal logging and illegal trade, the industry remained uncertain whether the principle of responsible purchasing would have a positive impact on tropical timber producing countries in particular. It contended that the impact of PPPs on the price of certified timber was negligible and the resulting price disincentive would work against the ultimate goal of achieving SFM. On difficulties faced by tropical producing countries, the statement highlighted the varying and divergent requirements of PPPs as the most challenging and expressed the hope that the EU Forest Law Enforcement, Governance and Trade (FLEGT) initiative would provide common requirements applicable to all EU member countries as well as to domestic and imported timbers. The possibility that wood could be substituted by other materials which were not subjected to the strict requirements facing the wood sector was also emphasised.

The delegate of Norway informed that his country was in the process of developing its own PPP and requested guidance from members in this regard particularly in dealing with local municipalities. The delegate of Australia raised the issues on the effectiveness of PPPs in enhancing sustainability and legality as well as on the need for harmonizing the various PPPs. It was pointed out that there had been no adequate evidence to indicate the impact of PPPs on the management of forests thus far. While the need for harmonization was generally agreed, there were complexities and challenges in bringing about greater convergence amongst PPPs. Being a relatively recent development, the overall experience with PPPs was still evolving and there would be room for fine-tuning and improvement.

The delegate of the EC provided clarification on its policies on PPPs, FLEGT and Voluntary Partnership Agreements (VPA) while the delegate of Congo underscored the need for financial assistance to address the lack of progress in certification in the tropics.

The representative of FAO announced that a one day forum on public procurement policies and their impact on trade would be organised by FAO and UNECE in Geneva on 5 October 2006.

APPENDIX B

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

Committee on Economic Information and Market Intelligence

- (i) PD 340/05 Rev.2 (M) National Forest Statistical Information System in Guatemala

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

The Committees noted the comments and recommendations of the Thirty-first Expert Panel for Technical Appraisal of Project Proposals. The delegate of the Central African Republic (CAR) informed the Committees that due to the regional nature of this project proposal CAR required time to liaise with neighboring countries to ensure their cooperation and support. He requested the Committees to defer consideration of this proposal until the next Session of the Committees. The delegates of Congo, Gabon and the representative of COMIFAC supported this proposal and indicated interest in collaborating. The delegate of USA noted the decision of the Expert Panel on this project and requested that the extenuating circumstances that would allow the Committees' further consideration of the proposal be made explicit. The Committees requested the delegate of CAR to provide a revised proposal addressing all of the Expert Panel's concerns for consideration at the next Session of the Committees.

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

The Committees noted the presentation made by the Secretariat. The Committees further noted that the recommendations and comments made by the Thirty-first 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.

Committee on Forest Industry

- (i) PD 348/05 Rev.2 (I) Composites from Wood Residues and Recycled Plastics for Increasing Utilization Efficiency of Wood Resources (Philippines)

The Committees noted the presentation made by the delegate of the Philippines. The Committees further noted that the recommendations and comments made by the Thirty-first 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 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 noted the comments and recommendations of the Thirty-first Expert Panel for Technical Appraisal of Project Proposals. The delegate of the Central African Republic (CAR) informed the Committees that due to the regional nature of this project proposal CAR required time to liaise with neighboring countries to ensure their cooperation and support. He requested the Committees to defer consideration of this proposal until their next Session of the Committees. The delegates of Congo, Gabon and the representative of COMIFAC supported this proposal and indicated interest in collaborating. The delegate of USA noted the decision of the Expert Panel on this project and requested that the extenuating circumstances that would allow the Committees' further consideration of the proposal be made explicit. The Committees requested the delegate of CAR to provide a revised proposal addressing all of the Expert Panel's concerns for consideration at the next Session of the Committees.

- (iii) PD 363/05 Rev.3 (I) Harmonizing Forestry Training in order to Develop National SFM Capacities in Congo

The Committees noted the presentation made by the delegate of Republic of Congo. The Committees further noted that the recommendations and comments made by the Thirty-first 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 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

The Committees noted the presentation made by the delegate of Republic of Congo. The Committees further noted that the recommendations and comments made by the Thirty-first 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 385/05 Rev.2 (I,F) Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species

The Committees noted the presentation made by the delegate of Mexico. The Committees further noted that the recommendations and comments made by the Thirty-first 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 416/06 (I) Regional Workshop on Processing, Marketing and Trade of Quality Wood Products of Teak Plantations (India)

The Committees noted the presentation made by the Secretariat. The Committees further noted that the recommendations and comments made by the Thirty-first 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 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

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

- (viii) PPD 122/06 Rev.1 (I) Wood Technology

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

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 340/05 Rev.2 (M)	a,f,g,h,j,k,l,m,n	305,523	24	Guatemala	1
PD 357/05 Rev.2 (M,F)	a,b,c,d,e,f,g,h	514,076	36	CAR	4
PD 406/06 Rev.1 (M)	a,b,c,d,e,f,g,h,i	454,148	24	Ecuador	1
Committee on Forest Industry					
PD 348/05 Rev.2 (I)	c,f,i	99,792	24	Philippines	1
PD 355/05 Rev.2 (I)	a,b,c,d,e	526,267	18	CAR	4
PD 363/05 Rev.3 (I)	c,d,f,g,l	493,042	36	Republic of Congo	1
PD 364/05 Rev.3 (I)	f,j,l,m	391,510	24	Republic of Congo	1
PD 385/05 Rev.2 (I,F)	c,d,e,f,g,h,i,j,k,l,m,n	703,388	36	Mexico	1
PD 416/06 (I)	e,f,h,l,m	106,539	12	India	1
PPD 117/05 Rev.2 (I,M)	c,f,i,k	54,000	2	Guatemala	1
PPD 122/06 Rev.1 (I)	c,g,i,m	49,926	3	Guatemala	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.

Distr.
GENERAL

CRF(XXXVIII)/4
2 June 2006

Original: ENGLISH

THIRTY-EIGHTH SESSION
29 May – 2 June 2006
Mérida, Yucatán, Mexico

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

Table of Contents

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-eighth Session of the Committees was opened on 29 May 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 the Committee on Economic Information and Market Intelligence (CEM). The subsequent meetings of the CRF were chaired by Dr. Petrus Gunarso (Indonesia), Chairperson of CRF, assisted by Dr. Flip Van Helden (the Netherlands), Vice-Chairperson of CRF. The list of participants is presented in document ITTC(XL)/Info.2.

Item 2 - Adoption of Agenda and Organization of Work

At the first meeting of the Joint Session of the Committees on 29 May 2006, the Committee formally adopted the Agenda of its Thirty-eighth Session as contained in document CRF(XXXVIII)/1.

Item 3 - Admission of Observers

The Committees admitted the observers listed in document ITTC(XL)/Info.3 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-first Meeting held on 6-10 February 2006 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXVIII)/1. In summary, the report of the EP indicated:

- (i) A total number of 60 proposals evaluated comprising 49 project and 11 pre-project proposals; compared with 41 proposals assessed at the previous EP meeting.
- (ii) A total number of 22 proposals (35% of proposals evaluated) comprising 18 project and 4 pre-project proposals were accorded category 1 rating, compared with 24% accorded at the previous EP meeting.
- (iii) 11 out of the 22 proposals accorded category 1 rating (50%) were revised project proposals.
- (iv) The percentage of proposals requiring amendment or reformulation was still high.
- (v) Total funding sought for proposals submitted to the EP at its Thirty-first Meeting and accorded category 1 rating was US\$29 million, compared with US\$20 million and US\$23 million sought during the Thirtieth and Twenty-ninth Meetings of the EP respectively.
- (vi) Actual funding of projects in 2005 totalled only US\$12.2 million, thus showing that ITTO would need a substantial increase of funds to implement projects with category 1 rating or that fewer projects should be submitted.

The Chairman of the EP highlighted a number of common weaknesses and persistent problems in project formulation including:

- (i) Lack of clear and comprehensive "problem analysis" and its presentation summarized in a "problem tree" which shall also serve as basis for an "objective tree".
- (ii) The "development objective" as well as the "specific objective(s)" tend to be misunderstood as being "outcome" or "activity"; as a consequence, the activities often tend not to be clearly focused on solving a defined problem and/or serving a development objective (such project proposals "lack focus").
- (iii) The "logical framework" (presenting the summary table of the project) often does not meet the requirements set out in the ITTO Manual for project formulation.
- (iv) Project strategy (which shall be built on the basis of an objective tree) in many cases does not sufficiently consider possible risks, cost, mitigation measures or alternatives and time requirements for reaching the objective(s).
- (v) Projects proposals in many cases do not elaborate sufficiently on the necessity for phased approach towards output and related activities, for risk assessment, for the need of timely capacity building to assure infrastructure for successful start of projects.
- (vi) In many cases, future sustainability of projects remained uncertain (lack of follow-up).

- (vii) Social, environmental, economic and technical problems identified in the analysis were often not directly or only insufficiently covered in project proposals.
- (viii) Regional and trans-boundary proposals presented by a single country often lack evidence of support from the other partner countries or organizations.
- (ix) Many proposals do not clearly show how they relate to ITTO Objectives, relevant Action Plans, Guidelines, etc.
- (x) Budget items and TOR's for staff often are not well presented.
- (xi) Methodologies for implementation are insufficiently articulated.

The findings and recommendations of the EP at its Thirty-first Meeting included:

- (i) Project proposals focusing on Non-timber Forest Products (NTFPs) such as rattan, bamboos and environmental services, need to clearly show direct relevance to sustainable forest management (SFM) and their contribution to ITTO Objective 2000.
- (ii) Regional proposals should contain evidence of firm commitments from participating countries to seriously pursue common objectives and conduct joint activities.
- (iii) There continues to be an unclear understanding of the scope and expected results for projects on phased approaches to certification.
- (iv) Continuing confusion exists on whether projects are to be submitted as small project, pre-project, or full project proposals. Project proposals should follow strictly the ITTO Manual on Project Formulation, second edition, May 1999 in this regard.
- (v) The strategy, methodology and approach to community-based plantation projects should be explained in detail and explaining the close relation to SFM objectives, as these vary from country to country and the sites in a country.
- (vi) Phase II project proposals can only be assessed if results of Phase I are already available to the Panel.
- (vii) Ex-post evaluation should be conducted immediately after completion of phased projects.
- (viii) Training and capacity building proposals should be supported by needs assessment, curricula or training modules, and targets to be trained etc.
- (ix) Project durations are often too short and funds requested over-estimated.
- (x) Technical and scientific aspects are weakly developed, in particular for genetic improvement projects, the choice of species and use of technologies should be clearly justified.
- (xi) Creation of new institutions for implementation should be justified with appropriate government policy and sustainability.
- (xii) The Panel noted that some projects are too heavily weighted to needs for management staff, travel, DSA, cars and overhead expenses.
- (xiii) To the extent possible, salaries to local inhabitants and related direct benefits should be emphasized in project design and budgeting.
- (xiv) Many proposals did not refer to any internal monitoring mechanism which would be necessary for the Executing Agency to secure successful implementation of projects.
- (xv) Many proposals which were related to statistics were not sufficiently developed.

The Chairman of the EP further informed the Committees that the Report of the Thirty-first Expert Panel for Technical Appraisal of Project Proposals on the trial application of the Qualitative Award Criteria and Weighted Scores for project and pre-project proposals as contained in document ITTC(XL)/5 would be presented to the Council at its current Session under item 11 of the Agenda.

The delegate of Indonesia sought clarification on the issues relating to the streamlining of DSA rates for projects, ownership of patent and intellectual property rights and involvement of private companies in projects. The delegate from Brazil informed the Committees on its initiative to improve the quality of project proposals through an internal reviewing system prior to submission to ITTO. She further indicated that some of the EP's recommendations might not be practical such as the requirement of an ex-post evaluation of a first phase of a project before the subsequent phase be considered and whether the focus of evaluation was on a programme or a specific project under a programme.

The delegates of Guatemala and Gabon raised the issue of approved projects not being funded and there was discussion on whether this was due to the quality of the projects or the lack of funding. The delegate of France suggested that information on all approved projects and pre-projects pending financing should be made available on the ITTO homepage to ensure that these would not be overlooked by potential donors.

The delegate of Japan urged members to adhere to the recommendation contained in ITTC Decision 3(XXXVII) which encouraged members to submit a maximum of 3 projects to each EP on a prioritised

basis to facilitate predictable funding. The Chairman of the EP provided explanation on issues raised that were within the competence of the EP. The Committees agreed that some of the issues raised could be discussed and considered in the on-going process of revising the ITTO Project Cycle Manual and Guidelines.

Item 5 – Measures to Improve and Strengthen the ITTO Project Cycle

The Secretariat briefed the Committees on progress in implementing measures to improve and strengthen the ITTO Project Cycle according to the terms of reference approved by the Committees during their Thirty-Sixth Sessions in Brazzaville in June 2005. Three consultants had been hired to review and update the existing ITTO related manuals and guidelines, to develop an ITTO manual on project standard operating procedures (SOP) and computerized tools (software) to facilitate project proposals and budget preparation.

A validation workshop comprising 4 representatives from producer member countries and 4 representatives from consumer member countries would be convened in July 2006 to review the work of the consultants, including the draft revised manuals and guidelines and the computerized tools.

The Secretariat also called the attention of the Committees to item 11 of the Council Agenda "Measures to Improve and Strengthen the ITTO Project Cycle" regarding the trial application of the Qualitative Award Criteria and Weighted Scores for project and pre-project proposals. The Secretariat informed the Committees that the Award Criteria System was being taken into account in the on-going process of revising and updating the ITTO Project Cycle Manuals and Guidelines.

Item 6 - ITTO Annual Market Discussion - 2006

The Committees noted the summary of the ITTO Annual Market Discussion – 2006, held in the Joint Session of the Technical Committees on 31 May 2006, as contained in Appendix A of the Report of the Committees on Economic Information and Market Intelligence and Forest Industry [document CEM-CFI(XXXVIII)/7]. The theme of the Market Discussion was "Timber Markets and Procurement Policies". Dr. James Gasana (Chairperson of CEM) chaired the meeting and Mr. Barney Chan (T-A-G Coordinator) served as the moderator of the Market Discussion. The following feature presentations were made during the Market Discussion:

Mr. Mario Molina CONAFOR, Mexico	"Tropical Woods for Industrial Use in Mexico"
Mr. Rupert Oliver Forest Industries Intelligence Ltd., UK	"Recent Trends in Timber Procurement Policy"
Dr. Jean Mark Roda CIRAD, France	"European New Trends of Public Procurement Policies for Tropical Timber: Lessons from the French Case and Global Implications"
Mr. Christian Lundmark Jensen Danish Ministry of Environment	"Implementing Public Procurement Policies in Practice, Lessons Learnt – A Case from Denmark"
Ms. Brigid M. Shea IWPA, USA	"Corporate Procurement Policies in the USA"

Item 7 - Report on Completed Projects and Pre-Projects

The Secretariat informed the Committee that the completed projects and pre-projects are listed in document CRF(XXXVIII)/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:

7.1 Completed Projects

(A) Completed Projects, Including Financial Audit

1) *PD 42/96 Rev.1 (F) **Support for the Development of a Forestry and Wildlife Law (Peru)**

The Committee took note that this project was reported as completed at its Thirty-second Session, but pending a Final Financial Audit Report. The Committee further noted that the Final Financial Audit Report had recently been satisfactorily submitted to the Secretariat by the Executing Agency. Therefore, the Committee 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 took note that the Completion Report, the Technical Reports and the Final Financial Audit Report have been submitted by the Executing Agency. Referring to the summary of the completion report included in CRF (XXXVIII)/3, the Swiss delegate indicated that additional information should be made available with regard to some substantial matters that have impact on the sustainability of the transboundary conservation area. He underscored the importance of the ITTO transboundary conservation program and the commitment of his country in supporting it. He called the attention of the Committee to the fact that the first phase of this transboundary project has already been completed and the completion of this second phase should give clear evidence that the area is fully secured and that social and environmental issues have been resolved. He also emphasized that many useful lessons could be learnt from the implementation of this project that would be useful in pursuing the implementation of the ITTO transboundary conservation program, and in this connection, he suggested that an ex-post evaluation might be commendable.

In view of these comments, the Committee requested the Secretariat to make the full project completion report available to members for more information on activities implemented under the project and on the prevailing conservation status of the area, with a particular focus on social and environmental issues. The Committee decided to defer its decision regarding the completion of this project at its next Session in November 2006, and invited the Government of Indonesia to make a presentation at that Session in order to further inform members on completed project activities and on the conservation status of the area.

The Committee was also informed that informal discussions between the representatives of Switzerland, Indonesia and Malaysia took place at this Session. From these discussions it was agreed that, in order to have better insight to the problems encountered in the context of transboundary development, the Indonesian Government will invite the representative of Switzerland to visit the Betung Kerihun National Park. On similar importance, the Malaysian Government Officials will soon pay a visit to the Indonesia Ministry of Forestry to discuss further development of transboundary program between the two countries.

3) *PD 67/01 Rev. 1 (F) **Dissemination of Forest Development and Research Results Obtained During the Implementation of the Technical Report for Forest Conservation –CEMARE (Panama)**

The Committee took note that this project was reported as completed at its Thirty-fourth Session, but pending Final Financial Audit Report. The Committee further noted that the Final Financial Audit Report had recently been satisfactorily submitted to the Secretariat by the Executing Agency. Therefore, the Committee decided to consider the project as completed.

4) PD 106/01 Rev.1 (F) **Increasing Genetic Diversity of *Shorea leprosula* and *Lophopetalum multinervium* for Breeding and Genetic Improvement (Indonesia)**

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

* The project was reported as 'Completed Projects, Pending Financial Audit' during a previous Committee Session.

5) PD 137/02 Rev.2 (F)

Demonstration Plantation of *Xantoxylum rethsa*, *Manilkara kauki*, *Alstonia scholaris*, and *Whrightia pubescens* to Promote Sustainable Bali Natural Forest (Indonesia)

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

6) PD 222/03 Rev.1 (F)

Harmonization of Forest Related Terms and Definitions (Philippines)

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

(B) Completed Projects, Pending Financial Audit

1) PD 185/91 Rev.2 (F)

Sustainable Forest Management and Development in Peninsular Malaysia, Phase II (Malaysia)

The Committee took note that field activities have been completed and the Executing Agency has submitted the Completion Report and the Technical Reports, but the Final Financial Audit Report is still pending. The Committee urged the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session. Considering the importance of this project in promoting the sustainable management of dipterocarp forests, the valuable lessons that could be learnt since its inception and the substantial amount of funds already invested, the delegate of Japan suggested that the executing agency should make a formal presentation on the project implementation and achievements in the next Committee Session. The Committee endorsed this suggestion.

2) PD 2/93 Rev.1 (F)

Integrated Pilot Management of the Ngoua II Forest-North - Phase I: Preparation of the Management Plan (Congo)

The Committee took note that field activities have been completed and the Executing Agency has submitted the completion report and the technical report, but the Final Financial Audit Report is still pending. 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 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 field activities have been completed and the Executing Agency has submitted the completion report and several technical reports, but the Final Financial Audit Report is still pending. The Committee urged the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session.

4) PD 30/97 Rev.6 (F)

Rehabilitating Degraded Forest through Collaboration with Local Communities (Ghana)

The Committee took note that field activities have been completed and the Executing Agency has submitted the completion report and the technical report, but the Final Financial Audit Report is still pending. The Committee urged the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session.

7.2 Completed Pre-Projects

(A) Completed Pre-Projects, Including Financial Audit

- 1) PPD 37/02 Rev.1 (F) **Study for the Conservation, Rehabilitation and Sustainable Management of Mangroves in Togo (Togo)**

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

- 2) PPD 56/02 Rev.1 (F) **Strengthening Central and Sub-national Institutions to Enhance Plantation Forest Development in Jambi and South Kalimantan (Indonesia)**

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

- 3) PPD 87/03 Rev.2 (F) **Identification of *Gonystylus* spp. (Ramin), Potency, Distribution, Conservation and Plantation Barrier (Indonesia)**

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

- 4) PPD 95/04 (F) **Model of Rehabilitation and Sustainable Utilization of Mangrove Forest at Langkat, North Sumatra (Indonesia)**

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

(B) Completed Pre-Projects, Pending Financial Audit

- 1) PPD 104/04 Rev.1 (F) **Development of a Project Proposal to Support the Implementation of the National Forest Strategy in Peru**

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

Item 8 - Ex-post Evaluation

(A) Ex-post Evaluation

The Secretariat informed the Committee that independent consultants have been selected to conduct the ex-post evaluation of projects selected during the Thirty-seventh Session under the two thematic areas of "Training in Sustainable Forest Management (4 projects) and "Community Participation in Sustainable Forest Management (7 projects). The ex-post evaluation reports will be presented at Yokohama in November 2006.

(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 recalled its Decision at the Thirty-seventh Session 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 had 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. Accordingly, the Committee, decided to defer the selection of further completed projects for ex-post evaluation until its Forty-first Session.

Item 9 - Consideration of Project and Pre-Project Proposals

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

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

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

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

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
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
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	Mexico
PD 376/05 Rev.2 (F,M)	To Develop and Promote a Monitoring Information System to Support the Sustainable Development of Tree Resources outside Forest at the Sub-district Level in Thailand	Thailand
PD 383/05 Rev.2 (F)	Community Forest Development in Gabon (Gabon)	Gabon
PD 387/05 Rev.2 (F)	Promotion of Community-based Forest Plantations in Tanah Laut, South Kalimantan, Indonesia	Indonesia
PD 389/05 Rev.2 (F)	Application of the Internal Monitoring of SFM Performance at Forest Management Unit Level	Indonesia
PD 392/06 Rev.1 (F)	Regional Project to Promote Reduced Impact Logging in the Congo Basin – Phase I	Gabon
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
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
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
PD 407/06 Rev.1 (F)	Support to the Implementation of the Action Plan for the Sustainable Management of the Assoukoko Gazetted Forest	Togo

PPD 123/06 Rev.1(F)	Controlling the Dieback and Decay Phenomenon in Plantation Species	Côte d'Ivoire
---------------------	--	---------------

• **RESUBMISSION OF PROJECT PROPOSALS TO THE COMMITTEE**

PD NUMBER	TITLE	SUBMITTING COUNTRY
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 – Phases I & II	China
PD 297/04 Rev.3 (F)	Implementation of the Sustainable Forest Management Programme of the IWOKRAMA International Centre	Guyana
PD 360/05 Rev.2 (F)	Multispectral Three-Dimensional Aerial Digital Imagery for Monitoring Forest Management and Conservation in the Republic of Congo	Rep. of Congo

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

PD NUMBER	TITLE	SUBMITTING COUNTRY
PD 388/05 Rev.1 (F)	Technology Development and Supervision for the Establishment of Dipterocarps Commercial Plantations in Indonesia	Indonesia

Details of the technical evaluation of these proposals are presented in Appendix II of this report. The Committee's recommendations regarding approval of these proposals are presented in Item 13 below.

Item 10 - Policy Work

The Committee recalled that ITTC policy work instructions to Committees, pursuant to Decision 4(XXV) include:

- Use the current ITTO Action Plan, the policy-relevant aspects of the biannual ITTO Work Programme, the findings of completed projects and Council Decisions as the primary basis for identifying items for policy development.
- Decide during each session of each Committee those subjects, which will be discussed under the agenda item Policy Work during its next session and agree upon the way to prepare for such a discussion in the Committee.

In accordance with its policy work programme for the year 2006, the Committee considered the following matters:

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

The Committee took note that the case study in Peru has been completed and the report of the study was made available at this session. It further recommended members to review the report in the interim with a view to discussing its findings and suggested follow-up actions jointly with the beneficiary agency, INRENA, at its next session in Yokohama, Japan.

- (ii) Review and update the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests.

The Secretariat informed the Committee on progress in revising the 1993 ITTO Biodiversity Guidelines. A planning workshop was held in Blonay, Switzerland on 24-27 April 2006 in order to define the methodology and other arrangements to conduct the field tests of the draft guidelines as agreed by the Committee during its Thirty-seventh Session in Yokohama. The tests will be conducted in Brazil, Guyana, Cameroon and Indonesia during the period of May 2006-May 2007. The workshop

/...

also further revised the draft Guidelines to be tested, based on comments received from member countries.

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

The Secretariat informed the Committee on progress in the implementation of the 9 national workshops on the promotion of the ITTO Guidelines on the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests. National Workshops have already been conducted in Ghana (30 January – 3 February 2006), Guatemala (20-24 March 2006), Guyana (13-17 March 2006), Mexico (6-10 March 2006), Cameroon (24-27 April 2006) and Philippines (8-12 May 2006). Additional workshops are scheduled to take place in Myanmar (August-September 2006), India (22-25 August 2006) and Côte d'Ivoire (26-30 June 2006).

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

The Secretariat informed the Committee on progress in the implementation of this activity, indicating that a consultancy firm has been selected to conduct the study in conjunction with a "Study on Encouraging Private Sector Investment in Industrial Forest Plantation in the Tropics" approved by the Committee on Economic Information and Market Intelligence". The report of the study will be presented at the Thirty-ninth Session of the Committee in November 2006.

Item 11 - Dates and Venues for the Thirty-ninth, Fortieth and Forty-first Sessions of the Committee

The dates and venues of the Thirty-ninth, Fortieth and Forty-first Sessions of the Committee are determined in relation to the dates and venues fixed by the Council for its Forty-first, Forty-second and Forty-third Session.

Item 12 - Other Business

The delegate of U.S.A. called the attention of the Committee to its decision at the last Session that reports of the ex-post evaluation should be presented at the joint Session of the Committees. The Secretariat informed that the arrangements will be made in this connection starting from the next Session.

The delegate of Indonesia drew the attention of the Committee on the substantial number of projects still pending funding, some of which are facing to be sunset. He underscored that the current process calls for enormous amount of efforts on the part of the Secretariat and the member countries to have project proposals formulated appraised, revised and finally approved. Therefore, it is a great loss of the effort to have such projects not funded. Furthermore, funding of approved projects is essential to progress towards sustainable forest management.

The Committee took note of the above mentioned statements and once more appealed to the international donor community to be forthcoming with financial requirements for the successful implementation of approved projects.

Item 13 - Recommendations to the International Tropical Timber Council

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

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) [US\$674,071]
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 [US\$366,271]

PD 376/05 Rev.2 (F,M)	To Develop and Promote a Monitoring Information System to Support the Sustainable Development of Tree Resources outside Forest at the Sub-district Level in Thailand [US\$462,645]
PD 383/05 Rev.2 (F)	Community Forest Development in Gabon (Gabon) [US\$594,432]
PD 387/05 Rev.2 (F)	Promotion of Community-based Forest Plantations in Tanah Laut, South Kalimantan, Indonesia [US\$499,728]
PD 389/05 Rev.2 (F)	Application of the Internal Monitoring of SFM Performance at Forest Management Unit Level (Indonesia) [US\$381,888]
PD 392/06 Rev.1 (F)	Regional Project to Promote Reduced Impact Logging in the Congo Basin – Phase I (Gabon) [US\$1,224,334]
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) [US\$549,974]
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) [US\$762,156]
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) [US\$444,960]
PD 407/06 Rev.1 (F)	Support to the Implementation of the Action Plan for the Sustainable Management of the Assoukoko Gazetted Forest (Togo) [US\$330,492]
PPD 123/06 Rev.1(F)	Controlling the Dieback and Decay Phenomenon in Plantation Species (Côte d'Ivoire) [US\$79,920]

(B) The Committee recommended the approval of a revised version of the following projects approved at an earlier Session:

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 – Phases I & II (China) [Phase I: US\$286,091 & Phase II: US\$180,373]
PD 297/04 Rev.3 (F)	Implementation of the Sustainable Forest Management Programme of the IWOKRAMA International Centre (Guyana) [US\$406,836]
PD 360/05 Rev.2 (F)	Multispectral Three-Dimensional Aerial Digital Imagery for Monitoring Forest Management and Conservation in the Republic of Congo [US\$610,000]

Item 14 - Report of the Session

The Committee accepted this Report for submission to the Council.

Appendix I

TECHNICAL ASSESSMENT OF PROJECT AND PRE-PROJECT PROPOSALS

(A) CATEGORY ONE PROJECT PROPOSALS

1. PD 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)**

Conclusion of the Thirty-eighth 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 327/05 Rev.3 (F) and recommended the Council to allocate US\$ 674,041 for its immediate implementation.

2. 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**

Conclusion of the Thirty-eighth 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 350/05 Rev.3 (F) and recommended the Council to allocate US\$ 366,271 for its immediate implementation.

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

Conclusion of the Thirty-eighth 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 376/05 Rev.2 (F) and recommended the Council to allocate US\$ 462,645 for its immediate implementation.

4. PD 383/05 Rev.2 (F) **Community Forest Development in Gabon (Gabon)**

Conclusion of the Thirty-eighth 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 383/05 Rev.2 (F) and recommended the Council to allocate US\$ 594,432 for its immediate implementation.

5. PD 387/05 Rev.2 (F) **Promotion of Community-based Forest Plantations in Tanah Laut, South Kalimantan, Indonesia**

Conclusion of the Thirty-eighth 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 387/05 Rev.2 (F) and recommended the Council to allocate US\$ 499,728 for its immediate implementation.

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

Conclusion of the Thirty-eighth 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 389/05 Rev.2 (F) and recommended the Council to allocate US\$ 381,888 for its immediate implementation.

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

Conclusion of the Thirty-eighth 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 392/06 Rev.1 (F) and recommended the Council to allocate US\$ 1,224, 334 for its immediate implementation.

8. 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)**

Conclusion of the Thirty-eighth 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 394/06 Rev.1 (F) and recommended the Council to allocate US\$ 549,974 for its immediate implementation.

9. 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)**

Conclusion of the Thirty-eighth 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 395/06 Rev.1 (F) and recommended the Council to allocate US\$ 762,156 for its immediate implementation.

10. 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)**

Conclusion of the Thirty-eighth 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 399/06 Rev.1 (F) and recommended the Council to allocate US\$ 444,960 for its immediate implementation.

11. PD 407/06 Rev.1 (F) **Support to the Implementation of the Action Plan for the Sustainable Management of the Assoukoko Gazetted Forest (Togo)**

Conclusion of the Thirty-eighth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the Project PD407/06 Rev.1 (F) and recommended the Council to allocate US\$ 330,492 for its immediate implementation.

(B) RESUBMISSION OF PROJECT PROPOSALS TO THE COMMITTEE

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

Conclusion of the Thirty-eighth Committee

The Committee noted that the third revision of the project proposal had adequately addressed the Expert Panel's comments and recommendations and that it had been approved at the previous Session of Council. Moreover, the Executing Agency, the Guangdong Academy of forestry, informed the Committee that in the interim period since approval it had already obtained the seeds required for this project and that these would lose their germination viability if the project would not be implemented soon. In this light, the Chinese Delegation resubmitted a fourth revision of the project, which presents a phased implementation approach. Furthermore, the Committee noted that the fourth revision of project document had properly incorporated this phased approach. Therefore, the Committee approved the amended Project PD 294/04 Rev.4 (F) Phases I and II and recommended the Council to allocate US\$ 286,091 for the immediate implementation of Phase I and US\$ 180,373 for the implementation of Phase II.

2. PD 297/04 Rev.3 (F) **Implementation of the Sustainable Forest Management Programme of the IWOKRAMA International Centre (Guyana)**

Conclusion of the Thirty-eighth Committee

The Committee noted that the second revision of the project proposal had adequately addressed the Expert Panel's comments and recommendations and that it had been approved at Thirty-eighth Session of Council. Moreover, the Executing Agency, IWOKRAMA, informed the Committee that in the interim period since approval it had already initiated some of the project's activities and therefore resubmitted a third revision of the project, updating the current activities and the corresponding budget required to successfully achieve its objectives, to the Committee. Furthermore, the Committee noted that the third revision of project document had properly addressed the project's current situation. Therefore, the Committee approved the amended Project PD 297/04 Rev.3 (F) and recommended the Council to allocate US\$ 406,836 for its immediate implementation.

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

Conclusion of the Thirty-eighth Committee

The Committee noted that the first revision of the project proposal was approved at the Thirty-eighth Session of the Council with a total budget of US\$701,549. The Committee also took note of the explanation provided by the delegate of the Republic of Congo with a view to scaling down the budget of this approved project to the amount pledged at the Thirty-eighth Session of the Council. A revised project proposal, incorporating the proposed budget changes, was presented to the Committee by the delegate of Congo. The Committee noted that the changes made are acceptable and made will not affect project objectives, inputs and activities. Therefore, the Committee decided to recommend to the Council the approval of the amended Project PD 360/05 Rev.2 (F)(US\$610,000).

(C) CATEGORY ONE PRE-PROJECT PROPOSAL

1. PPD 123/06 Rev.1 (F) **Controlling the Dieback and Decay Phenomenon in Plantation Species (Côte d'Ivoire)**

Conclusion of the Thirty-eighth 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 PPD123/06 Rev.1 (F) and recommended the Council to allocate US\$ 79,920 for its immediate implementation.

(D) CATEGORY FIVE PROJECT PROPOSAL

Project No.	Title
1. PD 388/05 Rev.1 (F)	Technology Development and Supervision for the Establishment of Dipterocarps Commercial Plantations in Indonesia

Conclusion of the Thirty-eighth Committee

The Committee noted that the 31st Expert Panel could not commend the revised project proposal and submitted it to the Committee for final appraisal. The Committee decided to endorse the decision of the Expert Panel and not to consider this proposal any further.

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

PROJECT DOCUMENT	BUDGET ITTO CONTRIBUTION (US\$)	GEOGRAPHICAL COVERAGE	DURATION (months)	RECOMMENDATION *	
				31 st EP	38 th CRF
PD 327/05 Rev.3 (F)	674,071	Nigeria	36	1	1
PD 350/05 Rev.3 (F)	366,271	Mexico	36	1	1
PD 376/05 Rev.2 (F,M)	462,645	Thailand	36	1	1
PD 383/05 Rev.2 (F)	594,432	Gabon	36	1	1
PD 387/05 Rev.2 (F)	499,728	Indonesia	24	1	1
PD 389/05 Rev.2 (F)	381,888	Indonesia	24	1	1
PD 392/06 Rev.1 (F)	1,224,334	Gabon	24	1	1
PD 394/06 Rev.1 (F)	549,974	Indonesia	36	1	1
PD 395/06 Rev.1(F)	762,156	Indonesia	36	1	1
PD 399/06 Rev.1 (F)	444,960	The Philippines	24	1	1
PD 407/06 Rev.1 (F)	330,492	Togo	36	1	1
PD 294/04 Rev.4 (F)	Phase I: 286,091	China	24	-	1
	Phase II: 180,373		24	-	1
PD 297/04 Rev.3 (F)	406,835	Guyana	18	-	1
PD 360/05 Rev.2 (F)	610,000	Rep. of Congo	24	-	1
PD 388/05 Rev.1(F)	774,521	Indonesia	36	5	5
PPD 123/06 Rev.1(F)	79,920	Côte d'Ivoire	6	1	1

* For Categories of Recommendation see Table B.

TABLE B

Categories of Decision for 31st Expert Panel	Categories of Recommendation from 38th CRF to the Council
<ol style="list-style-type: none"> 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).) 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. 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. 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. <ol style="list-style-type: none"> a: (Such a pre-project proposal could be commended to the Committee for final appraisal.) b: (The Panel will need to assess the pre-project proposal before it can commend it to the Committee for appraisal.) 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. 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.) 7. The Panel concluded that there is insufficient information to assess the (pre-) project proposal adequately. <p>(Text in Parentheses is optional.)</p>	<ol style="list-style-type: none"> 1. Recommend to the ITTC to approve the (amended) proposal for implementation by ITTO and recommend it for immediate financing. 2. Recommend to the ITTC that the proposal be revised and resubmitted: <ol style="list-style-type: none"> a) directly to the relevant Committee, or b) to the Expert Panel. 3. Recommend to the ITTC to approve the proposal for ITTO sponsorship for funding through other relevant financial institutions, in accordance with Article 20, (6) and (7), and Article 28, of the ITTA, 1994. 4. Recommend to the ITTC that a decision on the proposal be deferred until the next session. 5. Recommend to the ITTC that the proposal should not be further considered by ITTO.

Distr.
GENERAL

CFA(XIX)/6
2 June 2006

Original: ENGLISH

NINETEENTH SESSION
29 May – 2 June 2006
Mérida, Yucatán, Mexico

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

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

(29 May – 2 June 2006, Mérida, Yucatán, Mexico)

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

NINETEENTH SESSION OF THE COMMITTEE ON FINANCE AND ADMINISTRATION

Item 1: Opening by the Chairperson

1. The Chairperson, Mr. Li Qiang of China, welcomed all delegates to the Nineteenth Session of the Committee. He informed the Committee that the Vice Chairperson, Mr. James Singh of Guyana, was unable to attend this Session due to other official engagement, and was represented by Mr. Edward Goberdhan of Guyana.

Item 2: Adoption of Agenda and Organization of Work

2. The Committee adopted its agenda as presented in document CFA(XIX)/1. 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 meeting on Wednesday, 31 May 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

3. The Chairperson advised the Committee that the Council had admitted all applicants as shown on document ITTC(XL)/Info.3 which listed states, inter-governmental and non-governmental organizations applying for Observer status.

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

4. The Chairperson advised the Committee that the Report of the Thirty-first Meeting of the Expert Panel for Technical Appraisal of Project Proposals [Document CEM,CRF,CFI,CFA(XXXVIII)/1] was considered in the joint Session of the Committees on 29 May 2006. The joint Session had not requested the CFA for any follow-up.

Item 5: Measures to Improve and Strengthen the ITTO Project Cycle

5. The Chairperson advised the Committee that further to the Decision 3(XXXVII) of Council adopted at its Thirty-seventh Session held in December 2004, on "Measures to Improve and Strengthen the ITTO Project Cycle"; the Secretariat in the joint Session, had briefed the Members on the progress to-date with regard to the Consultants' work and about the forthcoming Workshop of Expert to be held in early July 2006 to review the draft documents prepared by the Consultants, and accordingly, there was no need for any follow-up work at this Session for the CFA.

Item 6: Review of Contributions to the Administrative Budgets

6. The Secretariat introduced document CFA(XIX)/3, prepared on 19 May 2006, which detailed the history of Members' contributions to the Administrative Budget for the financial years from 1986 to 2006, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed that a total amount of \$735,223.76 had been received to date from Producing Members out of the total net assessment of \$2,669,296, while \$1,068,649 out of the total net assessment of \$2,624,935 had been received to date from Consuming Members. As shown in the document, arrearages in contributions from Producing Members amount to \$5,800,825.17 and the outstanding payment of interest charges levied on late contributions under the ITTA, 1983, amount to \$187,097.03. In addition, a former member (Russian Federation) continues to carry an outstanding obligation of \$24,836.72.

7. The representatives of Indonesia and Gabon informed the Committee that their respective Governments have taken actions for processing the payments of contributions.

8. The representative of the European Community informed the Committee that the outstanding payment by the Government of Greece was due to some administrative delays and he would follow up the issue with a view to ensure the prompt settlement of the contributions to the Administrative Budget.

9. The representative of The Netherlands inquired as to why Togo, who had paid its contribution for 2006 in full, was not entitled to the write-off of arrearages. The Secretariat explained that the Government of Togo would have to settle all their arrearages in contributions since 2002 in order to be eligible for the write-off.

10. In response to a request for additional information from the representative of the United States of America, the Secretariat informed that, in accordance with Decision 7(XXXIII), "the Secretariat will not process project and pre-project proposals submitted by Members with cumulative arrears to the Administrative Account beginning from 2002 which are equal to or in excess of three times their annual assessed contribution in the year the proposals are submitted". Therefore, currently project and pre-project proposals submitted by the following members will not be processed:

Member	Contribution 2006	Arrearages in contributions (2002-2005)	
		One-third	Total
Central African Rep.	\$67,650	\$84,694	\$254,082
Liberia	\$67,650	\$83,717	\$251,152
Bolivia	\$59,532	\$77,871	\$233,614
Suriname	\$37,884	\$49,463	\$148,390

11. The Secretariat added that earlier approved projects submitted by these Members which are not yet sunset, could nevertheless be considered for financing at this Session. Information on Members whose cumulative arrears make them subject to the restrictions of Decision 7(XXXIII) will be included in the document in the future for review by the Committee.

12. The Committee took note of the report.

Item 7: Current Status of the Administrative Account

13. The Secretariat presented document CFA(XIX)/4 reporting the current status of the Administrative Budget for 2006 (as of 19 May 2006) with estimated expenditures for the current year. The Secretariat advised the Committee that it is anticipated that the estimated expenditures for current year will be \$4,852,095 (i.e. \$443,350 less than the total amount approved in the budget for 2006 of \$5,295,445). This was due to some additional cost saving efforts exercised by the Secretariat.

14. The Secretariat advised 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 (of \$1,214.00 to round up the assessed contribution), the Secretariat estimated that a deficit in the amount of \$274,236.00 is anticipated. However, the authorization given to the Executive Director in the Decision 2(XXXIV) adopted by the Council at its Thirty-fourth Session held in May 2003, "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", at present would be sufficient and it is not necessary for the Committee to make recommendation to the Council for use of any funds from the Working Capital Account, in addition to the amount that had already been authorized under Decision 2(XXXIV).

15. The Secretariat also informed the Committee that payments had been received since January to date from Members having arrearages in contributions in previous years in the total amount of \$186,178.41 and the current balance of the Working Capital Account had been increased from \$2,087,102 as at 31 December 2005, to \$2,273,280.41 as at 19 May 2006.

16. The representative of the European Community expressed serious concern over the large arrearage in contributions which is near to \$6 million, and exceeding the annual budget of \$5,295,445, and called Members

to make all efforts in settlement of their contributions to make up the shortfalls. The Representative also requested the Secretariat to continue with the efforts of recovery process.

17. The Committee took note of the report.

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

18. The Secretariat presented document CFA(XIX)/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), 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\$2,203,297.56 and regular ex-post evaluations of projects, as approved, are being carried out. Accordingly, the current available balance in this account amounts to US\$1,254,454.62.

19. 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 programme work 2006-2007), five Pre-Projects and five Projects had been funded from the resources of Sub-Account B of the Bali Partnership Fund. The Secretariat added that although, after taking into account the Activities for programme work 2006-2007, the current available resources of Sub-Account B would amount to a negative balance of US\$567,580.29, adequate interest income was expected to be received in the Bali Partnership Fund Account prior to the commencement of the programme work for the year 2007. 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 reviewing the resources of the Sub-Account B of the BPF as well as that of the other unearmarked funds in the Special Account. The Panel would report directly to the Council.

20. 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.

21. The Committee took note of the document.

Item 9: Auditor's Report for the Financial Year 2005

22. The Secretariat introduced document CFA(XIX)/2 which was the report of the auditor, Grant Thornton – ASG Audit Corporation, Tokyo, who was appointed by the Council in July 2004, under Decision 2(XXXVI) to audit the accounts of the Organization for the financial year 2005. In accordance with this Decision, the audit firm was appointed to audit the Accounts of the Organization for three consecutive years, subject to satisfactory performance, beginning with the accounts for the Financial Year 2004. The Secretariat informed the Committee that the audit work was carried out during February to April 2006 by the auditor with the assistance of the Secretariat. The document included a consolidated financial statement of the four accounts of the Organization – (a) the Administrative Account, (b) the Special Account, (c) the Bali Partnership Fund Account; and (d) the Executing Agencies Account. The consolidated financial statement showed a comprehensive picture of the overall financial status of the Organization.

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

24. The Committee further recommended to the Executive Director for the re-engagement of the auditor, Grant Thornton – ASG Audit Corporation, Tokyo, for the final term of one year for the audit of the accounts of the Organization for the financial year 2006.

Item 10: Dates and Venue of the Twentieth, Twenty-first and Twenty-second Sessions

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

Item 11: Other Business

26. There was no other business.

Item 12: Recommendations to the International Tropical Timber Council

27. The Committee decided to make the following recommendation to the Council:

- To adopt the Report of the Independent Public Accountants on the Accounts of the Organization for the Financial Year 2005 as contained in document CFA(XIX)/2.

Item 13: Report of the Session

28. The Committee adopted this report as amended.

* * *

ANNEX VI

REPORT OF THE INFORMAL ADVISORY GROUP (IAG)

DOCUMENT: ITTC(XL)/2 Rev.1

Distr.
GENERAL

ITTC(XL)/2
28 May 2006

Original: ENGLISH

FORTIETH SESSION
29 May – 2 June 2006
Mérida, Yucatán, Mexico

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

**28 May 2006
Mérida, Yucatán, Mexico**

**Eighteenth Meeting of the Informal Advisory Group (IAG)
Mérida, Yucatán, Mexico, 28 May 2006**

Report of the Chairperson

Introduction

1. The Eighteenth Meeting of the IAG was convened on Sunday, 28 May 2006 at the Meeting Room, Fiesta American Hotel, Paseo Montejo, Mérida, 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, Mr. Hideo Fukushima (Japan), Representative of the Host Government of the Headquarters, Dr. James Gasana (Switzerland), Chairperson of the Committee on Economic Information and Market Intelligence (CEM), 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, Dr. B.C.Y. Freezailah (Malaysia), Producer Spokesperson, 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 Seventeenth Meeting, 6 November 2005;
 - General observation by IAG Members;
 - ii. Preparations for the entry into force of the ITTA, 2006;
 - 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 Fortieth 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 Seventeenth Meeting held on 6 November 2005 in Yokohama, Japan as contained in document ITTC(XXXIX)/2 dated 6 November 2005. 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.

Preparations for the Entry into Force of the ITTA, 2006

4. The IAG noted with satisfaction the successful completion of the Fourth Part of the United Nations Conference for the Negotiation of a Successor Agreement to the ITTA, 1994 held in Geneva, Switzerland from 16 to 27 January 2006 which culminated in the adoption of the ITTA, 2006 as the Successor Agreement to the ITTA, 1994. With the adoption of the new agreement, the IAG recognised the desirability for the Council and its members to undertake all necessary actions that would facilitate the smooth process of signature, ratification, acceptance and approval of the ITTA, 2006 as well as its entering into force as provided for in Articles 36 and 39 of the Agreement respectively. Towards this end, the IAG was informed that the Government of Indonesia had signed the new agreement on 7 April 2006. A clarification as to whether the signature was definitive or provisional, subject to ratification, acceptance or approval, would be provided by the delegation of Indonesia. The IAG further noted that action was being taken by Malaysia to secure the decision of her government to sign and ratify the new agreement. The IAG recommended that information on the progress in the signing, ratification, acceptance and approval of the ITTA, 2006 be monitored and appropriately disseminated to members of the Council.
5. The IAG further noted that while Article 39 of the ITTA, 2006 provided for its definitive or provisional entry into force on 1 February 2008 at the earliest, the duration of the ITTA, 1994 would expire definitively on 31 December 2006. For this reason, the IAG underlined the necessity for the Council to extend the duration of the ITTA, 1994 from 1 January 2007 until the definitive or provisional entry into force of the ITTA, 2006 pursuant to Article 46(3) of the ITTA, 1994. While the Council would have the option of

adopting such a decision at its current or next Session, the IAG recommended that the decision be taken by the Council at its current Session.

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

6. The IAG noted that the shorter duration of the Sessions of the Council held outside the headquarters since 2006 had not made it possible for the Council to fully implement the 'Streamlining Council Decision-Making Procedures' as contained in Paragraph 4b of Annex I to ITTC Decision 7(XXXIII) on 'Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization'. The Executive Director reported that some members had expressed concern over this issue. The IAG felt that the Council would, at some point, have to address and reconcile the problem. Nevertheless, the IAG noted that all draft decisions for the consideration of the Council at its current Session had been submitted in accordance with the relevant provisions of ITTC Decision 7(XXXIII).

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 one draft decision and one draft elements of a decision had been submitted for the consideration of the Council at its current Session by the Governments of Cameroon and USA, respectively as follows:
- (i) First International Parliamentarians Conference on the Sustainable Management of Central African Forest Ecosystems (submitted by the Government of Cameroon); and
 - (ii) Elements of a Decision for Participation by ITTO in the Coalition Against Wildlife Trafficking (CAWT)(submitted by the Government of USA).

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

8. The IAG noted that the draft decision and elements of a decision had been submitted in accordance with the Streamlining Council Decision Making Procedures contained in Para 4, Annex I of ITTC Decision 7(XXXIII). In addition, and pursuant to the procedures, the IAG deemed that the draft decision and elements of a decision 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 Session. The IAG accordingly recommended that the draft decision and elements of a decision be duly presented by the Chairman to the Council as part of the IAG report with a view to facilitating their consideration as draft decisions of the Council at its current Session. The proposing member countries would be afforded the opportunity of providing clarification on the draft decisions to the Council and presenting short background papers on the draft decisions to facilitate consideration by the caucuses and through informal consultations, should these countries wish to do so.

List of possible decisions for the Fortieth Session of the ITTC and report to the Council

9. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Fortieth Session as follows:
- i. Projects, Pre-Projects and Activities;
 - ii. Extension of the International Tropical Timber Agreement, 1994;
 - iii. First International Parliamentarians Conference on the Sustainable Management of Central African Forest Ecosystems; and
 - iv. Participation of ITTO in the Coalition Against Wildlife Trafficking (CAWT).

Other Matters

10. The Chairman recalled ITTC Decision 5(XXXIV) on Matters Related to Article 16 of ITTA, 1994 by which the Council renewed the appointment of Dr. Manoel Sobral Filho in his second term as Executive Director of ITTO from 6 November 2003 to 5 November 2007 and emphasised the need to ensure the smooth planning and implementation of the process and procedures for the appointment of the next Executive Director of the Organization. In this connection, the IAG recommended that the following decisions of the Council be attached as Annexes C, D, E, F and G to this report respectively to assist Members in familiarising themselves with matters relating to Article 16 of ITTA, 1994:

- i. ITTC Decision 4(XXIV) – 'Matters Related to Article 16 of ITTA, 1994'
- ii. ITTC Decision 3(XXV) – 'Matters Related to Article 16 of ITTA, 1994'
- iii. ITTC Decision 8(XXVI) – 'Matters Related to Article 16 of ITTA, 1994'
- iv. ITTC Decision 3(XXVII) – 'Appointment of the Executive Director'
- v. ITTC Decision 5(XXXIV) – 'Matters Related to Article 16 of the ITTA, 1994'

Venue for the Forty-second Session of the Council

11. The IAG recalled the amicable agreement reached by the Governments of Mexico and PNG that the Fortieth Session of the Council be held in Mexico in the first semester of 2006 and that the Forty-second Session of the Council be held in PNG in the first semester of 2007. It further recalled its recommendation made at its previous meeting that the offer by the Government of PNG to host the Forty-second Session of the Council in 2007 should be given due consideration by the Council, including on the issue of making available the necessary funding.
12. The IAG unanimously agreed to put on record its appreciation to the Government and people of Mexico for the hospitality and arrangements made for the smooth and fruitful convening of the Fortieth Session of the Council in Mérida, Yucatán.

ANNEX A

PROPOSAL FOR DRAFT DECISION

FIRST INTERNATIONAL PARLIAMENTARIANS CONFERENCE ON THE SUSTAINABLE MANAGEMENT OF CENTRAL AFRICAN FOREST ECOSYSTEMS

The International Tropical Timber Council,

Recognizing the value of Africa's forests and the economic, environmental and social significance of the timber trade in many countries on the African continent;

Recalling ITTO's Decision 11(XXX) on the Promotion of Sustainable Forest Management in the Congo Basin, which, inter alia, engages ITTO in the Congo Basin Forest Partnership;

Recalling ITTO's work already implemented to support the Congo Basin Forest partnership and the Yaounde Declaration process;

Acknowledging the importance of the participation of the civil society in the promotion of sustainable forest management, and underscoring the potential contribution of Parliament Members in this process;

Recalling ITTO's Decision 2(XXXII) establishing the Civil Society Advisory Group in order to enhance the participation of Members of the Civil Society in the Relevant Activities of the ITTO;

Noting the intention of the Network of Parliamentarians for the sustainable management of Central African forest ecosystems to organize the First International Parliamentarian Conference in order to promote the sustainable management of Central African moist forest;

Further noting the support given to the Conference by the international community, in particular, the World bank, FAO, IUCN, WWF, USAID, DFID, GTZ, SNV, etc... and the importance to build partnership in such an initiative;

Decides to:

1. Commend the organization of the **First** International Parliamentarian Conference in order to promote the sustainable management of Central African moist forest;
2. Invite the Executive Director to assist, in coordination with other organizations/institutions involved, in the organization of the Conference
3. Authorize the Executive Director to seek from Member countries voluntary contributions not exceeding US\$200,000.00 to partially fund the expenses related to the Conference

Requests the Executive Director to follow-up on developments resulting from the Conference and report to Council.

* * *

/...

ANNEX B

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

* * *

ANNEX C

Distr.
GENERAL

ITTC(XXIV)/13
28 May 1998

Original: ENGLISH

TWENTY-FOURTH SESSION
20-28 May 1998
Libreville, Gabon

DECISION 4(XXIV)

MATTERS RELATED TO ARTICLE 16 OF THE ITTA, 1994

The International Tropical Timber Council

Recalling Article 16 of the ITTA, 1994 regarding the Executive Director and staff of the ITTO Secretariat;

Noting Decision 9(XXIII) on matters related to article 16 of the ITTA, 1994;

Recognizing the need for an open and transparent process to ensure a smooth transition for the appointment of a person with suitable and appropriate qualifications to the position of Executive Director of the ITTO, when the circumstance arises;

Further recognizing the need for appropriate transitional arrangements, should the post of the Executive Director become vacant prior to the expiry of the incumbent's full term;

Decides:

1. To continue to discuss further matters relating to article 16 of the ITTA 1994 at the Twenty-fifth ITTC Session;
2. To facilitate this discussion, to establish a working committee of ten, comprised of eight representatives from member countries (four from consumer member countries and four from producer member countries) and the two spokespersons, to take place for a period of up to four days, to undertake work on the procedure for appointing the Executive Director as per the Terms of Reference at Annex 1 of this Decision. The report of the working committee shall be provided to member countries for consideration, at least, two months prior to the Twenty-fifth Session of the Council in Yokohama;
3. To establish the basic transition rules for the case of vacancy of the office of the Executive Director, which are included in Annex 2 of this Decision;
4. To authorize the Executive Director to invite member countries to contribute to the Special Account for this purpose; and
5. That a decision by the Council on a transparent and open process for the appointment of the Executive Director of the ITTO will be taken in any case at the Twenty-fifth Session of the ITTC and urge member countries that they are fully prepared to enable the decision by the Council on this matter to be finalized at this Session of the Council.

ANNEX 1 FOR DECISION 4(XXIV)

**TERMS OF REFERENCE FOR THE WORKING COMMITTEE
TO PREPARE COUNCIL DISCUSSION ON MATTERS RELATED TO ARTICLE 16**

1. Develop guidelines and/or selection criteria for the position of the Executive Director of the ITTO, for use when it becomes vacant, for advertising the position as well as for use by member countries for nominating or proposing suitably qualified candidates for consideration by Council for selection to the position of the Executive Director of the ITTO. In developing the guidelines or selection criteria, the working committee shall take into consideration the objectives and functions of the ITTO as enshrined in ITTA, 1994.
2. Recommend an open and transparent procedure for the selection and appointment of the Executive Director of the ITTO by member countries.
3. In undertaking its work, the working committee shall take into consideration the processes and procedures that are used by other international and/or multilateral organizations similar to the ITTO for the selection and appointment of an Executive Director.
4. The working committee shall provide its report to the Secretariat for dissemination to member countries, at least, two months prior to the Twenty-fifth Session of Council in Yokohama.

ANNEX 2 FOR DECISION 4(XXIV)

TRANSITIONAL RULES

1. In any situation where the Executive Director is unable to act or in the case of a vacancy in the Office of the Executive Director, the most senior Assistant Director will provisionally take the position, as officer-in-charge, and assume the day-to-day functions of the position;
2. Should for any reason the position become vacant, at the next Session of the ITTC, the position of Executive Director will be declared officially vacant by the Council, which will call for the process of appointment for the subsequent Session of the ITTC.

* * *

ANNEX D

Distr.
GENERAL

ITTC(XXV)/19
9 November 1998

Original: ENGLISH

TWENTY-FIFTH SESSION
3-9 November 1998
Yokohama, Japan

DECISION 3(XXV)

MATTERS RELATED TO ARTICLE 16 OF ITTA, 1994

The International Tropical Timber Council,

Recalling Article 16 of the ITTA, 1994;

Noting Decision 4(XXIV), on matters related to Article 16 of the ITTA, 1994, including the transitional rules in Annex 2 of the Decision;

Also noting the Report of the Meeting of the Working Committee to Undertake Work on the Procedure for Appointing the Executive Director of ITTO pursuant to ITTC Decision 4(XXIV) [Document ITTC (XXV)/9];

Stressing the need for open and transparent procedures for identifying qualified candidates for the Council to appoint an Executive Director;

Decides to adopt the procedures for selection and appointment of an Executive Director as contained in the Annex of this Decision and that the procedures are not applicable to the current Executive Director.

ANNEX

SELECTION PROCEDURES FOR AN EXECUTIVE DIRECTOR

I. Qualifications

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. Academic 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 a national of an ITTO member country and should be endorsed by their respective government. Only one candidate per country can be endorsed.

II. Tenure

Appointment will be for a 4-year term, renewable only once. In the case where the Executive Director is not eligible for renewal of his/her mandate, the selection process will commence twelve months before expiry of the mandate. Otherwise the selection process will commence when the Executive Director declares his/her intention, no later than six months before the expiry of his/her mandate, not to seek renewal of his/her mandate.

III. Vacancy Announcement

The position is to be advertised in the ITTO Newsletter, on the ITTO Internet home page, in professional journals, general publications and through national governments. The advertisement will include the information that a formal endorsement by the government of the country of which the prospective applicant is a national will be needed before his/her candidature can be considered by Council.

IV. Short-listing

A Panel, comprising an equal number of producer and consumer members – with no more than one per country – will be selected by Council. The Panel is to examine the applications from candidates 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 all must be government endorsed candidates. The Panel will present this short list, and the basis for its selection, to Council. Technical support for the Panel will be provided by the Secretariat.

The short list of candidates will be discussed by the Producer and Consumer Caucuses with each Caucus presenting the conclusions of its debate to Council as an element for an informed decision by Council.

V. Final selection

The final selection will be made by Council, if not by consensus then by a Special Vote, according to Articles 16 (1) and 2 of ITTA 1994.

* * *

ANNEX E

Distr.
GENERAL

ITTC(XXVI)/22 Rev.1
3 June 1999

Original: ENGLISH

TWENTY-SIXTH SESSION
28 May – 3 June 1999
Chiang Mai, Thailand

DECISION 8(XXVI)

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 is vacant due to the resignation of Dr. B.C.Y. Freezailah, effective 24 March 1999;

Decides to:

1. Request the Officer-in-Charge to take action to advertise the position, using the text in the Annex to this Decision, in the ITTO newsletter, on the ITTO homepage, in "The Economist", in "Le Monde" and in "El Pais (Madrid)", and through national governments. The advertisement shall be published by 30 June 1999;
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 30 September 1999 and shall circulate its report to Members by 5 October 1999. The Panel will elect co-chairs from the producers and consumers panel Members;
3. Urge Members to inform their candidates to submit their applications by 14 September 1999 at 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 short list of candidates prepared by the Panel and to present their conclusions to the Council at its Twenty-seventh Session;
6. Select the Executive Director, if possible at its Twenty-seventh Session, if not by consensus, by special vote;
7. Authorize the Officer-in-Charge 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 8(XXVI)

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.

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
Pacifico-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@mail.itto-unet.ocn.ne.jp

Applicants should seek Government endorsement by 31 August 1999. Government endorsed applications should be received at ITTO headquarters by 14 September 1999.

List of ITTO Member Countries

<u>PRODUCERS</u>	<u>CONSUMERS</u>
Africa	Australia
Cameroon	Canada
Central African Republic	China
Côte d'Ivoire	Egypt
Democratic Republic of Congo	European Union
Gabon	Austria
Ghana	Belgium/Luxembourg
Liberia	Denmark
Republic of Congo	Finland
Togo	France
Asia & Pacific	Germany
Cambodia	Greece
Fiji	Italy
India	Netherlands
Indonesia	Spain
Malaysia	Sweden
Myanmar	United Kingdom
Papua New Guinea	Japan
Philippines	Nepal
Thailand	New Zealand
Latin America	Norway
Bolivia	Republic of Korea
Brazil	Switzerland
Colombia	United States of America
Ecuador	
Guyana	
Honduras	
Panama	
Peru	
Suriname	
Trinidad and Tobago	
Venezuela	

ANNEX F

Distr.
GENERAL

ITTC(XXVII)/12
6 November 1999

Original: ENGLISH

TWENTY-SEVENTH SESSION
1 - 6 November 1999
Yokohama, Japan

DECISION 3(XXVII)

APPOINTMENT OF THE EXECUTIVE DIRECTOR

The International Tropical Timber Council,

Recalling its Decision 7(XXIII) of 6 December 1997 which extended the appointment of Dato' Dr. Freezailah bin Che Yeom to the post of Executive Director of ITTO for an additional term of twenty-four months until 31 March 2000,

Acknowledging the intention of Dato' Dr. Freezailah bin Che Yeom to resign from the post of the Executive Director of ITTO with effect from 24 March 1999, notified to the Chairperson of the International Tropical Timber Council on 15 December 1998,

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

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

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

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

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

Decides to appoint by consensus Dr. Manoel Sobral Filho as Executive Director of the International Tropical Timber Organization for a period of four years, beginning on 6 November 1999, in accordance with the terms and conditions contained in the letter of appointment approved by the Council.

* * *

ANNEX G

PD 322/04 (F)	IX Peruvian Forestry Congress	Peru
---------------	-------------------------------	------

Details of the technical evaluation of these proposals are presented in Appendix II of this report. The Committee's recommendations regarding approval of these proposals are presented in Item 15 (A) below.

• **PRE-PROJECTS ASSESSED BY THE COMMITTEE**

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PPD 98/04 Rev.1 (F)	Towards the Municipal Decentralization of Forest Management in the Chaco and Yungas Eco-Regions of Bolivia	Bolivia
PPD 99/04 Rev.1 (F)	Development of Criteria and Indicators for Biodiversity as Basis of Certification for Mangrove Forest Sustainable Management (MSFM) in the Philippines	Philippines
PPD 104/04 Rev.1 (F)	Development of a Project Proposal to Support the Implementation of the National Forest Strategy in Peru	Peru
PPD 105/04 Rev.1 (F)	Feasibility Study for the Development of a Transboundary Elephant Conservation Corridor between Côte d'Ivoire and Ghana	Côte d'Ivoire
PPD 108/04 Rev.1 (F)	Sustainable Community Management, Utilisation and Conservation of Mangrove Ecosystems in Ghana	Ghana

Details of the technical evaluation of these proposals are presented in Appendix II of this report. The Committee's recommendations regarding approval of these proposals are presented in Item 15 (B) below.

Item 10 – Policy Work

In accordance with its decision at the Thirty-fourth Session, the Committee considered the following matter:

Review and update the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests, taking into account recent developments, including CBD's work programme on forest biodiversity and ITTO's renewed cooperation with IUCN. [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 1]

The Committee considered work carried out during the Thirty-fourth Session to further precise the scope of work and terms of reference to implement this activity. The Committee established a working group composed of delegates from Indonesia, Brazil, Peru, France, Guatemala, Netherlands, IUCN and the ITTO Secretariat in order to further review the work carried out at its Thirty-fourth Session. The Committee approved the scope of work and terms of reference to guide the implementation of this activity, as included in Appendix I.

Regarding issues to be discussed at its next Session, the Committee decided to pursue discussion only on issues already included in its 2004-2005 Work Programme, as contained in the ITTO 2004-2005 Work Programme.

Item 11 – Biennial Work Programme

In accordance with its decision at the Thirty-fourth Session, the Committee considered progress in the implementation of the following activity included in the ITTO Biennial Work Programme 2004-2005 in the field of RFM:

Develop and Promote the implementation of Guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land (ITTO Yokohama Action Plan, Section 3.2, Goal , Action 3]

The Secretariat updated the Committee on progress with regard to the implementation of this activity. Current work is focused on the preparation of a technical manual/toolkit on forest landscape restoration that will be used during a series of national-level training workshops due to start in 2005. In addition,

preparations are under way for an ITTO-sponsored global forest landscape restoration implementation workshop in collaboration with IUCN and other members of the Global Partnership on Forest Landscape Restoration. This workshop will be held in Petropolis, Rio de Janeiro, Brazil, on 4-8 April 2005.

Item 12 - Election of Chairperson and Vice-Chairperson for 2005

Ms. Jennifer Conje of the United States of America was elected as Chairperson for 2005. Dr. Petrus Gunarso of Indonesia was elected as Vice-Chairperson for 2005.

Item 13 - Dates and Venues of the Thirty-sixth, Thirty-seventh and Thirty-eighth Sessions of the Committee

The Thirty-sixth Session of the Committee would be held in conjunction with the Thirty-eighth Session of the International Tropical Timber Council in Brazzaville, Republic of Congo, on 21-24 June 2005.

The Thirty-seventh Session of the Committee would be held in conjunction with the Thirty-ninth Session of the International Tropical Timber Council in Yokohama, Japan, on 7-12 November 2005.

Item 14 - Other Business

No matter was discussed under this Agenda Item.

Item 15 - Recommendations to the International Tropical Timber Council

(A) The Committee made the following recommendations regarding Projects:

1. The Committee recommended that the Council approve PD 200/03 Rev.4 (F) and allocate US\$ 367,632 for its implementation.
2. The Committee recommended that the Council approve PD 201/03 Rev.3 (F) and allocate US\$ 409,039 for its implementation.
3. The Committee recommended that the Council approve PD 220/03 Rev.2 (F) and allocate US\$ 951,480 for its implementation.
4. The Committee recommended that the Council approve PD 228/03 Rev.2 (F) and allocate US\$ 395,028 for its implementation.
5. The Committee recommended that the Council approve PD 237/03 Rev.3 (F) and allocate US\$ 644,393 for its implementation.
6. The Committee recommended that the Council approve PD 238/03 Rev.3 (F) and allocate US\$ 775,980 for its implementation.
7. The Committee recommended that the Council approve PD 248/03 Rev.4 (F) and allocate US\$ 577,800 for its implementation.
8. The Committee recommended that the Council approve PD 270/04 Rev.2 (F) and allocate US\$ 474,941 for its implementation.
9. The Committee recommended that the Council approve PD 272/04 Rev.2 (F) and allocate US\$ 447,702 for its implementation.
10. The Committee recommended that the Council approve PD 276/04 Rev.2 (F) and allocate US\$ 430,920 for its implementation.
11. The Committee recommended that the Council approve PD 284/03 Rev.2 (F) and allocate US\$ 585,894 for its implementation.
12. The Committee recommended that the Council approve PD 289/04 Rev.1 (F) and allocate US\$ 688,208 for its implementation.

13. The Committee recommended that the Council approve PD 300/04 Rev.1 (F) and allocate US\$ 69,449 for its implementation.
14. The Committee recommended that the Council approve PD 301/04 Rev.1 (F) and allocate US\$ 94,932 for its implementation.

(B) The Committee made the following recommendations regarding Pre-Projects:

1. The Committee recommended that the Council approve PPD 98/04 Rev.1 (F) and allocate US\$ 94,500 for its implementation.
2. The Committee noted that the Government of the Philippines had not submitted a revised proposal incorporating the recommendations of the 28th Expert Panel. The Committee therefore could not approve PPD 99/04 Rev.1 (F).
3. The Committee recommended that the Council approve PPD 104/04 Rev.1 (F) and allocate US\$ 48,854 for its implementation.
4. The Committee recommended that the Council approve PPD 105/04 Rev.1 (F) and allocate US\$98,090 for its implementation.
5. The Committee recommended that the Council approve PPD 108/04 Rev.1 (F) and allocate US\$ 75,578 for its implementation.

(C) The Committee made the following recommendations regarding Additional Funding:

1. The Committee recommended that the Council approve the request for additional funding for PD 49/99 Rev. 2 (F) and allocate US\$ 84,240 to finalize the work of the pre-project.

Item 16 - Report of the Session

The Committee accepted this Report for submission to the Council.

Appendix I

ITTO Work Programme 2004-2005

Activity (vii) "Review and update the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests"

During the Thirty-fifth Session of the Council, the ITTO Work Program for 2004 to 2005 was approved. However, pursuant to Decision 4(XXXV), the Committee is requested to further consider the scope of work and develop terms of reference to guide implementation of activity (vii) of the Decision:

"Review and update the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests, taking into account recent developments, including CBD's work programme on forest biodiversity and ITTO's renewed cooperation with IUCN. [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 1]".

The Committee decided to form a small working group composed of delegates from Indonesia, Brazil, USA, Switzerland, Peru, France, Guatemala, the Netherlands, IUCN and the ITTO Secretariat to further review the scope of work and terms of reference to guide the implementation of this activity, based on the work carried out during the Thirty-fourth Session on this issue.

Regarding the scope and content of the Guidelines, the WG proposed the following:

- The title of the revised and updated Guidelines should be "Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests";
- The guidelines should contain practical guidance on how to include biodiversity aspects into forest management planning;
- The guidelines should consider the landscape and other large-scale integrated approaches to biodiversity conservation and use;

The WG proposed the following procedure for the development of the revised and updated Guidelines:

Engage consultants to:

- Assess and analyze the latest developments in biodiversity conservation and sustainable use of Timber Producing Tropical Forests since the publication of the ITTO Biodiversity Guidelines.
- Analyze the programs of private sector practitioners and international biodiversity-related organisations such as the members of the CPF, relevant NGO's and certification schemes. Take into consideration the experience using existing guidelines and manuals.
- Prepare a discussion paper reflecting developments and experiences and including preliminary proposals for a revision of the Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests;
- Organize and conduct a workshop with 25 participants in order to capture experiences and needs with respect to incorporating Biodiversity Conservation into the sustainable management of Tropical Timber Production Forests. Participants should be drawn from experts and practitioners involved in projects that have applied the ITTO Biodiversity Guidelines as well as from organisations and institutions with hands-on experience in biodiversity conservation and sustainable use in Tropical Timber Production Forests.
- Prepare and present a report at the 39th session of Council containing: a) A draft set of Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests; b) A proposal on how to finalize the guidelines including a consultation process and the convening of an Expert Panel c) A proposal for communicating and disseminating the final guidelines.

Budget: USD185,000

Appendix II

TECHNICAL ASSESSMENT OF PROJECT PROPOSALS

1. PD 172/02 Rev.3 (F) **Research and Extending of Near-Natural Artificial Restoration of Degraded Tropical Forests on Hainan Island (China)**

Conclusion of the Thirty-fifth Committee

The Committee noted that the 28th Expert Panel could not commend the revised project proposal and submitted it to the Committee for final appraisal. The Committee decided to endorse the decision of the Expert Panel and not to consider this proposal any further.

2. PD 200/03 Rev.4 (F) **The Establishment of Seed Orchards for Selected Indigenous Tree Species in Sabah, Malaysia (Malaysia)**

Conclusion of the Thirty-fifth 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 200/03 Rev.4 (F) and recommended the Council to allocate US\$ 367,632 for its immediate implementation.

3. 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 (Colombia)**

Conclusion of the Thirty-fifth 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 201/03 Rev.3 (F) and recommended the Council to allocate US\$409,039 for its immediate implementation.

4. PD 220/03 Rev.2 (F) **Integrated Conservation and Management of Malaysian Mangrove Forests (Malaysia)**

Conclusion of the Thirty-fifth 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 220/03 Rev.2 (F) and recommended the Council to allocate US\$ 951,480 for its immediate implementation.

5. PD 228/03 Rev.2 (F) **Tropical Forest Fire Monitoring and Management System Based on Satellite Remote Sensing Data in China (China)**

Conclusion of the Thirty-fifth 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 228/03 Rev.2 (F) and recommended the Council to allocate US\$ 395,028 for its immediate implementation.

6. PD 237/03 Rev.3 (F) **Binational Conservation and Peace in the Condor Range Region, Ecuador-Peru – Phase II (Peruvian Component) (Peru)**

Conclusion of the Thirty-fifth 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 237/03 Rev.3 (F) and recommended the Council to allocate US\$ 644,393 for its immediate implementation.

7. PD 238/03 Rev.3 (F) **Binational Conservation and Peace in the Condor Range Region, Ecuador-Peru (Ecuadorian Component) Phase II (Ecuador)**

Conclusion of the Thirty-fifth 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 238/03 Rev.3 (F) and recommended the Council to allocate US\$ 775,980 for its immediate implementation.

8. PD 248/03 Rev.4 (F) **Antimary Forest Management Regional Training Center (Brazil)**

Conclusion of the Thirty-fifth Committee

The Committee noted that the third revision of the project proposal had adequately addressed the Expert Panel's comments and recommendations and that it had been approved at the previous Session of Council. Moreover, upon receipt of additional recommendations for members of the Expert Panel on Project Appraisals, the Delegation of Brazil incorporated these into the project document and resubmitted a fourth revision of the project to the Committee. Furthermore, the Committee noted that the fourth revision of project document had properly addressed these additional comments. Therefore, the Committee approved the amended Project PD 248/03 Rev.4 (F) and recommended the Council to allocate US\$ 577,800 for its immediate implementation.

9. PD 270/04 Rev.2 (F) **Ex-situ and In-situ Conservation of Teak (*Tectona grandis* L.F.) to Support Sustainable Forest Management (Myanmar)**

Conclusion of the Thirty-fifth 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 270/04 Rev.2 (F) and recommended the Council to allocate US\$ 474,941 for its immediate implementation.

10. PD 272/04 Rev.2 (F) **Development of National Principles, Criteria and Indicators for the Sustainable Management of Congo Forest Based on ITTO Criteria and Indicators for SFM (Republic of Congo)**

Conclusion of the Thirty-fifth 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 272/04 Rev.2 (F) and recommended the Council to allocate US\$ 447,702 for its immediate implementation.

11. PD 276/04 Rev.2 (F) **New World Mangrove Atlas for Conservation and Restoration of Mangrove Ecosystems (Japan)**

Conclusion of the Thirty-fifth 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 276/04 Rev.2 (F) and recommended the Council to allocate US\$ 430,920 for its immediate implementation.

12. PD 284/04 Rev.2 (F) Fire-Management and Post-Fire Restoration with Local Community Collaboration in Ghana (Ghana)

Conclusion of the Thirty-fifth 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 284/04 Rev.2 (F) and recommended the Council to allocate US\$ 585,894 for its immediate implementation.

13. 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, Cambodia, and Lao PDR)

Conclusion of the Thirty-fifth 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 289/04 Rev.1 (F) and recommended the Council to allocate US\$ 688,208 for its immediate implementation.

14. PD 300/04 Rev.1 (F) Restoration and Sustainable Use of Forest Resources in Ghana: State-of-the-Art Conference (Ghana)

Conclusion of the Thirty-fifth 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 300/04 Rev.1 (F) and recommended the Council to allocate US\$ 69,449 for its immediate implementation.

15. PD 301/04 Rev.1 (F) The Eighth Round-Table Conference on Dipterocarp (Malaysia)

Conclusion of the Thirty-fifth 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 301/04 Rev.1 (F) and recommended the Council to allocate US\$ 94,932 for its immediate implementation.

16. PD 322/04 (F) IX Peruvian Forestry Congress (Peru)

Conclusion of the Thirty-fifth Committee

The Committee took note that the Twenty-eighth Expert Panel had observed that recently there had been a significant increase in proposals to fund conferences, and that, where the implications were wider than for one country, it had considered them favorably. However, the Committee noted that in this case the Panel had observed that it was a domestic conference and could not commend the project proposal to the Committee for further appraisal. The Committee decided to endorse the decision of the Expert Panel and not to consider this proposal any further.

TECHNICAL ASSESSMENT OF PRE-PROJECT PROPOSALS

1. **PPD 98/04 Rev.1 (F) Towards the Municipal Decentralization of Forest Management in the Chaco and Yungas Eco-Regions of Bolivia (Bolivia)**

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised pre-project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the pre-project PPD 98/04 Rev.1 (F) and recommended the Council to allocate US\$ 94,500 for its immediate implementation.

2. **PPD 99/04 Rev.1 (F) Development of Criteria and Indicators for Biodiversity as Basis of Certification for Mangrove Forest Sustainable Management (MSFM) in the Philippines (Philippines)**

Conclusion of the Thirty-fifth Committee

The Committee noted that the Government of the Philippines had not submitted a revised proposal incorporating the recommendations of the 28th Expert Panel. The Committee recommended that the proposal be revised taking into account the recommendations of the 28th Expert Panel for direct submission to the Committee for final appraisal.

3. **PPD 104/04 Rev.1 (F) Development of a Project Proposal to Support the Implementation of the National Forest Strategy in Peru (Peru)**

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised pre-project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the pre-project PPD 104/04 Rev.1 (F) and recommended the Council to allocate US\$ 48,854 for its immediate implementation.

4. **PPD 105/04 Rev.1 (F) Feasability Study for the Development of a Transboundary Elephant Conservation Corridor between Côte d'Ivoire and Ghana (Côte d'Ivoire)**

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised pre-project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the pre-project PPD 105/04 Rev.1 (F) and recommended the Council to allocate US\$ 98,090 for its immediate implementation.

5. **PPD 108/04 Rev.1 (F) Sustainable Community Management, Utilisation and Conservation of Mangrove Ecosystems in Ghana (Ghana)**

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised pre-project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the pre-project PPD 108/04 Rev.1 (F) and recommended the Council to allocate US\$ 75,578 for its immediate implementation.

TABLE A

**TECHNICAL EVALUATION OF PROJECT AND PRE-PROJECT PROPOSALS
IN THE FIELD OF REFORESTATION AND FOREST MANAGEMENT
CONSIDERED DURING THE THIRTY-FIFTH SESSION OF THE COMMITTEE**

PROJECT DOCUMENT	BUDGET ITTO CONTRIBUTION (US\$)	GEOGRAPHICAL COVERAGE	DURATION (months)	RECOMMENDATION*	
				28th EP	35th CRF
PD 172/02 Rev.3 (F)	341,140	China	36	5	5
PD 200/03 Rev.4 (F)	367,632	Malaysia	36	1	1
PD 201/03 Rev.3 (F)	409,039	Colombia	24	1	1
PD 220/03 Rev.2 (F)	951,480	Malaysia	24	1	1
PD 228/03 Rev.2 (F)	395,028	China	30	1	1
PD 237/03 Rev.3 (F)	644,393	Peru	24	1	1
PD 238/03 Rev.3 (F)	775,980	Ecuador	24	1	1
PD 248/03 Rev.4 (F)	577,800	Brazil	24	1	1
PD 270/04 Rev.2 (F)	474,941	Myanmar	36	1	1
PD 272/04 Rev.2 (F)	447,702	Republic of Congo	24	1	1
PD 276/04 Rev.2 (F)	430,920	Japan	24	1	1
PD 284/04 Rev.2 (F)	585,894	Ghana	36	1	1
PD 289/04 Rev.1 (F)	688,208	Thailand, Cambodia, and Lao PDR	24	1	1

PROJECT DOCUMENT	BUDGET ITTO CONTRIBUTION (US\$)	GEOGRAPHICAL COVERAGE	DURATION (months)	RECOMMENDATION*	
				28th EP	35th CRF
PD 300/04 Rev.1 (F)	69,449	Ghana	18	1	1
PD 301/04 Rev.1 (F)	94,932	Malaysia	15	1	1
PD 322/04 (F)	79,099	Peru	13	5	1
PPD 98/04 Rev.1 (F)	94,500	Bolivia	6	1	1
PPD 99/04 Rev.1 (F)	29,000	The Philippines	12	1	2a
PPD 104/04 Rev.1 (F)	48,854	Peru	6	1	1
PPD 105/04 Rev.1 (F)	98,090	Côte d'Ivoire	12	1	1
PPD 108/04 Rev.1 (F)	75,578	Ghana	12	1	1

* For Categories of Recommendation see Table B.

** Thirty-first Committee's recommendation: 2a. Recommend to the ITTC that the proposal be revised and resubmitted directly to the relevant Committee.

*** Thirty-second Committee's recommendation: 2a. Recommend to the ITTC that the proposal be revised and resubmitted directly to the relevant Committee.

TABLE B

Categories of Decision for 28th Expert Panel	Categories of Recommendation from 35th CRF to the Council
<ol style="list-style-type: none"> 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).) 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. 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. 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. <ol style="list-style-type: none"> a: (Such a pre-project proposal could be commended to the Committee for final appraisal.) b: (The Panel will need to assess the pre-project proposal before it can commend it to the Committee for appraisal.) 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. 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.) 7. The Panel concluded that there is insufficient information to assess the (pre-) project proposal adequately. <p>(Text in Parentheses is optional.)</p>	<ol style="list-style-type: none"> 1. Recommend to the ITTC to approve the (amended) proposal for implementation by ITTO and recommend it for immediate financing. 2. Recommend to the ITTC that the proposal be revised and resubmitted: <ol style="list-style-type: none"> a) directly to the relevant Committee, or b) to the Expert Panel. 3. Recommend to the ITTC to approve the proposal for ITTO sponsorship for funding through other relevant financial institutions, in accordance with Article 20, (6) and (7), and Article 28, of the ITTA, 1994. 4. Recommend to the ITTC that a decision on the proposal be deferred until the next session. 5. Recommend to the ITTC that the proposal should not be further considered by ITTO.

Distr.
GENERAL

CFA(XVI)/6
17 December 2004

Original: ENGLISH

SIXTEENTH SESSION
13 – 18 December 2004
Yokohama, Japan

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

**SIXTEENTH SESSION OF THE COMMITTEE ON
FINANCE AND ADMINISTRATION
(13 – 18 December 2004, Yokohama, Japan)**

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL
SIXTEENTH SESSION OF THE
COMMITTEE ON FINANCE AND ADMINISTRATION

Item 1: Opening of the Session

1. The Chairperson, Mr. Christopher Ellis (U.S.A), welcomed all delegates to the Sixteenth Session of the Committee, and noted the absence of the Vice Chairperson Shaharuddin Mohamad Ismail.

Item 2: Adoption of Agenda and Organization of Work

2. The Committee adopted its agenda as presented in document CFA(XVI)/1. 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), and chaired by the Chairperson of the Committee. The Panel will report directly to the Council. It would convene its first meeting on mid-day Thursday, 16 December 2004. He informed that the selection of the members of the Panel was to be finalized with a view to commence its work.

3. The Committee agreed with the Chairperson's request to defer substantive discussion on the Administrative Budget for 2005 pending the full participation of all Committee Members.

Item 3: Admission of Observers

4. The Chairperson advised the Committee that the Council had admitted all except for one of the applicants as shown on document ITTC(XXXVII)/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

Item 5: Improving Effectiveness and Efficiency of Project Work

5. The Chairperson advised the Committee that the Report of the Twenty-eighth Meeting of the Expert Panel for Technical Appraisal of Project Proposals [Document CEM,CRF,CFI,CFA(XXXV)/1] and the Report of the Working Group on Improving Effectiveness and Efficiency of Project Work [Document CEM,CRF,CFI,CFA(XXXIV)/2] were discussed in the joint Session of the Committees on 13 December 2004. The Joint Committee, on recommendation by the IAG, had deferred consideration of these two reports pending examination by an "Informal Focus Group on ITTO Project Cycle" headed by the Chairperson of the CFA. The consolidated draft from the Informal Focus Group was distributed to the Joint Committee on 15 December 2004. The Chairperson declared this item closed.

Item 6: Administrative Budget for the Year 2005

6. The Secretariat introduced document CFA(XVI)/2, which had been distributed to Members in October 2004 in accordance with Rule 3 of the ITTO's Financial Rules and Rules Relating to Projects that was amended by the Council at its Thirty-fourth Session in May 2003 [Decision 7(XXXIV)], for the preparation of the draft administrative budget for a biennial period, instead of an annual period. The Indicative Administrative Budget for the financial year 2005 had already been approved by the Council at the Thirty-fifth Session within the Biennial Administrative Budgets for 2004-2005. The Chairperson advised that the CFA considerations of the revisions to the Administrative Budget were to take into account necessary adjustments for 2005, including the incremental upward revision of the post adjustment multiplier by the United Nations as well as the new scale for pensionable remuneration for staff in the professional and higher categories and the impact of exchange fluctuations.

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 2005 in document CFA(XVI)/2/Rev.1, dated 8 December

2004, applying the exchange rate of 102 Yen to US\$1.00 (for the month of December 2004) against the rate of 111 Yen to US\$1.00 which was used in October 2004. The Indicative Administrative Budget for 2005 was therefore revised to US\$5,765,991 which was US\$437,930 (or 8.22%) higher than the approved budget amount of US\$5,328,061.

8. The Secretariat also pointed out that all expenditures in the revised Indicative Administrative Budget for 2005 have been kept at the same level as those presented in the approved Biennial Administrative Budgets for 2004-2005, and that the increase in 2005 was due primarily to the weakened U.S. dollar against the Japanese Yen, and minor increases in the United Nations scales and rates.

9. Some delegates argued against the creation of a new post of Assistant Director for Monitoring and Evaluation at D-1 level, although the Chairperson noted that the position would not affect the Administrative Budget because the position would be financed from the resources of the "Programme Support Fund" of the Special Account and the Bali Partnership Fund.

10. The Spokeperson for the Producers expressed concern with the decreased level of voluntary contributions to finance projects, noting the Executive Director's statement that the financial situation of Project funds was not healthy and that there was a need to conserve resources. The Producers' Spokeperson added that there should be no expansion of secretariat staff pending greater clarity and consideration of the work and voluntary contributions for funding projects under a new ITTA which is now being negotiated. He asserted that the current workload of the Secretariat represented the demand of holding two Council Sessions a year. He noted that there would be cost savings if there was only one Council Session a year.

11. The Committee, while recognizing the importance of the work related to project monitoring, was divided on the subject of creating a new position of Assistant Director for Project Monitoring. Some members advocated deletion of one position in the current staff should a new position be added, others supported retaining the creation of this new position.

12. The Chairperson noting the comments by several Committee members recommended that the position of Assistant Director for Project Monitoring and Evaluation be removed from the staff establishment as shown in Annex I of the Indicative Administrative Budget for Financial Year 2005, thereby retaining in 2005 the present number of staff at 38. The Committee agreed and, at the same time, expressed its unanimous support and confidence in the Executive Director in managing his staff, and also recognized the excellent work of the Secretariat. Subsequently, the Committee supported the Executive Director's discretionary authority to manage the Secretariat to optimize performance within the constraints that the budget imposes, including the ability to promote existing staff or recruit new staff, as necessary and appropriate, provided that overall expenditures do not result in any increase in the approved Administrative Budget nor any substantial change to the overall staffing structure. Several delegates explained their understanding that the substantial change includes the change of total number of staff as well as the change of number of post at and above D-1 level.

13. A number of delegates sought clarifications on the several financial accounts of the Organization, including the Working Capital Account, the Sub-Account A and B of the Bali Partnership Fund and the Executing Agencies' Account, etc. over the past five years. The Chairperson requested that the Secretariat prepare a briefing on the Administrative Account and other Accounts which finance projects and activities. As requested, the Secretariat briefed the Committee at its meeting on 15 December 2004 and presented the status of the various accounts for information of Members of the Committee (see details on Agenda Item 13 below).

14. One delegate remarked that the newly revised figure of the Indicative Administrative Budget for 2005 is a marked increase of about 8.2% over the approved amount in the Biennial Budget for 2004-2005. He also noted that a large amount of contributions for the year 2004 have not yet been received by the Organization.

15. In response to the difference in the Administrative Budget as approved at the Fourteenth Session of the CFA and the revised Indicative Administrative Budget for 2005, The Netherlands suggested that the difference may be financed through the use of the Working Capital Account. Furthermore, he advised the CFA that the Committee on Economic Information and Market Intelligence had put forward a recommendation to have the expenses related to statistical work be financed through the Administrative Account. After deliberations, the Committee was of the view that an additional budget item to cover expenses for statistical work would be inappropriate to be introduced in an already approved budget. The Committee recommended that this item could be included for consideration at the next Biennial Budgets for 2006-2007.

16. In discussing the use of the resources of the Working Capital Account, the Chairperson alerted the Committee on the possible need of about US\$500,000 to finance the facilitation of the process in the negotiation of a successor Agreement to the ITTA, 1994. The Secretariat, upon request by the Committee, presented a

notional list of items of expenditures in this regard. Several members noted the need for a fuller discussion of the items proposed for financing. Some expressed concern that the proposed amount would not be sufficient in the event that additional work was required following the February 2005 conference in Geneva. A delegate cautioned that perhaps not all of the items in the notional list of items as presented may require financing from sources other than the WCA.

17. The Committee, after taking note of several proposals and comments, decided to recommend to the Council to authorize the Executive Director to utilize an amount not exceeding US\$600,000 from the Working Capital Account to facilitate the process of negotiation of a successor Agreement to the ITTA, 1994.

18. The Committee recommends that the Council approve the Administrative Budget for the Financial Year 2005 in the amounts of US\$5,765,991. This amount will be further increased by US\$94,922 to take account of the discount to be granted to Members for prompt payment of their contributions in 2004 (in accordance to Rule 4, paragraph 3, of the Financial Rules and Rules relating to Projects), but at the same time, will be reduced by US\$913 by utilizing the bank interest earned in 2004 to square out the net amount to be assessed from Members. The net amount to be assessed from Members towards the Administrative Budget for the Financial Year 2005 is therefore US\$5,860,000 as presented in the document CFA(XVI)/2/Rev.2. The assessed contribution from Members to the budget for 2005 is shown in this document and the Secretariat will be sending Invoices to Members for payment in accordance to the Financial Rules.

Item 7: Review of Contributions to the Administrative Budgets

19. The Secretariat introduced document CFA(XVI)/3, prepared on 10 December 2004 which detailed the history of Members' contributions to the Administrative Budgets for the financial years from 1986 to 2004, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed that in 2004, \$1,146,700.65 had been received to date from Producing Members out of the total of \$2,638,000; and \$2,487,526 had been received from Consuming Members out of the same total assessed amount. As shown in the document, arrearages in contributions to previous years' budgets from Producing Members amount to \$4,118,927.19 and the outstanding payment of interest charges levied on late contributions under the ITTA, 1983, amount to \$213,766.21. The Secretariat also informed the Committee that the Republic of Congo made a payment of EUR.35,200 (approximately US\$45,000+) in settlement of its contribution for 2004.

20. The delegate from Cambodia delivered a statement concerning the suspension of logging activities in his country, resulting in a great reduction in timber revenues and requested the Council to take note and assess a reduced rate for Cambodia for its contribution to the Administrative Budget, especially for the financial years 2005 onward. He also informed the Committee that his Government was in the process of making payment of its contribution for the year 2004. The Chairperson appreciated the transparency and praised Cambodia for its efforts in promoting sustainable forest management and its honesty in this request. He also noted that payments of contributions from Cambodia had been regular until 2003 and that Cambodia is a member in good standing and would reflect the deliberations on this in the Committee's report. The representative from Cambodia expressed appreciation to the Committee for its understanding of his country's problem.

21. Several delegates noted with concern the arrearages in contributions by many Members which put at risk the sustainable operation of the Organization.

22. The Spokesperson for the Producers expressed regrets that the complaint of non-payment or late payments to the Administrative Budgets has been a regular feature in the CFA at all its past sessions. He admitted that producing members due to various circumstances were unable to meet their financial obligations to the Organization. However, producing members did try to make their payments on time, although late and hence the resources of the Working Capital Account have been replenished and is presently at a healthy level with a balance of about \$3.3 million.

23. In response to the queries by delegates, the Secretariat informed that many Members in arrears have lost their voting rights at the end of seven months from when their contributions were due. Members were reminded that, as stipulated in Decision 7(XXXIII), "the Secretariat will not process project and pre-project 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 proposals are submitted". Therefore, Members were urged to meet their commitments to the Organization to avoid this penalty.

24. The Committee took note of the report.

Item 8: Current Status of the Administrative Account

25. The Secretariat presented document CFA(XVI)/4 reporting the current status of the Administrative Budget for 2004 (as at 10 December 2004) 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 2004 from interest earned in 2003, it is anticipated that the estimated expenditures for current year will be \$4,655,865 (i.e. \$551,656 less than the total amount approved in the budget for 2004). This was due to one post of Projects Manager has been vacant since January this year and stringent cost saving efforts exercised by the Secretariat.

26. The Secretariat added that a deficit in the amount of approximately \$290,000 (after taking into account of the payment recently received from the Republic of Congo) would be expected in the budget for 2004. However, Decision 2(XXXIV) adopted by the Council at its Thirty-fourth Session held in May 2003, 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", and therefore it is not necessary to request the Council for further authorization to utilize funds from the Working Capital Account to cover the deficits in 2004.

27. The Secretariat also informed the Committee that payments had been received since January to date from Members of arrearages in contributions in previous years and interest payments, in the total amount of \$760,395.37, the balance of the Working Capital Account remains at \$3,285,298.65. The Secretariat also informed that bank interests earned on time deposits since January 2004 amount to \$43,248.54. The Committee was informed that this amount, together with the interests earned in 2003 of \$43,857.72, is reserved for hiring consultants and contractors to supplement the work of the Secretariat as authorized under Council Decision 2(XXXIV).

28. The Committee took note of the report.

Item 9: Resources of the Special Account and the Bali Partnership Fund

29. The Secretariat presented document CFA(XVI)/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 ITTC's Decision 3(XXVIII), 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\$1,633,439.19 and regular ex-post evaluations of projects, as approved, are being carried out. Accordingly, the current available balance in this account amount to US\$898,844.50.

30. With regard to the resources of the Bali Partnership Fund, the Secretariat informed the Committee that as of the end of the last session, thirty-two Activities, five Pre-Projects and four 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\$2,289,783.31. 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 pre-projects, activities and projects that would be financed from these resources as well as from that of the other unearmarked funds, the current available resources of which amount to US\$6,146,414.95. 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 cover the allocation of resources from the "Unearmarked Funds" in the Special Account as an interim measure. The Panel would report directly to the Council.

31. 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.

32. The Committee took note of the document.

Item 10: Biennial Work Programme of the Committee for the Years 2004-2005

33. The Chairperson introduced the Biennial Work Programme for the Years 2004-2005 of the Committee of Finance and Administration which was presented in document ITTC(XXXV)/14 and the report by the Secretariat on the implementation of the Biennial Work Programme for 2004-2005 presented at this Session of Council in document ITTC(XXXVII)/11. 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, 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 2004-2005, 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 2005

35. The Vice-Chairperson of the Committee for 2004, Mr. Shaharuddin Mohamad Ismail of Malaysia, was elected Chairperson of the Committee for 2005. Ms. Sai Guohua of China was elected Vice-Chairperson of the Committee for 2005.

Item 12: Dates and Venue of the Seventeenth, Eighteenth and Nineteenth Sessions

36. The Committee agreed that the Seventeenth, Eighteenth and Nineteenth Sessions would be held on the same dates and at the same venues as the Thirty-eighth, Thirty-ninth and Fortieth Sessions of the Council.

Item 13: Other Business

ITTO Financial Accounts

37. The Secretariat at the request of the Committee, made a power point presentation explaining the current four different ITTO Financial Accounts: (a) Administrative Account; (b) Special Account; (c) Bali Partnership Fund Account; and (d) Executing Agencies Account. Information were provided regarding the authorization for the creation of these accounts (viz., relevant Articles of the ITTA, 1994, and Council Decisions), their objectives, operational procedures, sources of funds and the current financial status. Information were also provided on further additional sub-accounts within these Financial Accounts, viz.: (i) Working Capital Account in the Administrative Account; (ii) Project and Pre-Project Sub-Accounts, Pooled Ex-Post Evaluation Account and Programme Support Fund in the Special Account; and (iii) Sub-Accounts A and B in the Bali Partnership Fund Account.

38. The Secretariat's presentation slides included summarized financial information on Administrative Budgets as well as on Working Capital Account of the Administrative Account (1999 – 2003). The slides with regard to the financing of the projects, pre-projects and activities included: (a) Allocations by Council and Donors (1999 - July, 2004); (b) Allocations by Donors, and Allocation of Unearmarked Funds by Council (1999 - July, 2004); (c) Additional Funds received from Donors (1999 - December, 2004); and (d) Programme Support Funds-Movements (1999 to September 2004).

39. In response to the query by the delegation of the Switzerland, the Secretariat explained that the available unearmarked funds of US\$6.14 million which would be allocated by the Council through the Panel on Sub-Account B of the BPF, was included with the amount of US\$13.13 million reported as the current balances in the Project and Pre-Project Sub-Accounts of the Special Account. The remaining balances of these were made up of donors' funds that are yet to be allocated.

40. The Producer Spokeperson, while acknowledging that funds for projects financing are voluntary, and observing the recent decline in the voluntary funds for project financing, stressed the need for a co-relationship between the administrative assessed contributions and the voluntary funds for project financing.

41. The delegate from the U.S.A. stated that the presentation of the financial Information by the Secretariat demonstrated the transparent and efficient manner of the financial management of the Organization, and he

expressed his government's appreciation. He further added that Members should adhere to their obligations as defined in the ITTA, 1994, specially, with regard to the assessed contributions to the Administrative Budgets, and expressed concern about the link between the administrative assessed contributions and the voluntary funds for project financing.

42. The delegate from Congo suggested that the Council may explore the possibility of finding other sources of funds to help Members to meet their obligations and payments to the Organization to avoid large accumulation of arrears. For example, such funds could be derived from levies from import and/or export of timber from the country, etc.

43. The Executive Director stated that in recent years, the Council had been allocating funds from the unearmarked funds which had accumulated substantial amount in the past (allocated a total amount of US\$15.25million during 1999 to July 2004), and this had considerably offset the decrease in the voluntary contributions received. He believed that the difficulties with the donor members were of temporary nature and he confirmed having positive assurances from donor members about the increase in their voluntary contributions in the future. Nevertheless, he pointed out the vulnerability of depending on a few donor members.

44. The Committee took note of the presentation and the Secretariat complied with the request to provide copy of the presentation materials to all the Delegates.

Item 14: Recommendations to the International Tropical Timber Council

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

- (1) To approve the revised Administrative Budget for the Financial Year 2005 of the amount of US\$5,765,991 as presented in document CFA(XVI)/2/Rev.2 (Approved Biennial Administrative Budget for the Financial Year 2005). The assessed contributions from Members will be US\$5,860,000 to take account of the discount to be given to Members for timely payment of their contributions in 2004 and to utilize part of the bank interest earned in the same year; and
- (2) To authorize the Executive Director to utilize an amount not exceeding US\$600,000 from the Working Capital Account to support the negotiation process for a successor Agreement to the International Tropical Timber Agreement, 1994 (ITTA).

Item 15: Report of the Session

Annex I

**BIENNIAL WORK PROGRAMME FOR THE YEARS 2004 - 2005
COMMITTEE ON FINANCE AND ADMINISTRATION**

ADMINISTRATIVE AND FINANCE ACTIVITIES

Activity	Implementation Approach and Cost Implications	Implementation Status
(i) Review the independent audited statement for the 2003 and 2004 financial years [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.	The Council at its Thirty-sixth Session held in July 2004, on the recommendation of the Committee approved the audited Financial Statements of the Organization and the Report of the Independent Auditor for the year 2003
(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 2004, 2005 and 2006 financial years [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.	The Council at its Thirty-sixth Session held in July 2004, on the recommendation of the Committee, approved the appointment of Audit Firm - "Grant Thornton – ASG Audit Corporation, Tokyo", through Decision 2(XXXVI).
(iii) Review and make recommendations to Council, as necessary, regarding the Organization's administrative budget for the year 2005 of the approved biennial administrative budget for the years 2004-2005 [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.	The Council at its Thirty-seventh Session to be held in December 2004, will consider the recommendation of the Committee and will decide about the approval of the revised Budget proposal for 2005
(iv) Examine and make recommendations to Council, regarding the approval of the Organization's biennial administrative budget proposals for the financial years 2006-2007 [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.	The Committee at its Eighteenth Session in November 2005, will review the draft Biennial Budget proposals to be prepared by the Secretariat for the financial years 2006-2007. The Council at its Thirty-ninth Session to be held in November 2005, will consider the recommendations of the Committee.

- (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.

The Committee after the review at its Fifteenth Session in July 2004, concluded that no further work was necessary. The Committee will again conduct a review at its Sixteenth Session in December 2004, as part of the regular 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.

The Committee after the review at its Fifteenth Session in July 2004, concluded that no further work was necessary. The Committee will again conduct a review at its Sixteenth Session in December 2004, as part of the regular work.

* * *

ANNEX V

REPORT OF THE INFORMAL ADVISORY GROUP (IAG)

DOCUMENT: ITTC(XXXVII)/2

Distr.
GENERAL

ITTC(XXXVII)/2
12 December 2004

Original: ENGLISH

THIRTY-SEVENTH SESSION
13 – 18 December 2004
Yokohama, Japan

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

**12 December 2004
Yokohama, Japan**

**Fifteenth Meeting of the Informal Advisory Group (IAG)
Yokohama, Japan, 12 December 2004**

Report of the Chairperson

Introduction

1. The Fifteenth Meeting of the IAG was convened on Sunday, 12 December 2004 at the Meeting Room of the ITTO Secretariat at 10:00 a.m. chaired by Ms. Jan L. McAlpine (USA), Chairperson of the Council. The meeting was attended by Mr. Alhassan Attah (Ghana), Vice-Chairperson of the Council, Mr. A.S.K. Boachie-Dapaah (Ghana), Chairperson of the Committee on Reforestation and Forest Management (CRF), Ms. Astrid Bergquist (Sweden), Chairperson of the Committee on Forest Industry (CFI), Mr. Christopher Ellis (USA), Chairperson of the Committee on Finance and Administration (CFA), Ing. Renzo Silva (Venezuela), Vice-Chairperson of the Committee on Economic Information and Market Intelligence, Mr. Luiz Cesar Gasser (Brazil), Producer Spokesperson, Ms. Aulikki Kauppila (Finland), Consumer Spokesperson, Dr. B.C.Y. Freezailah (Malaysia), Producer Spokesperson, Mr. Shigeki Sumi (Japan) Representative of the Host Government of the Headquarters and Dr. Manoel Sobral Filho, the Executive Director.
2. The IAG considered the following agenda items for discussion:
 - i. Brief background on the IAG:
 - Decision 5(XXVI);
 - Report of the IAG at its Fourteenth Meeting, 19 July 2004
 - General observation by IAG Members;
 - ii. Negotiations of a Successor Agreement to the ITTA, 1994;
 - iii. Follow-up on CSAG/TAG recommendations;
 - iv. Assistance to Members to implement CITES listing of tropical timber species;
 - v. Council decision-making process – ITTC Decision 7(XXXIII);
 - vi. 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”;
 - vii. List of possible decisions for the Thirty-seventh Session of the ITTC and report to the Council; and
 - viii. 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 Fourteenth Session held on 19 July 2004, Interlaken, Switzerland as contained in document ITTC(XXXVI)/2 dated 19 July 2004. The IAG also recalled the consensus regarding the extension of its mandate and the continuation of its role and existence reached by the Council at its Thirtieth Session.

Negotiations of a Successor Agreement to the ITTA, 1994

4. The IAG noted the outcome of the First Session of the United Nations Conference for the Negotiation for a Successor Agreement to the ITTA, 1994 held at the United Nations Office in Geneva from 26 to 30 July 2004 including the resulting working document [TD/TIMBER.3/L.3 dated 22 October 2004] which would serve as the basis for further negotiations at the Conference to be reconvened at the same venue from 14 to 18 February 2005. The IAG was informed that the President and Vice-President of the Conference as well as the representative of UNCTAD would be present at the current Session of the Council and that item 12 of its agenda on Negotiating a Successor Agreement to the ITTA, 1994 would be among those to be considered during the Opening Session on 13 December 2004. The IAG recommended that the Council should take full advantage of the presence of these personalities to enhance greater understanding and make further progress with regard to the outstanding core issues of the negotiations, such as financial resources, through consultations to be undertaken on an informal basis and initiated at an early stage of the current Session of the Council.
5. In the highly unlikely event that the United Nations Conference be extended beyond its Second Session in February 2005, the IAG recommended the desirability that the Session be held back-to-back with the Thirty-eighth Session of the Council to be convened in Brazzaville, Republic of Congo, e.g., the UNCTAD-sponsored renegotiation be held in Geneva for one week to be followed immediately by the

Republic of Congo 3-day Council Session. The IAG noted the implications of this proposal and recommended that this be raised with the representative of UNCTAD and the Government of the Republic of Congo. The Executive Director also raised the need to seek additional funds to facilitate further consultations by the President of the United Nations Conference with a view to making further progress in the negotiations, should the need arise. The IAG underlined its view that negotiations should be completed in February 2005.

Follow-up on CSAG/TAG Recommendations

6. The IAG recalled that the Council at its previous Session noted the report of the unprecedented ITTO CSAG/TAG Joint Workshop on Illegal Logging and Illegal Trade held at Hotel Interlaken, Switzerland from 19 to 20 July 2004 and authorised funding for the implementation of the three priority recommendations of the Workshop pertaining to the international conference on the transportation of timber products, the international conference on community forestry and forest industry, and the private sector/civil society partnerships for promoting sustainable forest management and certification. The IAG was duly briefed by the Executive Director on the status of implementation of these recommendations.
7. With regard to the international conference on community forestry, the IAG was informed of the Secretariat's intention to implement it together with another approved and funded activity on promoting the establishment of efficient and socially responsible community-based forest industries, in a form of a major international conference, possibly at a ministerial level, that could be convened in conjunction with a significant international event in 2005 such as the IUFRO Congress or Expo 2005, Aichi, Japan. The Executive Director indicated that such a plan would require additional funding to the tune of US\$200,000 especially if it were to be held in Japan.
8. The IAG noted that some funds had already been authorised to support ITTO's participation in Expo 2005, Aichi, Japan, but these were to meet the costs of setting up and maintaining the ITTO's booth and exhibits at the Expo. In view of the unique and pivotal role of communities in the forestry sector in Fiji, the country was mentioned as another possible venue of the proposed ministerial conference. The IAG recommended that the Council should initiate consultations during the course of its current Session with a view to taking a decision on the proposed ministerial conference on community forestry and forest industry covering, *inter alia*, the issues of the venue and financial support.
9. On the international conference on the transportation of timber products, the Executive Director underlined the complexity regarding the nature of the proposed conference and the inadequacy of the authorised funding. The IAG was briefed of the efforts taken by the Secretariat to consult with the TAG, CSAG and FAO, including the outcome of the consultations conducted in conjunction with the IUCN Congress recently held in Bangkok, Thailand. The IAG noted the appropriateness of convening an expert meeting as a first step, in order to identify the challenges to be addressed. It further discussed the possibility of linking this initiative with the international conference on community forestry and forest industry, the two draft decisions of the Council related to CITES and the Council's on-going work on measures to promote the expansion and diversification of international trade in tropical timber pursuant to Decision 12(XXXIV). The IAG recommended that the possibility be explored for an Expert Group to be convened to examine the issues originally envisaged to be addressed by the international conference, taking due account of the related activities and draft decisions of the Council.
10. With the authorization of additional fund by the Council at its previous Session, the IAG was informed that there was adequate funding to support three proposals under the ITTO activity on private sector/civil society partnerships in addition to one proposal that had already been approved and funded.

Assistance to Members to Implement CITES Listing of Tropical Timber Species

11. The IAG noted the decision to uplist with immediate effect *Gonystylus* spp. to Appendix II of CITES taken by the Conferences of the Parties to CITES at its Thirteenth Session. It recalled the successful outcome of the ITTO Workshop on Capacity Building for Implementation of the listing of *Swietenia macrophylla* in Appendix II of CITES held in Pucallpa, Peru from 17 to 21 May 2004 and noted that similar assistance might be required to facilitate the implementation of the listing of *Gonystylus* spp. in Appendix II of CITES. In this connection, the IAG further noted that two draft decisions of the Council on the subject had been submitted. The proposal from Malaysia was exclusively on *Gonystylus* spp. while that from the USA covered both tropical timber species. The IAG recommended that these draft decisions should be considered by the Council, with a view to integrating them into a single decision of the Council.

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

12. The IAG noted that as the Thirty-seventh Session of the Council would be convened as a regular session, the Streamlining Decision-Making Procedures as provided for in paragraph 4, Part 4, Annex 1 of Decision 7(XXXIII) would be applied. In view of the shorter duration of the Thirty-eighth Session of the Council to be held in Brazzaville, Republic of Congo from 21 to 23 June 2005, the IAG recommended that the same procedures taken by the Council at its Thirty-sixth Session be adopted for its Thirty-eighth Session. Under those procedures, no new substantive decision would be taken by the Council with the exception of Decision 1. Follow-up action of the Council's on-going work would be taken under relevant provisions of its existing decisions, as appropriate.

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”

13. The IAG noted that the Draft Elements of a Decision on Measures to Improve Project Formulation and Appraisal was submitted by the USA pursuant to the consideration of the issue by the Council at its previous Session based on document ITTC(XXXVI)/5 presented by the Chairman of the Expert Panel for Technical Appraisal of Project and Pre-Project Proposals. The IAG further noted the close linkage between the issue and the Report of the Working Group on Improving Effectiveness and Efficiency of Project Work as contained in document CEM,CRF,CFI,CFA(XXXIV)/2 which was submitted to and preliminarily considered jointly by all Committees at their previous Sessions.
14. As the Committees were expected to give further consideration to these matters at their current Sessions under item 5 of their agendas, the IAG recommended that a small group should be set up under the coordination of the Chairman of the CFA and with the participation of the Chairman of the Expert Panel and the Chairman of the Working Group to initiate early consultations on a Council decision. The Executive Director was requested to provide a summary presentation of the foregoing reports to facilitate the consultations. The Producer Spokesperson underlined the importance of item 5 of the agendas of the Committees and, hence, the need for adequate time and balanced participation by Consumers and Producers. The IAG further recommended that other decisions relating to administrative and financial matters be taken up in the context of the Report of the CFA.

List of possible decisions for the Thirty-seventh Session of the ITTC and report to the Council

15. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Thirty-seventh Session as follows:
- i. Project, Pre-Projects and Activities
 - ii. Facilitating the Implementation of the Listing of *Gonystylus spp.* and *Swietenia macrophylla* in Appendix II of CITES
 - iii. Measures to Improve Project Formulation and Appraisal.
16. In addition, the IAG noted that a number of recommendations might be submitted by the Committees through their respective reports to the Council for its consideration and approval. In addition, follow-up work could be undertaken through the provisions of existing decisions of the Council.

Other Matters

17. The Executive Director drew attention of the IAG to the need for guidance regarding the process on how the Council should consider the issue relating to the venues for the future Sessions of the Council. The IAG was informed that the Secretariat had received invitations from the Government of Papua New Guinea and Mexico to host the Fortieth Session of the Council in May 2006. Noting the absence of any written procedures on this issue, the IAG recommended that the matter be taken up by the CFA, and that it required substantive Caucus discussion.

* * *