



**INTERNATIONAL TROPICAL
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THIRTY-EIGHTH SESSION
19 – 21 June 2005
Brazzaville, Republic of Congo

**REPORT OF THE
INTERNATIONAL TROPICAL TIMBER COUNCIL
AT ITS THIRTY-EIGHTH SESSION**

Brazzaville, Republic of Congo

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REPORT

OPENING OF THE SESSION (Agenda Item 1)

1. The Thirty-eighth Session of the International Tropical Timber Council was opened by the Chairperson of the Council, Mr. Alhassan Attah (Ghana) after a brief welcome address by the Mayor of the City of Brazzaville, H.E. Mr. Hugues Ngolondele. In his address, the Mayor stated that the year 2005 was a very important milestone for the Republic of Congo in the framework of its natural resources, particularly forests. He recalled that the Republic of Congo had hosted the Second Summit of Heads of States on the Conservation and Sustainable Management of Forest Ecosystems in Central Africa, which debated the future of the Congo Basin forests.
2. The Chairperson welcomed all delegates to the Session and, on behalf of the Council, expressed sincere gratitude and appreciation to the Government and people of the Republic of Congo for their warmth, hospitality and excellent arrangements in hosting the Thirty-eighth Council Session. The Chairperson noted that the signing of the COMIFAC Treaty, which was Africa's first regional accord for forest conservation in which the Heads of State of Central African countries agreed to place their permanent forest estates under sustainable forest management based on the harmonized ATO/ITTO Principles, Criteria and Indicators over a ten year period, had shown the dedication, leadership and vision of the Heads of State of the Congo Basin countries. He stated that this commitment should be transformed into real change that would make impacts in the lives of the people in tropical timber producing regions in addressing the issues of poverty reduction, health, good drinking water and improved education as contained in the Millennium Development Goals.
3. The Chairperson highlighted the work of ITTO as one of the four inter-governmental organizations engaged as partners in the Congo Basin Forest Partnership. He recalled ITTC Decision 11(XXX) "Strengthening Sustainable Forest Management in the Central African Countries" which inter alia organized a technical mission to the five ITTO Congo Basin countries and Decision 10(XXXII) "Promotion of Sustainable Forest Management in the Congo Basin" which prescribed specific actions for supporting Type II Initiatives, regional research programmes, and regional strategy for improving concession management.
4. The Chairperson recalled the disappointment of delegates to the Fifth Session of the United Nations Forum on Forests and urged delegates to avoid entrenched positions during the Third Session of the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994. "We are not seeking losers and winners", the Chairperson stated. He appealed to delegates to enter the negotiations with a spirit of mutual respect and understanding between all parties and not to set unrealistic goals. He also called on the Council to involve the civil society both in the negotiations for a successor agreement and also on an on-going basis.
5. In his address to the Council, H.E. Mr. Alexandre Barro Chambrier, Vice-Minister of Forest Economy, Water, Fisheries and Environment, in charge of Nature Protection of Gabon recalled that six years ago the Heads of States of Central Africa, through the Yaoundé Declaration, resolutely committed themselves to establishing the conservation and sustainable management of forest ecosystems in their respective countries. Since then, the Yaoundé Process had made great progress. He stated that in order to ensure the implementation of the resolutions taken in Yaoundé, the Conference of Ministers of the Forests of Central Africa (COMIFAC) was established. He appealed to donor countries for support in the implementation of the COMIFAC's Convergence Plan through the funding of some of its priority actions. He reaffirmed the commitment of the Government of Gabon to the sustainable management of its forests. He noted that since becoming a Member of ITTO Gabon had always adhered to the objectives of the Organization by establishing adequate tools to comply with the principles and standards of a value-adding approach for forest resources. H.E. Mr. Chambrier said that the new forest policy of Gabon was consistent with the implementation of a Multisectoral Programme for Forests, Fisheries and Environment (PSFE), a reform and investment programme designed to diversify the Gabonese economy to include the sustainable management of renewable natural resources, and the production of environmental goods and services. He appealed to Consumer Countries to contribute to the Bali Partnership Fund.

6. In his address H.E. Mr. Henri Djombo, the Minister of Forest Economy and Environment of the Republic of Congo representing H.E. The Prime Minister of the Republic of Congo, noted that the commitment of the Congo Basin countries towards the sustainable management of their forests was reflected in the Treaty signed on 5 February 2005 by Heads of States of the Congo Basin countries during the Second Summit of the Heads of States on "Conservation and Sustainable Management of Central African Forest Ecosystems" held in Brazzaville. He noted that since its inception in 1986, ITTO had taken great strides in sustainable forest management, which had earned the Organization the ever-growing trust of the international community. H.E. Mr. Djombo stated, however, that the ITTO Objective 2000 would be difficult to achieve due in part to the lack of financial resources for the sustainable management of the forests of the world. However, he acknowledged that numerous projects aimed at the sustainable management of forests were being implemented in producing Member Countries with the support of the international community. He further noted that key issues were under discussion in various international fora on forests on the development of a legal framework for the management of all types of forests. He urged ITTO to conduct in-depth discussions in order to build stronger policies that took into account the particular significance and specificity of tropical forests.

ASCERTAINMENT OF THE QUORUM (Agenda Item 2)

7. The Executive Director, Dr. Manoel Sobral Filho, reported that the quorum for the Thirty-eighth 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)

8. The Chairperson referred to document ITTC (XXXVIII)/1 Rev.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)

9. 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)

10. The report of the Credentials Committee was presented by the Chairperson of the Committee, Mr. Sapuan Ahmad (Malaysia). He reported that the Committee was composed of representatives from Belgium/Luxembourg, Central African Republic, China, Colombia, Italy, Malaysia, Switzerland and Togo. The Committee met on 20 June 2005 and accepted the credentials of 33 countries and the European Community which participated in the Thirty-eighth Session of the Council and the Sessions of the Committees.

PROPOSED DISTRIBUTION OF VOTES FOR 2005 (Agenda Item 6)

11. The Executive Director referred to the Annex to document ITTC(XXXVIII)/1 Rev.1 containing the proposed distribution of votes for 2005. 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 2006. The Council approved the proposed distribution of votes.

ADMISSION OF OBSERVERS (Agenda Item 7)

12. The Chairperson drew the Council's attention to document ITTC(XXXVIII)/Info.3 which listed States, Inter-governmental and Non-governmental Organizations applying for Observer status and invited comments from the Council.
13. Ms. Sri Murniningtyas (Indonesia) informed the Council that Plant Resources of South East Asia (PROSEA) was not attending the Thirty-eighth Session of the Council and should be deleted from the list of Observers. The Council admitted all the Observers.

STATEMENT BY THE EXECUTIVE DIRECTOR (Agenda Item 8)

14. The Executive Director welcomed delegates to the Thirty-eighth Session of the Council. He expressed his gratitude to the Government and People of the Republic of Congo for hosting the Session and for their excellent hospitality.
15. Dr. Sobral recalled the report published by ITTO in 1989 that found that virtually none of the world's productive tropical forests was being managed sustainably and indicated that the "Status of Tropical Forest Management Report", to be published later in the year, would reveal that the area of tropical forest under sustainable forest management had expanded significantly since then. He admitted, however, that progress had not been as rapid as was hoped, and there were still major hurdles to overcome if SFM was to spread to all the permanent forest estates. He noted that the causes of poor management and forest destruction were many and cited poverty, lack of a conducive investment and policy environment to promote economic growth based on the sustainable use of natural forests, and pervasive illegal deforestation and illegal logging and associated trade as some of the causes that significantly undermined SFM. "People in tropical nations are sharing with the global community the benefits of forest protection, but they also have the right to use their forests to improve their livelihoods. If they cannot exercise this right, the forests will simply be converted to agriculture, pastures and other uses that generate greater and more immediate income", Dr. Sobral said. He reiterated that the core priority for ITTO was to help tropical countries develop and benefit from their natural forest resources.
16. Dr. Sobral stated that of all the intergovernmental organizations active in tropical forestry, ITTO had probably the most impressive field project portfolio. He noted that since ITTO became operational in 1987, it had provided grants worth about US\$270 million to fund over 600 projects designed to promote forest management, conservation and sustainable development. ITTO had supported 142 projects and pre-projects with total funding of more than US\$50 million in Africa. He also stated that ITTO's current projects in Africa were employing over one hundred African professionals on a full-time basis. Dr. Sobral mentioned that a key part of ITTO's work had been to test the principles and practices of SFM and had funded some 35 "demonstration" forest projects, eleven of which were in Africa. The Organization had also catalyzed the establishment and management of transboundary and other conservation reserves covering more than 10 million hectares and spanning nine tropical countries. However, he said that in many countries, including in Africa, ITTO would need to redouble its efforts. He noted that ITTO had the capacity to do much more but, regrettably, the Organization was critically underfunded.
17. Dr. Sobral stated that ITTO was proud of its contribution to date to conservation and sustainable development in the Congo Basin and cited: the ITTO Technical Mission to the five countries in the Congo Basin to identify those aspects of the Yaoundé Declaration that interfaced with ITTO's objectives; workshops conducted to develop a regional applied research program and to train trainers in forest management; an ITTO project that reviewed experiences in forest management partnerships in the Congo Basin; and ITTO's role as a founding member of the Congo Basin Forest Partnership. Dr. Sobral also cited ITTO's collaboration with the ATO to convene a conference on "Further Processing of African Tropical Timber" which resulted in a Ministerial Conference Proposal for Action with a view to promoting the further processing of tropical timber in Africa for the period 2004-2013. Also in cooperation with ATO, ITTO was implementing a multi-phase project to build capacity within the region for SFM, with a focus on training in the application of criteria and indicators, forest auditing, reduced impact logging and other aspects of SFM. Dr. Sobral reiterated that ITTO was supporting many other projects that were contributing to various strategic areas of the Plan of Convergence. He noted that ITTO was building partnerships in Africa at different levels – with national governments and their agencies and institutions, with regional organizations and mechanisms such as ATO and COMIFAC, with the private sector, particularly through training initiatives, and with local and international NGOs, particularly through the implementation of projects.

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

18. The Chairperson presented the report of the Informal Advisory Group (IAG), as contained in document ITTC(XXXVIII)/2. He reported that the IAG held its sixteenth meeting on 18 June 2005. The meeting was attended by the Chairperson and Vice-Chairperson of the Council, the Chairpersons of the Committees, the Spokespersons of the Producer and Consumer Groups, a representative of the Government of Japan and the Executive Director.
19. Issues considered by the IAG included negotiations of a successor agreement to the ITTA, 1994; relief from obligations for countries significantly affected by long conflicts; Council decision-making process – ITTC Decision 7(XXXIII); consideration of draft decision/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII) on “Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization”; and a list of possible decisions for the Thirty-eighth Session of the ITTC.
20. On the issue of the venue for the Fortieth Session of the Council, the IAG noted that invitations had been received from the Governments of Papua New Guinea (PNG) and Mexico to host the Fortieth Session of the Council in 2006, and it underlined the desirability for the matter to be considered and decided amicably. The full report of the IAG is attached as Annex VI.
21. Ms. Erika del Rocio Lopez Rojas (Mexico) welcomed the report of the IAG and reiterated the invitation from the Government of Mexico to host the Fortieth Session of the ITTC. She urged the Council to discuss and reach a decision at the Thirty-eighth Session regarding the venue for the Fortieth Session of the ITTC in order to ensure ample time to facilitate logistical arrangements.
22. Mr. Laiakini Jiko (Fiji) indicated that Fiji would be prepared to step in to host the Fortieth Session of the Council in the event that PNG was unable to host the Session.
23. Ms. Celestine Ntsame-Okwo (Gabon) underlined the importance of the draft decision submitted to the Council by the Government of Gabon and indicated that Gabon would want to ensure that during its period of Presidency of COMIFAC, a number of priority actions selected by COMIFAC were implemented. She requested the Council’s indulgence to examine the draft decision.
24. Mr. Heliodoro Sánchez (Colombia) supported the proposal by Mexico that the Council should take a decision on the venue for the Fortieth Session of the Council during the Thirty-eighth Session to ensure ample time to facilitate logistical arrangements by the host country.
25. Mr. Koichi Ito (Japan) noted that past experiences had shown that the Government of Japan normally provided about US\$500,000 towards the cost of holding Sessions outside Japan while the host government bore between US\$100,000-US\$200,000 of the total cost. He cautioned that if the Council decided on the venue for the Fortieth Session in November 2005, the host government should not indicate that it would not be able to bear the cost of hosting the Session due to the short notice.
26. Mr. Daniel Birchmeier (Switzerland) noted that the report of the IAG had proposed an open-ended chairperson’s drafting group meeting with regard to the proposed draft decision submitted by the government of Gabon and sought further clarification on the framework of draft decision. In response, the Chairperson explained that the IAG had decided to, first and foremost, present the issue to Council and then to the Caucuses for their consideration. Depending on the reactions of the Council and the Caucuses the draft decision could be discussed under agenda item 22.
27. Mr. Christopher Ellis (U.S.A.) noted that there had been previous Council decisions regarding the Congo Basin Forest Partnership which appeared to be the core of the draft decision submitted by the Government of Gabon. He indicated that the Thirty-eighth Session had been designed in particular to seek synergies in the relationships between ITTO and the Congo Basin Forest Partnership, and expressed the United States’ support for the draft decision.
28. Mr. Letrilliant Marc (France) supported the proposed draft decision submitted by the Government of Gabon and urged the Council to place it on its agenda for discussions at the Thirty-eighth Session.

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

29. 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 recalled Decision 2(XXXVII) on “Enhanced Cooperation between ITTO and CITES on Ramin and Mahogany” and informed the Council that the Secretariat was in consultation with Indonesia and Malaysia about hosting a meeting on the implementation of the Appendix II listing of Ramin at the end of 2005 or early 2006. Dr. Johnson also reported that the Secretariat had received a proposal from the CITES Secretariat requesting ITTO’s collaboration in a training project on the implementation of Appendix II listings for *Swietenia macrophylla*, *Gonystylus Spp.* and *Pericopsis elata*. The Proposal had been submitted by the CITES Secretariat to the European Commission, which could fund up to approximately 80 per cent of the cost of the proposal. The CITES Secretariat was, therefore, seeking ITTO’s support in funding the remaining 20%. The project proposal would be presented to the Thirty-ninth Session of the Council in November 2005.

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

30. The report was presented by Mr. Erik Lammerts van Bueren (consultant). He referred to document ITTC(XXXVIII)/4. He reported that the two day extended meeting of the Expert Panel for Technical Appraisal of Project and Pre-Project Proposals was chaired by Mr. Peter Schröder (Germany). The Panel reviewed the consultants’ proposal on the Qualitative Award Criteria and Weighted Scores for project and pre-project proposals. The Panel also reviewed the terms of reference of the Expert Panel for Technical Appraisal of Project and Pre-Project Proposals. Mr. Van Bueren mentioned that the proposed scoring system was a tool to enhance the transparency, objectivity, uniformity and comparability of assessing the quality of a project or pre-project proposal. He provided an in-depth explanation of the main elements of the scoring system, including the award criteria, weighting factors attached to each criteria, thresholds and the scoring table.
31. Under the proposed ITTO Qualifying System for project and pre-project proposals, the new rating categories would be:
- Category 1: Revised or new project proposal commended to the Committee with incorporation of amendments;
 - Category 2: Revised or new project proposal requires essential modifications and will be returned to the proponent;
 - Category 3: Project proposal not accepted because a pre-project proposal is required and, according to the indication of the Expert Panel when prepared should be submitted either to the Expert Panel or directly to the Committee;
 - Category 4: Revised or new project proposal not recommended but submitted to the Committee with the recommendation not to approve the project proposal.
32. Mr. Van Bueren explained further the following scoring for the rating categories:
- Category 1:(commend to Committee)
- total score: equal or more than 75% of maximum, and
 - meeting all the thresholds (minor amendments could still be made);
- Category 2:(return to proponent, essential modifications)
- total score 50-75% of maximum total score, and
 - at least meeting the thresholds for relevance to ITTO and stakeholder involvement and problem analysis;
- Category 3:(return to proponent, require pre-project)
- total score 50-75%, and
 - at least meeting the threshold for stakeholders and problem analysis;
- Category 4:(recommended to the Committee not to approve)
- does not meet the threshold of criterion relevance or has a total score below 50% of the maximum total score.

33. The Panel also reviewed and updated the terms of reference of the Expert Panel for Technical Appraisal of Project and Pre-Project Proposals. In addition, the Panel made the following recommendations:
- (i) Council should encourage Member Countries to periodically submit CVs of experts to update the roster of experts maintained by the Secretariat;
 - (ii) Member Countries should consider adding CVs of candidates with expertise in other areas that can complement the assessment process;
 - (iii) Caucuses should nominate Panel Members in a timely manner based on the roster of experts maintained by the Secretariat;
 - (iv) In addition to the criteria detailed in Decision 7(XXII), experts should have some familiarity with how ITTO works;
 - (v) Secretariat should provide Panel members with additional background information on project proposals on request; and
 - (vi) Expand the pre-screening checklist of the Secretariat.
34. The Panel made the following recommendations for the consideration of the Council:
- (i) Consider and adopt the updated terms of reference of the Expert Panel;
 - (ii) Authorize the Thirtieth and Thirty-first Expert Panels to apply the proposed new appraisal system on a trial basis; and
 - (iii) Request the Thirty-first Expert Panel to provide an evaluation of the trial application of the appraisal system to the Fortieth Session of the Council in 2006.
35. Mr. Tabi Agyarko (Ghana) requested that countries be given sufficient time to study the report and allow for a more effective exchange of views. He indicated that prior to the trial implementation of the qualitative award criteria and weighted scores for project appraisal as recommended by the report, members of the Expert Panel should be given some training in the use of the new system in order to ensure consistency, especially for new members of the Expert Panel.
36. Mr. Enzo Barattini (European Community) mentioned that the present project cycle was one of the reasons the European Community had not been able to fund projects. He noted that the new proposal represented a major step forward which would make it easier for the EC to finance projects in future. He endorsed all recommendations in the report and pledged the EC's support for any follow-up actions.
37. Ing. Carlos Salinas Montes (Peru) endorsed the proposal by Ghana that countries be given sufficient time to study the report. He, however, expressed delight that the rating categories had been reduced from seven (7) to four (4). He also indicated that the rating system, in addition to being transparent, should be easy to use and understand.
38. Mr. Luiz César Gasser (Brazil) proposed the setting up of a working group to consider all the comments from the Council in order to further improve the document.
39. Dato' Shaharuddin Mohamad Ismail (Malaysia) noted that projects were important aspects of ITTO's work and had served as one of the primary means of assisting Member Countries to implement the Organization's policy initiatives. He endorsed the recommendation in the report that called for the establishment of a database and a pool of experts. He indicated that the rating system for project appraisal appeared to be arbitrary and confusing, particularly on aspects relevant to ITTO's strategic values and stakeholders' participation. He noted that the scoring and rating system might further complicate the formulation of project proposals. He proposed that Members should be given sufficient time to re-examine the recommendations more closely, particularly those pertaining to the rating and scoring system for project proposals.
40. Dr. James Gasana (Switzerland) endorsed the recommendations as contained in paragraph 11 of the report, particularly the recommendation requesting the Council to authorize the Thirtieth and Thirty-first Expert Panels to apply the proposed new appraisal system on a trial basis. He also expressed some doubts concerning the efficiency of project analysis as advocated in the report if the Panel had to be involved in project identification. He said the Panel would not have the wherewithal to conduct such an analysis in light of the number of projects that the Panel had to appraise and urged the Council to have an in-depth analysis of that recommendation.
41. H.E. Mr. Enduba Waisika Nobert (Democratic Republic of Congo) sought further clarification on means adopted by ITTO to ensure project financing and implementation after a project proposal

had been recommended by the Expert Panel. He noted that there was a gap in time between project analysis, approval, financing and implementation. He indicated that these processes took a considerable amount of time, which sometimes made the project budget outdated.

42. Mr. Agus Justianto (Indonesia) called for capacity building within Member Countries to facilitate preparation of project proposals.
43. Mr. Christopher Ellis (U.S.A.) endorsed the recommendations as contained in the report, particularly the recommendations that the Council should authorize the Thirtieth and Thirty-first Expert Panels to apply the proposed new appraisal system on a trial basis and to request the Thirty-first Expert Panel to provide an evaluation of the trial application of the appraisal system to the Fortieth Session of the Council in 2006.
44. In his summary, the Chairperson noted that there appeared to be two divergent opinions on the subject - (1) to give more time for Members to study the system before adopting, and (2) to adopt the system on a trial basis. He called on the caucuses to discuss the issue further. On resumption of discussions, the Chairperson proposed to the Council to adopt the recommendations in the report, particularly the recommendation that the Council should authorize the Thirtieth and Thirty-first Expert Panels to apply the proposed new appraisal system on a trial basis and to request the Thirty-first Expert Panel to provide an evaluation of the trial application of the appraisal system to the Fortieth Session of the Council in 2006. The Chairperson invited comments on the proposal. In the absence of any objection the Council adopted the proposal and authorized the Thirtieth and Thirty-first Expert Panels to apply the new appraisal system on a trial basis.

ITTO OBJECTIVE 2000 (Agenda Item 12)

(a) Report on Assistance Provided to Producer Countries to Identify Factors Limiting Progress Towards Achieving Objective 2000

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

45. The report was presented by Prof. Gérard Buttoud (France), leader of the Technical Mission. Other members of the mission were Dr. Alain Karsenty (France), Mr. Jean Boniface Memvie (Gabon), Mr. Jean William Sollo (Cameroon) and Mr. Jukka Tissari (Finland). The mission was conducted from 15 to 30 January 2005. The objective of the mission was to establish a technical diagnosis of the progress achieved so far toward the sustainable management of Gabon's forests; to identify the factors impeding progress and to rank them in order of significance; and to formulate a series of actions that would enable stakeholders to overcome the obstacles.
46. The mission noted that Gabon ranked among African timber producing countries where efforts towards SFM had been outstanding over the past ten years. The report stated that only a few years ago, Gabon was mainly a log-exporting country where logging activities were conducted without proper management rules. It noted that in 2005, most large concessions were operating under SFM plans and the recent recognition of the PEFC certification scheme had placed Gabon among the African countries at the forefront of the drive to promote certification. The mission noted the abundant amount of forest resources of Gabon, covering some 20 million hectares, including 14 million hectares that the Government was considering to place under management in near future.
47. On constraints to SFM, the mission noted that since 2003, the movement towards SFM had shown signs of fatigue and stated that the standards used to define sustainable management had been developed in relation to a set of conditions that mostly characterized larger concessions, which appeared to be the only group able to absorb any cost overrun that SFM might entail without major difficulties. Other less market-sensitive groups of industries with weaker capacities tended to consider SFM as being "not their business".
48. The mission noted that the transition period provided for in the 2001 legislation would soon come to an end without any clear-cut policies to address current operational issues. The lack of policy and rule enforcement, as emphasized in all existing certification schemes, imposed strong limitations on SFM.

49. The mission identified lack of training and information as a constraint to SFM. It noted that the need for training was as critical as ever and was being felt among all stakeholders – of both public and private sectors – engaged in forest development activities. The mission indicated that if the situation was not addressed in coming years, part of what had already been achieved might be lost. Besides, information on sustainable forest management was scattered in different places and this dispersion hindered the adequate use of data. The report noted that the structures of the current administration devoted to taking up the SFM challenge had not changed during the past ten years and appeared somehow inadequate. Most of the monitoring and evaluation of actions conducted at local level remained out of the control of central services.
50. The mission further noted that one major constraint to the long-term forest management in Gabon was the exclusive focus on natural forest management and its regeneration through logging practices, and indicated that the economic sustainability of forest management should be achieved partly through plantation forests of the type being developed in other major producer countries around the world.
51. The mission made the following recommendations to the Government of Gabon:
- (i) Take proactive administrative decisions, law enforcement measures and regulatory steps that are fair to any individuals or stakeholder groups and thereby avoid an environment in which forest development occurs at a variable pace;
 - (ii) Provide a secured land tenure framework as the basis for forest development;
 - (iii) Organize information and consultation for enhanced transparency. Efforts should be made by the Government to have information concentrated and used in one single clearing house that could assure advisory roles with decision-making authorities;
 - (iv) Enhance the training effort;
 - (v) Securing tax revenue from the forest sector;
 - (vi) Defining community forestry as an option with significant potentials to address poverty alleviation and local rural development problems;
 - (vii) Identify clear rules for the timber sector. Timber harvesting, processing and marketing activities should be conducted within a regulatory framework;
 - (viii) Set up arrangements for the Clean Development Mechanism. With its huge natural resource potential, the Government should create a structure acting as an investment bureau for environmental services; and
 - (ix) Use economic instruments where they allowed benefit-sharing approaches.
52. The mission recommended that ITTO should:
- (i) Support the Government of Gabon in its efforts to manage forestlands through a specific forestry project with participatory zoning and registration procedures;
 - (ii) Fund a pilot project on the establishment of community forests in one or several selected zones;
 - (iii) Support through a specific project the establishment by Gabon of a large-scale forest plantation programme, based on the lessons drawn from international experiences in this area;
 - (iv) Fund a project in support of training activities on the various aspects of SFM for all stakeholders of the forest and timber economy; and
 - (v) Support the Government of Gabon in the establishment of a Sustainable Forest Management Clearinghouse.
- (2) *Achieving the ITTO Objective 2000 and Sustainable Forest Management in Liberia – Report of the ITTO Diagnostic Mission*
53. The report was presented by Mr. Pierre Méthot (Canada), leader of the mission. Other members of the mission were: Mr. Samuel Appiah (Ghana), Dr. Nigel Sizer (UK/USA), Mr. Robert Simpson (U.S.A.), and Dr. Francis Sio (Liberia). The objectives of the mission were:
- (i) Identify the factors most crucial in preventing the attainment of sustainable forest management in Liberia;
 - (ii) List the constraints in order of priority; and
 - (iii) Recommend a sequence of actions to remove the constraints, providing cost estimates whenever possible.
54. The mission was conducted from 4 to 13 April 2005. The mission held interviews and meetings with various stakeholders (national and local government, bilateral and multilateral donors, forest

concessionaires and wood processors, local and international NGOs, etc.) and analyzed existing reports, document and statistics. The mission noted that there was extremely limited information or statistics available at the Forest Development Authority (FDA), the Government department principally responsible for the stewardship of Liberia's forests, due to the destruction and looting of FDA offices during the civil war. The mission also could not conduct any field visit to commercial (logging, wood-processing, timber exports etc.) or forest management (forest inventory, nurseries etc.) activities due to UN sanctions on commercial logging activities.

55. The mission identified the following major constraints to SFM in Liberia:
- (a) Constraints related to the socio-political context.
 - (i) The re-establishment of peace, order and security in the country and with that, law enforcement and good governance;
 - (ii) Very low level of trust of the international community and the international markets towards the management of Liberia's forest sector, culminating in the imposition of sanctions on export of timber; and
 - (iii) Risk that political decisions pertaining to the forest sector might be biased towards fast resumption of logging and timber exports, for job creation and income generation, without having put in place the mechanisms processes and tools to ensure SFM.
 - (b) Constraints related to the institutional context.
 - (i) Weak governance and law enforcement;
 - (ii) Extremely low technical, logistical, human and financial capacity of national governmental agencies, local government, local NGOs, community bodies, and most other national institutions and low morale;
 - (iii) Forest policy and recent post-war reform efforts had over-emphasized commercial timber sector and given little attention to resource tenure;
 - (iv) Basically no guidelines, manual of procedures, codes of best practices, etc. at the FDA to cover the forest activities in the country; and
 - (v) No technical books, brochures, manuals, etc. available to FDA Staff.
 - (c) Constraints related to the policy, legal and regulatory context.
 - (i) No clear national strategy for the forest sector at the country level;
 - (ii) No forest development plan; and
 - (iii) No forest policy paper.
 - (d) Constraints related to land-use and allocation of timber cutting rights:
 - (i) No national land-use plan; and
 - (ii) Existing timber concession allocation system not transparent, not capturing the true value of the forest resources and not conducive to investments in SFM.
 - (e) Constraints related to forest management planning.
 - (i) Lack of knowledge on the state and potential of the forest resource;
 - (ii) Complete lack of understanding of SFM;
 - (iii) No guidelines or manual of procedures on the elaboration, implementation and monitoring of SFM plans;
 - (iv) No professionally trained or experienced or skilled staff in SFM; and
 - (v) The relatively high costs associated with the preparation of internationally acceptable sustainable forest management plans (between US\$5 to US\$10 per ha.).
 - (f) Constraints related to the forest revenue system and industrial and business environment.
 - (i) Existing forest revenue system not appropriate to promote SFM or investments in down-stream processing;
 - (ii) Low rent capture encouraging rent seeking behaviour;
 - (iii) Forest-dependent communities do not benefit from revenue accruing to the sector;
 - (iv) Log export oriented industry, a situation driven by low forest fees and short-term perceptions of the industry;
 - (v) Major shortage of skilled labour;
 - (vi) General mistrust of the international community towards Liberia and the legality of its forest products; and
 - (vii) Forest industry considered by the financial sector as extremely risky.

The mission proposed that ITTO action should focus on the most urgent areas not sufficiently addressed by other international agencies and NGOs and recommended the following four (4) main areas:

- Improving knowledge about the resource and its utilization;
- Pilot preparation of a sustainable forest management plan;
- Supporting real participation of the local communities in the management and use of the forest resources; and
- Capacity building.

Action required to improve the knowledge of the resource and of its utilization should include in the short term:

- (a) Conducting a general assessment of the status of the mangrove forests and formulating a project proposal for the development of a management plan for the mangrove forests;
 - (b) Conducting a study on pit sawing activities in Liberia and formulate a project proposal for the integration of this activity in the context of SFM, more specifically as a component of community forests;
 - (c) Preparing a series of forest assessment guidelines covering aspects such as forest inventory, establishing volume equation, establishing AAC, mapping, etc.
56. The mission recommended that the Government of Liberia should immediately address a formal request to the Executive Director for the conduct of a national workshop on ITTO Criteria and Indicators. The mission concluded that rebuilding the physical, production, institutional and human infrastructure of the forestry sector to a level coherent and supportive of SFM and of a profitable and efficient value-added wood processing will require tremendous efforts and substantial investment from both the private sector and the Government of Liberia and noted that it would be difficult to achieve such investments without significant support of the international community.
57. Ms. Celestine Ntsame-Okwo (Gabon) expressed gratitude to ITTO for sending a technical mission to Gabon to identify the constraints to sustainable forest management in Gabon. She also expressed gratitude to members of the technical mission.
58. Mr. Romeo Quinoh (Liberia) expressed gratitude to the IAG for discussing the problems confronting Liberia in meeting its financial obligations to ITTO. He also expressed his gratitude to ITTO for sending a technical mission to Liberia and thanked members of the technical mission for the comprehensive assessment and reporting. He indicated that Liberia's inability to meet its financial obligations to ITTO was the result of the UN Sanctions and appealed to donor countries to expeditiously make some funds available to the Forest Development Authority (FDA) of Liberia which was working tirelessly to prevent the destruction of the forest by ex-combatants.
59. Mr. Ricardo Umali (Philippines) noted the recommendation made by the mission to Gabon on the formulation and implementation of a sustainable management plan at the concession level. He indicated that very few countries had formulated such SFM plans and those that had formulated such plans were not implementing them. He urged the technical mission to incorporate in the final report the operationalization of the SFM plans on the ground for timber harvesting without affecting the integrity of the environment. He expressed the interest of the Philippines in the operationalization of this recommendation, in terms of the technical methodology and institutional capability. He indicated that the Philippines had been trying to carryout something similar and currently there was only one concession with SFM plans.
60. Mr. Tabi Agyarko (Ghana) endorsed the recommendation for training needs assessment for forestry and natural resource management in Liberia with the view to developing project proposals to enhance the capacity for SFM. He also supported the recommendation for ITTO to work closely with the Government of Liberia and to provide assistance for project identification and formulation under PD73/89 (M,F,I). He endorsed the recommendation that ITTO should encourage Liberia to make a request to ITTO to conduct national workshop on the ITTO C&I to form the basis for future management of Liberia's forests. He urged ITTO to encourage Member Countries to identify programmes for support as proposed by the Liberia mission, particularly in the preparation of Forest Assessment Guidelines, a design and implementation of forest database, and capacity building in the forestry sector.

61. Mr. Christopher Ellis (U.S.A.) indicated that the reform of Liberia's forestry was of utmost priority for the United States and that the United States was honoured to be a partner with the World Bank and many other countries on the Liberia's forests initiative. He pledged the United States commitment to help with the rehabilitation and reform of Liberia's forestry sector and encouraged other Members of the Council to be attentive to the exceptional circumstances in Liberia.
62. Mr. Henri-Felix Maître (France) stated that it was necessary to reconstruct the memory of Liberia's forests which was lost as a result of the civil war. He indicated that documents on Liberia's forests might be available in other countries and there was the need to find these documents. He also indicated that researchers and foresters who had worked in Liberia in the past might be a good source to retrieve data and information on Liberia's forests. Mr. Maître sought clarification from the technical mission to Gabon on the obstacles faced by small and medium type enterprises in terms of management of forest concessions to achieve the ITTO Objective 2000. In his response, Mr. Pierre Méthot, leader of the technical mission to Gabon explained that the mission noted that the application of forest management was a recent concept and, therefore, it was a bit too early to evaluate the system. He stated that evaluation by the Gabonese authorities had shown that there were cases where forest management was being carried out properly. He reiterated that stakeholders should know that sustainable forest management was being carried out within a regulatory framework. He noted that for most enterprises, the obstacles to SFM were financial and not technical.
63. Ms. Celestine Ntsame-Okwo (Gabon) provided additional information in response to the clarification sought by the delegation of the Philippines. She indicated that in Gabon, forest management plans were applied particularly to large concessions. The Ministry of Forestry was currently working out the methodology to include small concessions in the management plans and that was the focus of the project proposal that had been submitted by the Government of Gabon to ITTO.

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

64. The report was presented by Dr. Steven Johnson (ITTO Secretariat). He reported that as of June 2005, workshops had been convened in Bolivia, Cambodia, Cameroon, Colombia, Republic of Congo, Côte d'Ivoire, Ecuador, Guatemala, Mexico, Panama, Papua New Guinea, Peru, Philippines, Togo, Vanuatu and Venezuela. He indicated that workshops had been scheduled to be convened in Central African Republic, and Fiji. Dr. Johnson mentioned that Gabon, Ghana, Guyana, Myanmar and Nigeria had expressed interest to host C&I workshops to train forest concessionaires, forest managers and forest officers on the use of the ITTO C&I. He noted that the workshops had been very successful in bringing together over 500 forest managers working in FMUs and had proved to be a good mechanism for disseminating the ITTO C&I. He indicated that following the recommendation of the ITTO technical mission to Liberia, the Secretariat would welcome an invitation from the Government of Liberia to hold a C&I workshop in Liberia.

(c) Status of Tropical Forest Management Report

65. The report was presented by Mr. Alastair Sarre (ITTO Secretariat). He recalled that at the Thirty-seventh Session of the Council, the Secretariat reported that the "Status of Tropical Forest Management Report" would be published by first half of 2005. Unfortunately, due to a number of unforeseen circumstances, this could not be realized. However, the report had undergone a thorough review and was at the editing stage. He hoped that the report would be published by November 2005. Mr. Sarre indicated that the publication of the report would be a major milestone for ITTO.

FOREST LAW ENFORCEMENT IN THE CONTEXT OF SUSTAINABLE TIMBER PRODUCTION AND TRADE – DECISION 6(XXXI) (Agenda Item 13)

66. The report was presented by Dr. Eva Müller (FAO). The report was based on a joint initiative between ITTO and FAO on "Best Practices for Improving Law Compliance in the Forest Sector".
67. The report noted that forest law enforcement had been high on the international agenda for several years and exhaustive analysis of the root causes and impacts of illegal activities in

forestry had been carried out. It also noted that a number of international, regional and bilateral initiatives had been started to combat illegality in the forest sector.

68. The objective of the joint ITTO/FAO initiative was to:
- Take stock of the knowledge and experience gained at country level on illegal forest activities;
 - Provide a critical overview of current best practices based on country experiences; and
 - Make recommendations to public sector decision makers for an integrated strategy to improve legality in the forest sector.

The outcome of the initiative is a document based on eleven case studies from Africa, Latin America and Asia, background papers on economic and legal aspects and experiences from ongoing international initiatives. The draft document was reviewed in November 2004 and presented to the FAO Committee on Forestry in March 2005.

69. The report identified the following underlying causes of the lack of forest law compliance:
- Flawed policy and legal framework;
 - Corruption and lack of transparency in the private and public sectors
 - Limited enforcement capacity of public forest administrations; and
 - Insufficient information about the forest resource and illegal operations.

70. The report noted that the impacts of illegal activities on the forestry sector were well known and that any strategy aimed at addressing the problem of illegal activities needed to be holistic and should include a wide range of policy, legal, institutional and technical options. A strategic approach should carefully balance measures to discourage illegal activities, such as stricter controls with activities that encourage legal behaviour, for example incentives, simplified regulations, etc.

71. The report identified three main areas of best practices; namely, the policy and legal framework, law enforcement capacity, and data and knowledge. It indicated that often the existing laws made it difficult for people to comply with them because they were incoherent, unclear and even contradictory. Any strategy to improve law compliance should analyze existing legal frameworks, not only in forestry but also in related sectors to make sure that laws were consistent and could be complied with. It further noted that simplified procedures and reduced bureaucracy would encourage law compliance. The report cited the following as measures to discourage illegal activities:

- Improve the forest administrations' capacity for law enforcement;
- Interagency cooperation and linkages;
- Delegation of enforcement/monitoring authority to civil society or private sector;
- Certification, corporate codes of conduct; and
- Bilateral agreements with trading partners.

On improving data and knowledge, the report identified the following methods:

- On-the-ground verification/monitoring;
- Diagnostic surveys of illegal activities;
- Industrial wood input/output estimates and exports/imports statistical analysis;
- Aerial surveillance, satellite detection, log tracking and road check points;
- Use of informers and NGOs; and
- Public awareness raising.

72. Mr. Jorge Malleux (Peru) noted that the report presented clearly what was being done internationally on the issue of forest law enforcement and achieving the framework of establishing best practices in sustainable forest management. He stated that Peru had already established a new legal framework with the support of an ITTO project, following the recommendations of the ITTO Technical Mission to Peru to study the problems of illegal logging and had also set up a National Multi-sectoral Commission to combat illegal logging. He mentioned that Peru had submitted a request to the Council for additional financial resources to make it possible for the Country to complete its national strategy for controlling of illegal logging.

73. Mr. Christopher Ellis (U.S.A.) drew the Council's attention to the G8 Joint Environmental Development Ministerial Declaration on Illegal Logging and noted that UK had made illegal

logging an important agenda during its presidency of the G8. He also informed the Council that the G8 presidency would be assumed by the Russian Federation in 2006 and the Russian Federation had also gone on record to include illegal logging as an important agenda item during its presidency. Mr. Ellis pledged the United States continued commitment to address the problems of illegal logging and associated trade, primarily through the United States' framework document, known as President Bush's Initiative Against Illegal Logging. In that spirit, the United States participated in the Europe and North Asia FLEGT Conference that was held in Moscow. He noted the expansive nature of the problem and the need to develop a clear organic approach to deal with the problem of illegal logging and associated trade and corruption. While recognizing the uniqueness of individual forest types and ecosystems and with full respect for the sovereign rights over the natural resources of all countries, the United States believed that there was a strong role for ITTO to play in these regional processes. Mr. Ellis underscored that there was an increasing interdependency between consumers and producers and between exporters and importers that had placed an exceptional demand on ITTO to be proactively engaged in these regional processes, including within European and North Asia FLEGT processes. He further noted that a time would come when the council would need to consider how to assert a more proactive role in these FLEGT regional processes, including through updating Decision 6(XXXI) – "Forest Law Enforcement in the Context of Sustainable Timber Production and Trade".

74. Mr. Ricardo Umali (Philippines) raised the issue of logging ban and stated that the report did not make any reference to this issue which had been articulated and implemented in many countries and which appeared to have a negative effect as far as combating illegal logging and improving compliance to forest rules and regulations. He noted that the policy of logging ban was being implemented in many forms, including zoning the entire country into hot spot areas. He indicated that many countries believed that stopping logging operations would result in better compliance, support to forest protection and bring a stop to illegal logging. However, this had not been the case and analysis conducted by FAO in several countries on the effect of logging ban had concluded that instead of stopping illegal logging it had rather increased illegal logging in most of the countries where the studies were conducted. Mr. Umali proposed that the issue of logging ban should be included in the final document on "Best Practices for Improving Law Compliance in the Forest Sector".
75. Mr. Enzo Barattini (European Community) recalled that during the Thirty-seventh Session of the Council he announced that the European Council of the European Commission was discussing proposals with the aim of formulating legislation which would have an impact on the use of timber from legal sources. He mentioned that discussion were still underway, both at the European Council and the European Parliament. He hoped that the legislation would be approved within the second half of 2005. He stated that the legislation would ensure legal trade and would be enforced in the context of partnership with producing countries. He called for cooperation and coordination between the North and South and stated that ensuring legal trade should not be solely the responsibility of producer countries but it should be shared responsibilities between both producers and consumers. Mr. Barattini also underscored the fact that it was important not to support initiatives which would result in exacerbating the problem.
76. Mr. Grégoire Nkeoua (Republic of Congo) stated that forest communities should be made aware of forest policies and legislations in order for them to assist in combating illegal logging. Mr. Nkeoua also noted that poverty was a contributing factor to illegal logging. He informed the Council that a meeting was held in Yaoundé within the framework of FLEGT and called for the implementation of the recommendations of the meeting. He stated that the Congo Basin countries had made considerable effort in terms of legislations on illegal logging and stressed that monitoring of forest operations was extremely important in the implementation of forest laws. He called for assistance in strengthening the capacity of forestry institutions to monitor forestry operations using modern techniques to ensure the efficiency of field missions.
77. Dato' Shaharuddin Mohamad Ismail (Malaysia) indicated that illegal logging was not a major problem in Malaysia. He informed the Council that the World Bank and WWF-Malaysia carried out a review and noted in their report that illegal logging represented less than one percent (1%) of the volume of Malaysia's timber entering the market. Dato' Shaharuddin underlined the fact that Malaysia was fully committed to sustainable forest management as reflected in the operationalization and implementation of the Malaysian Criteria and Indicators and the standard of performance for sustainable forest management based on the elaboration of the ITTO Criteria and Indicators for Sustainable Forest Management of Natural Tropical Forest and the Principles

of the Forest Stewardship Council (FSC). He said that these efforts were being complemented by the allocation of financial resources to carry out forest development activities as well as projects and studies related to sustainable forest management. He noted that currently, the Malaysian Criteria and Indicators had identified a total of sixty-four (64) indicators and two hundred (200) activities under the seven (7) ITTO Criteria at the national level for reporting progress towards sustainable forest management. He also indicated that seven (7) criteria, fifty-six (56) indicators and one hundred and seventy-one (171) activities had been formulated for the monitoring and assessment of sustainable forest management practices at the FMU level. Dato' Shaharuddin reported that in October 1999, the Malaysian Timber Certification Council was established to develop and implement its timber certification scheme to promote SFM as well as to facilitate the trade in certified timber from Malaysia to markets that required such assurances. MTCC consequently launched its timber certification scheme in October 2001, commencing with the use of seven (7) criteria and fifty-six (56) indicators at the forest management unit level and was in the process of implementing the MC&I 2002 consisting of more stringent standards, using the Principles and Criteria of the Forest Stewardship Council as a template.

78. Dato' Shaharuddin noted that the application of timber certification in assessing SFM in Malaysia had not only created greater awareness among forest managers and forest workers of their social responsibility in minimizing the loss of biological diversity and in protecting the environment during forest harvesting, but also in ensuring that logs were legally harvested and emanated from forests that were under sustainable forest management practices. He also noted that timber certification provided timber producers with an incentive to improve forest management practices, comply with agreed standards, gain certification and sell products at a premium rate. On the issue of cooperation between producers and consumers, Dato' Shaharuddin indicated that Malaysia would focus on the following:

- (i) The need to recognize the tremendous efforts made to improve forest management and the concurrent effort on certification; and
- (ii) Provide incentives such as improved market access and support capacity building for such effort.

With specific reference on the cooperation between Malaysia and the European Community, Dato' Shaharuddin urged the European Community to take into account the findings of the recent dialogue between Malaysia and the European Community which took place in June 2005 on working towards a framework for a potential voluntary partnership agreement on forest law enforcement, governance and trade with special attention on issues and concerns identified during the dialogue in order to maintain the momentum in these informal discussions with the aim of progressing towards a viable implementation framework under the auspices of FLEGT.

79. Dato' Shaharuddin welcomed the report on the "Best Practices for Improving Law Compliance in the Forest Sector" and noted that the report contained issues, particularly pertaining to the implementation and measures undertaken by producer countries and sought clarification as to whether the final report would contain measures undertaken at the consuming end, particularly with reference to importation of logs from illegal sources.
80. Mr. Taira Iwasaki (Japan) underscored the importance of tackling the problem of illegal logging for the achievement of SFM and fair trade. He noted that fair trade would create smooth trade relationship and fair prices for timber and timber products for the benefit of both producing and consuming countries. He urged ITTO to address the problem of illegal logging from the view point of its experiences and knowledge of sustainable tropical forest management. He underlined ITTO's capabilities in project formulation and implementation and pledged Japan's commitment to support project proposals that would address the problem of illegal logging. He noted that mutual understanding and cooperation would be indispensable among Member Countries in tackling the problem of illegal logging.

PHASED APPROACHES TO CERTIFICATION – DECISION 10(XXXIV) (Agenda Item 14)

81. Dr. Markku Simula (consultant) presented the report on "ITTO International Workshop on Phased Approaches to Certification". The objectives of the Workshop were to:
- (i) Solicit views, facilitate consultations on and promote Phased Approaches to certification;
 - (ii) Raise awareness among stakeholders on phased approaches to certification; and
 - (iii) Facilitate understanding on private and public procurement policies and their implications for tropical timber producers.

82. Dr. Simula indicated that the workshop was organized in the context of:
- (i) Broad-based concern about the current lack of progress in tropical timber producing countries;
 - (ii) Phased Approach as a tool to promote certification;
 - (iii) Phased Approach as an independent verification of the progress made towards achieving full compliance with a certification standard;
 - (iv) Phased Approach would not be able to remove barriers to certification but would allow time for adjustment of forest management; and
 - (v) Phased Approach had been proposed seven years ago but existing schemes had been slow to implement it due to concerns about double standard, risk of losing credibility and communication problems.
83. The workshop discussed market and stakeholder requirements and noted the following:
- (i) Shift in concerns from SFM to legal origin and compliance;
 - (ii) Certified and "legal" demand exceeding supply;
 - (iii) Public and private procurement policies were the driving force;
 - (iv) Inadequate participation by tropical timber producing countries in formulation of procurement policies;
 - (v) Diversity of buyer requirement had made compliance and communication difficult; and
 - (vi) As there were no widely recognized approaches to certification and verification of legality, tropical timber producers were having difficulties to meet market and stakeholder requirements.
84. The workshop examined the issue of legal origin and legal compliance and noted that:
- (i) Legal compliance was a complex issue;
 - (ii) Definition of legality in country conditions needed to be acceptable to stakeholders;
 - (iii) Difference between in-depth verification of legality and auditing of the legality criterion in the certification process; and
 - (iv) Check-list based on relevant laws could be a potentially useful tool in tropical timber producing countries.
85. The workshop noted that phased approaches to certification should be understood as arrangements to independently verify the process made by an FMU in achieving full compliance with the verification standard while allowing communication on and recognition of the progress made, thereby facilitating access to potential market benefits. The workshop called for flexibility to be applicable in varying local conditions in the implementation procedures for phased approaches. The implementation procedures should also be:
- (i) Simple, consistent and cost-efficient; and
 - (ii) Legal origin and legal compliance should be a baseline requirement; and
 - (iii) Procedures for Phased Approaches should be agreed upon through a broad participatory process to ensure market and stakeholder support and ownership.
86. The workshop examined the economic aspects of phased approaches and noted that:
- (i) SFM and its certification represented additional costs, however, Phased Approaches would not add to compliance costs in order to achieve SFM;
 - (ii) Phased Approaches would allow spreading of costs over several years while capturing some market benefits;
 - (iii) Phased Approaches would facilitate access to benefits, particularly by small-medium scale enterprises (SMEs) and community forests;
 - (iv) There was the need for cost reduction in certification process and SFM; and
 - (v) The need to linking Phased Approaches to fiscal and other incentives as a means to promote Phased Approaches in the context of SFM.
87. The workshop recommended that ITTO should:
- (i) Endorse the concept of phased approach;
 - (ii) Develop minimum requirements for (a) verification of legal origin and legal compliance as well as (b) forest certification and its phased approaches;
 - (iii) Support development of national certification standards and systems;
 - (iv) Support regional initiatives;
 - (v) Support capacity building for SFM and its certification; and

- (vi) Facilitate cooperation between certification schemes and verification systems with the objective of promoting comparability, compatibility and mutual recognitions among schemes and systems.
88. The workshop recommended that consuming country governments should consult with producing countries and their stakeholders on public procurement policies and urged producing country governments to develop or strengthen national verification systems of legal origin and legal compliance and provide financial and other support (a) for the development of national certification standards and schemes; (b) FMUs implementing certification. The workshop further recommended that producing country governments should develop public timber procurement policies and that certification schemes operating in the tropical countries should put in place appropriate provision for Phased Approaches and urged other stakeholders in producing countries to fully cooperate in the development of national certification standards and schemes through open, transparent and inclusive processes. It called on buyers and other stakeholders in consuming countries to duly consider impacts of their requirements on tropical timber producing countries and to consult with a broad range of stakeholders in those countries before defining their procurement policies and other requirements.
89. Dr. B.C.Y. Freezailah (Malaysia) noted with much satisfaction the momentum of ITTO's growing initiative on timber certification. He stated that under the Malaysian Timber Certification Council (MTCC), 4.73 million ha of Malaysia's permanent reserved forests had been certified. This represented about one-third of Malaysia's total permanent reserved forests. He indicated that the Malaysian timber certification scheme was based on the ITTO framework of criteria and indicators for sustainable management of natural tropical forests. Dr. Freezailah acknowledged that certification was the way forward to achieve SFM. He mentioned that a special fund had been established to finance periodic forest management auditing in Peninsular Malaysia and noted that in Peninsular Malaysia, forest certification was country-driven rather than market driven. He noted that implementation of SFM and certification would never succeed without a high level of commitment, capacity and adequate resources coupled with a supportive international environment.
90. Dr. Freezailah stated that in Malaysia, the funds needed for certification fell into three (3) categories:
- (i) Funds to finance forest management auditing;
 - (ii) Funds spent by the Forestry Department to implement SFM and the extra costs borne by industry to implement environmentally acceptable logging procedures; and
 - (iii) Funds to cover the operations of MTCC and also to promote its scheme, amounting to approximately US\$20 million.
- Dr. Freezailah underlined that implementing SFM, undertaking forest certification and funding a certification scheme were all costly. He referred to a publication in the Journal of Forestry (April – May 2005) and stated that the correlation between the state of tropical forests and GNP of a country was both clear and compelling. He wondered how developing countries, struggling to balance their national budgets, could find the necessary resources to implement SFM, and called for a serious reflection by the Council especially as the Council was embarking on the final phase of negotiations for a successor agreement to the ITTA, 1994.
91. Dr. Freezailah noted that tropical forests accounted for only 5% of the certified forests in the world and said it was a reflection among others, of the complexity of the tropical forest ecosystem which must be managed sustainably, taking into account ecological, social and economic dimensions, and could not be compared with temperate and boreal forests which were simpler in terms of species composition, forest structure, silviculture, growth rates, etc. He underscored the fact that cooperation and solidarity of all stakeholders was vital in developing the standards for certification. He stressed the fact that certification must be implemented by phases, the first phase of which must focus on legal compliance and some key elements of SFM. He reiterated that phased approach was the only way forward in view of the constraints of financial resources, technical and other difficulties due to the complexity of tropical natural forests and developing consensus in multi-stakeholder consultations. He cautioned that if markets or schemes demanded very complicated C&I and stringent standards of performance, there would be no certification. He noted that the wave of green consumerism gathering momentum might lead to an indirect boycott of tropical timber and cautioned that that might lead to lost of leverage to influence policies and practices for sustainable management of tropical forests.

92. Dr. Freezailah noted with regret that there had been strong reaction and rejection from certain quarters on the concept of phased approach to certification. He compared SFM and certification with other environmental issues such as global warming and measures under the Kyoto Protocol, where remedial measures would be implemented in stages and urged the Council not to have any difficulties in accepting SFM and certification by phases. Dr. Freezailah stated that he was encouraged by the public procurement policies in Denmark and the UK that recognized the important and strategic role of certification by phases. He mentioned that the MTCC scheme had gained acceptance in these countries and discussions were on-going with the City of Hamburg towards conditional recognition of the MTCC scheme. He was also encouraged by recent discussions with an EU mission, led by the Netherlands, to conclude a framework for a voluntary partnership agreement which essentially would involve timber certification focusing on the verification of legal compliance.
93. Dr. Freezailah indicated Malaysia's support for the recommendations emanating from the Bern Workshop. He urged the Council to:
- (i) Endorse the concept of phased approach;
 - (ii) Support development of national certification standards and systems;
 - (iii) Develop minimum requirements for verification of legal origin and legal compliances on forest certification and its phased approaches;
 - (iv) Take relevant actions to facilitate cooperation between certification schemes and verification;
 - (v) Encourage consuming country governments to consult producer countries when developing public procurement policies; and
 - (vi) Encourage certification schemes to advance mutual recognition.
94. Dr. Bipin Behari (India) recalled that the workshop had agreed that certification should not become a barrier to trade. He also reiterated that alternative documents must be recognized in situations where there was no forest certification in order that trade was not adversely affected. Dr. Behari also raised the issue of how buyers in large consuming countries like China and India, who were involved in re-exporting of further processed products of tropical timber could be engaged in the promotion of SFM in countries where they sold their supplies. He noted that forest management system in India was more than a century old and the movement of timber for re-export was being regulated in the same way as other exports. He indicated that all the documents on imported timber from the country of origin into India were being verified in cases where forest certification was not in place. Dr. Behari indicated that since certification of forests and forest products was being discussed within the WTO, there should be no mention of forest certification and its procedures in the negotiation of a successor agreement to the ITTA, 1994. He stated that any international forest certification affecting the sovereign rights of Member Countries should not be legally binding.
95. Mr. Ricardo Umali (Philippines) endorsed the concept of phased approach as a useful tool in promoting SFM and indicated that it would accelerate the process of certification in producing Member Countries. He noted that there were on-going efforts towards certification in producing Member Countries and pointed out that these efforts should be correlated with current efforts on auditing and criteria and indicators for SFM. He indicated that that should be the first stage in the phased approach and called for proper guidelines to be established for the correlation of these activities.
96. Mr. Daniel Birchmeier (Switzerland) stated that the workshop showed that a lot of efforts were still needed before real progress on SFM could be reached in tropical timber producing countries. He also indicated that the workshop highlighted the need for international support and coordination for promoting SFM in the tropics. Mr. Birchmeier recognized the importance of supporting actions to develop minimum requirements for legal origin and compliance and forest certification in tropical timber producing countries. He urged ITTO to develop an action programme in the field of tropical forest certification and phased approaches, based on the recommendations of the Bern Workshop. He cited the ITTO Biennial Work Programme or the next ITTO Five-Year Action Plan as programmes that could include forest certification. He renewed the commitment of the government of Switzerland to supporting the existing activities of ITTO in the field of forest law enforcement and certification. Mr. Birchmeier stated that the Government of Switzerland would continue to support policy dialogue with other international organizations in relation to trade of tropical timber and sustainable forest management. Mr. Birchmeier sought further clarification on the recommendation for ITTO to support the development of national certification standards and systems.

97. Ms. Esther Ntsame Allogho (Gabon) stated that a Pan African Forest Certification System was being established in Gabon. She endorsed the recommendations to validate the concept of certification and indicated that Gabon would at the appropriate time adopt the progressive certification approach. She also noted that certification provided appropriate incentive to SFM but unfortunately it remained very costly and stated that it was important to reduce the cost of certification for developing producer countries while at the same time reinforcing local capacity for forest auditing. She endorsed the recommendation for ITTO to encourage dialogue between certification systems in order to promote mutual recognition and provide opportunities for producing countries to develop their emerging local and regional certification systems. She noted that there appeared to be a monopoly on the international market for certified timber. Ms. Allogho fully endorsed all the recommendations of the Bern Workshop.
98. Mr. Jacques Tunguni Dia Mansoni (Democratic Republic of Congo) indicated that the Democratic Republic of Congo was cooperating with the other COMIFAC Members in the sustainable management of its forests. He hoped that by 2006, the DRC would be in the position to certify its forests. He called for harmonization of all the existing certification schemes and systems to make it easier for producing Member Countries.
99. Dr. Petrus Gunarso (Indonesia) mentioned an on-going regional initiative through the Indonesian Ecolabelling Institute in promoting phased approach to certification in Indonesia. He indicated that the problem was lack of market and that the forest management unit had to compete with current markets created by illegal logging. He stated that certification, in whatever form, was costly and markets, both domestic and international were not willing to pay more as a premium for certified timber. He stressed that premium price would provide incentives to forest management units in the Province of Aceh and surroundings. He endorsed the concept and implementation of phased approaches to certification.
100. Mr. Enzo Barattini (European Community) underscored the importance of certification and reiterated the need for cooperation between countries in order to establish a mutually agreed system. He called for mutual recognition of the different certification systems. Mr. Barattini noted that experience had demonstrated that there was the need for several different systems and that all the different national systems should co-exist in order to facilitate trade. He pledged the European Community's support for continuing work by countries and regions and indicated the EC's openness for any contacts with countries on the issue of certification.
101. Mr. Grégoire Nkeoua (Republic of Congo) supported the recommendation calling on ITTO to endorse the phased approach to certification. He noted that many countries had not yet established the criteria and indicators for sustainable management of their forests which should be the basis for forest certification. He also endorsed the recommendation to harmonize the different systems of certification. Mr. Nkeoua endorsed the proposal for a Pan African Certification System to be supported by an independent audit and called for the strengthening of national capacity for forest auditing.
102. Mr. Jorge Malleux (Peru) noted that certification had become an issue of great importance for both producing and consuming countries. He indicated that certification was linked to bilateral voluntary agreements and countries were moving towards certification of products which were competitive on the market. Nevertheless, Mr. Malleux wondered how far countries could move towards institutional commitments which would take certification on board. He also reiterated the fact that countries had a lot to do in terms of criteria and indicators and sustainable management of forests and indicated that there were a lot of fundamental problems that needed to be addressed before countries could subsequently establish a certification system.
103. In his concluding remarks, the Chairperson stated that the issue of certification would be revisited at the Thirty-ninth Session of the Council and invited countries wishing to propose any draft decisions for the consideration of the Council to follow the normal Decision making procedure.

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

(a) Development of Technical Manuals on Forest Landscape Restoration

104. Mr. Alastair Sarre (ITTO Secretariat) referred to the ITTO Biennial Work Programme for 2004-2005 which, among other things, requested the Executive Director to prepare technical manuals on forest landscape restoration to complement the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests published in 2002/3. He reported that a workshop was consequently convened to define the scope of the manuals, to plan the chapters and assign authorship. Nine (9) authors were contracted to write the various chapters, drafts of which were received towards the end of 2004 and in the first months of 2005. An editor was engaged in March 2005 and draft chapters had been edited. Mr. Sarre mentioned that the draft manuals had almost been completed and titled "Restoring forest landscapes: A Guide to the Art and Science of Forest Landscape Restoration". He indicated that the English version of the manual would be published by the end of July 2005 and the Spanish and French versions would be published a couple of months thereafter.

(b) Report on the Global Workshop of the Global Partnership on Forest Landscape Restoration

105. The report was presented by Mr. Emmanuel Ze Meka (ITTO Secretariat). The workshop was convened from 4 to 8 April 2005 in Petropolis, Brazil as a UNFF-Country joint initiative of the Governments of Brazil and the United Kingdom and was organized by the Global Partnership on Forest Landscape Restoration. The workshop was co-sponsored by DFID, IUCN, ITTO, US Department of State, US Department of Agriculture – Forest Service, Japan Wood Products Trade Office, WWF International and SECO of Switzerland. The workshop attracted more than 100 participants from 42 countries around the world and aimed at taking stock of experiences to date in implementing forest landscape restoration. The discussions were complemented by a field visit to three sites where forest landscape restoration activities were being implemented. Mr. Ze Meka noted that the workshop was successful as it achieved the planned objectives, in particular increasing the understanding of good practices and opportunities to optimize delivery of the benefits from landscape restoration activities, stimulating the political support and catalyzing and demonstrating implementation of forest landscape restoration around the world. Participants at the workshop adopted the Petropolis Challenge: "Restore forest landscapes to benefit people and nature and contribute to reversing the trends of forest loss and degradation".

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

(a) Progress Report on the ITTO Fellowship Programme

106. The report was presented by Mr. E. Collins Ahadome (ITTO Secretariat). He referred to document ITTC(XXXVIII)/7 and reported that two hundred and sixty-nine fellowships amounting to US\$1,494,801.00 had so far been awarded under the Freezailah Fellowship Fund. Seventy-six percent (76%) 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 these awards, 28% were awarded to applicants from Africa, 32% from Asia-Pacific, 27% from Latin America, 10% from Developing Consumer Countries and 3% from Developed Consuming Member Countries. Females accounted for 33% of the total awards.

(b) Report of the Chairperson of the Fellowship Selection Panel

107. The report was presented by Mr. Koichi Ito (Japan), Vice-Chairperson of the Council. He referred to document ITTC(XXXVIII)/8 and reported that the Fellowship Selection Panel comprising representatives of Ghana, Mexico, Indonesia, the Netherlands, Switzerland and U.S.A. met twice during the Thirty-eighth Session of the ITTC. The Panel evaluated a total of 158 applications. While reviewing these applications, the Panel took into consideration 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 to approve and award twenty-five (25) applications at a total cost of US\$145,000.00.

108. The Council unanimously approved the report of the Fellowship Selection Panel.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (Agenda Item 17)

- (a) Pledges to the Special Account and the Bali Partnership Fund
109. The Chairperson invited pledges to the Special Account and the Bali Partnership Fund. No pledges were made.
- (b) Review of Resources in the Bali Partnership Fund
110. The Chairperson referred to document CFA(XVII)/5. 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.
111. The report was presented by Dato' Shaharuddin Mohamad Ismail (Malaysia), Chairperson of the Panel. The Panel was composed of representatives of Japan, Switzerland, U.S.A., Mexico, Ghana and India and the Executive Director. The report noted that as at end of the Thirty-seventh Session of the Council, thirty-five (35) activities, five (5) pre-projects and four (4) projects with a total budget of US\$12,340,041.00 had been funded from the resources of the Sub-Account B of the Bali Partnership Fund. The available resources of the Sub-Account B of the Bali Partnership Fund amounted to US\$2.03 million. The Panel noted that since the establishment of the Sub-Account B the total receipts amounted to US\$14.72 million of which US\$12.14 million was from interest earned and the balance of US\$2.58 million was from donors' contributions. The Panel noted that the funds available in the "Unearmarked Funds" amounted to US\$4.35 and recommended to the Council that the financing limit at the Thirty-eighth Session of the Council from Sub-Account B of the BPF and from the unearmarked funds should not exceed US\$2 million. The Panel recommended to the Council a list of prioritized activities, projects and pre-projects eligible for financing from the resources of the Sub-Account B of the BPF and from the Unearmarked Funds.
112. The Council unanimously approved the report.

DRAFT ANNUAL REPORT FOR 2004 (Agenda Item 18)

113. The draft Annual Report for 2004 was presented by Mr. E. Collins Ahadome (ITTO Secretariat). He reported on the activities of the Organization in 2004 as detailed in the draft Annual Report 2004 [document ITTC(XXXVIII)/10]. The 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 2004 were noted. Also contained in the Draft Annual Report for 2004 was the work of the Committees and a summary of the World Timber Situation in 2004.

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

114. Dr. James Gasana (Switzerland), Vice-Chairperson of the Committee on Economic Information and Market Intelligence presented the report of the Committee. He noted that the Committee on Economic Information and Market Intelligence met in joint session with the Committee on Forest Industry during the Thirty-sixth Session of the Committee. The report of the Committee is contained in document CEM-CFI(XXXVI)/4. Pursuant to Decision 3(XXXVII) on "Measures to Improve and Strengthen the ITTO Project Cycle", the Committees reviewed the draft terms of reference, as contained in document CEM,CRF,CFI,CFA(XXXVI)/2, for consultants who would be engaged to revise the ITTO Project Formulation Manual and related materials. The Committees revised and approved the terms of reference and decided to recommend to the Council to allocate an amount not exceeding US\$380,000.00 for the implementation of the activity.
115. Dr. Gasana reported that the Committee on Economic Information and Market Intelligence organized the ITTO Annual Market Discussion 2005 which was held in joint Session with the technical committees. The theme of the Annual Market Discussion was "Advancing the Markets for African Wood Products" and was moderated by Mr. Jean-Jacques Landrot (IFIA). The Committee considered the completion reports on three (3) projects and noted that for one of these projects, the final audited financial statements had been submitted in accordance with the project agreement and the project was duly declared complete while the audited financial statements for the other two projects were yet to be submitted to the Secretariat. The Committee

- declared those projects duly complete, subject to the submission of the audited financial statements to the Secretariat.
116. The Committee received an oral report by the Secretariat on the progress in the implementation of the ex-post evaluation of one project PD56/00 Rev.3 (M) and noted that the final report of the ex-post evaluation would be completed in time to be presented at the Thirty-seventh Session of the Committee. The Committee selected two completed projects for ex-post evaluation.
 117. On policy work, the Committee on Economic Information and Market Intelligence considered the following issues in accordance with its work programme: (i) market access; (ii) forest and timber certification; (iii) market study on tropical plantation timber products; (iv) review of the timber market in two significant tropical timber importing countries; (v) studies on subsidies affecting tropical timber products; and (vi) auditing of existing tracking systems in tropical forest industries.
 118. The Committee recommended to the Council the approval and funding of five (5) new projects and six (6) projects and one pre-project approved at earlier sessions. 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 Ms. Jennifer Conje (U.S.A.), Chairperson of the Committee. She referred to document CRF(XXXVI)/6. She noted that the Committee reviewed the reports of fourteen (14) completed projects. Final financial audited reports from seven of these projects had been submitted to the Secretariat and the projects were duly declared complete by the Committee while seven (7) other projects had not yet submitted their final financial audit statements. The Committee urged the Executing Agencies of these projects to submit the final financial reports to the Secretariat prior to the Thirty-ninth Council Session. The Committee also reviewed the completion reports of three pre-projects whose final financial audits had been submitted to the Secretariat and duly declared them complete.
 120. The Committee on Reforestation and Forest Management also received the ex-post evaluation reports on two groups of projects selected by the Committee at its Thirty-fifth Session. The Committee noted and commended the evaluation team for the focused assessment. The Committee further requested the Secretariat to prepare an updated "shortlist of completed projects relevant for ex-post evaluation in the field of reforestation and forest management" for the Thirty-seventh Session of the Committee, which should include all completed projects since 2002 not previously selected for ex-post evaluation.
 121. On policy work, the Committee considered the following issues: (i) review and updating the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests; (ii) the promotion of the ITTO Guidelines for the Management, Restoration and Rehabilitation of Degraded and Secondary Tropical Forests; (iii) monitoring and assessing the environmental, social and economic costs and benefits of forest plantation development and utilizing the information to promote new plantations; and (iv) contributing appropriately to national and international efforts in the area of prevention and management of fire in relation to tropical timber producing forests.
 122. The Committee recommended to the Council the approval and funding of nineteen (19) new projects and four (4) new pre-projects.
 123. The Council approved the report of the Committee. The full report is contained in Annex V.
 124. The report of the Committee on Forest Industry was presented by Ms. Celestine Ntsame-Okwo (Gabon), Chairperson of the Committee. She referred to document CEM-CFI(XXXVI)/4. She noted that the Committee on Forest Industry and the Committee on Economic Information and Market Intelligence met in joint Session during the Thirty-sixth Session of the Committees. The Committee on Forest Industry received the completion reports on three (3) projects, including final audited financial statements and duly declared the projects complete. The Committee also received the completion reports on five (5) pre-projects whose final audited financial statements had not yet been submitted to the Secretariat. The Committee declared the pre-projects complete, subject to the submission of the audited financial statements to the Secretariat. The Committee received oral report from the Secretariat on the progress in the implementation of the ex-post evaluation of four (4) completed projects. The Committee noted that the implementation of these

- ex-post evaluations was expected to be completed in time for the reports to be presented at the Thirty-seventh Session of the Committee.
125. On policy work, the Committee on Forest Industry considered the following issues: (i) promoting the establishment of efficient and socially responsible community-based forest industries; (ii) assessment of the multiple benefits of downstream processing of tropical timber in producer countries; (iii) studying and promoting policies and other measures to increase tropical plywood industry competitiveness; and (iv) promoting private investment through facilitating information exchange on investment opportunities – organization/convening of investment promotion forum/seminar.
126. The Committee recommended to the Council the approval and funding of seven (7) new projects and one new pre-project, as well as four (4) projects and one pre-project approved at earlier sessions. The report of the Committee was approved by the Council. The full report is contained in Annex V.
127. The report of the Committee on Finance and Administration was presented by Dato' Shaharuddin Mohamad Ismail (Malaysia), Chairperson of the Committee. He referred to document CFA(XVII)/6. The CFA reviewed Members' contributions to the Administrative Budget and noted that a total amount of US\$790,240.68 had been received so far from Producing Member Countries out of the total assessed contributions of US\$2,899,005.00, while US\$2,513,381.42 out of the total net assessment of US\$2,866,073.00 had been received so far from Consuming Member Countries. On the current status of the Administrative Account, the Committee noted that estimated expenditures for 2005 would be US\$5,065,853 (ie. US\$700,138 less than the total amount approved in the budget for 2005 of US\$5,765,991). This was due to some additional cost saving efforts exercised by the Secretariat. The Committee further noted that the Working Capital Account had increased from US\$2,167,754.00 as of 31 December 2004 to US\$2,496,981.11 as of 8 June 2005. The increase was attributed to receipt of payment from Members having arrears in contributions in previous years.
128. The CFA reviewed the resources of the Special Account and the Bali Partnership Fund and noted that as at the end of the Sixteenth Session of the Committee, thirty-five (35) activities, five (5) pre-projects and four (4) projects had been funded from the resources of Sub-Account B of the Bali Partnership Fund. The available resources of Sub-Account B amounted to US\$2,033,514.99 while the balance in the Unearmarked Funds amounted to US\$4,353,966.16. The CFA recommended to the Council to approve the Auditor's report for year 2004. The Committee reviewed the positions of the two Regional Officers in Latin America and Africa and recommended to the Council to extend the current system till the end of 2006. The Committee also decided to further deliberate on the issue at the Eighteenth Session of the Committee to be held in November 2005, in Yokohama, Japan, and requested the Secretariat to provide new terms of reference for the Regional Officers position taking into account the report of the consultant.
129. The Committee discussed the issue of debt relief for Members due to prolonged civil wars, particularly in Liberia and the Democratic Republic of Congo and recommended to the Council that if a formal request was received from the Governments of Liberia and Democratic Republic of Congo, for the application of force majeure with documented justifications, the Council should consider applying the provisions of Article 33 of the ITTA, 1994.
130. The Council approved the report of the Committee. The full report is contained in Annex V.

DATES AND VENUES OF THE THIRTY-NINTH, FORTIETH AND FORTY-FIRST SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 20)

131. The Council confirmed that the Thirty-ninth Session of the Council would be held from 7 to 12 November 2005 in Yokohama, Japan. The Council noted that invitations had been received from the Governments of Papua New Guinea (PNG) and Mexico to host the Fortieth Session of the Council in the spring of 2006. After exhaustive deliberations on the issue, the Council urged the Governments of Mexico and Papua New Guinea, under the auspices of the Chairman of the Council, to enter into consultations and reach a mutually satisfactory solution on the venue for the Fortieth Session of the ITTC. The Council further requested the Executive Director to inform Council Members on the result of the aforementioned consultations, not later than 30 July 2005. If no objection was received by ITTO Secretariat by 31 August 2005, ITTO Members would be immediately informed of the outcome of the consultations. The Council further requested the

Executive Director to convey to Members the proposed period of the Council Session to be held in the first semester of 2006, following consultations with the Host Government.

OTHER BUSINESS (Agenda Item 21)

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

132. The statement by Dr. M. Hosny El-Lakany, Assistant Director-General, Forestry Department of FAO was delivered by Dr. Eva Müller, Chief, Forestry Policy and Institutions Services. In the statement, FAO commended ITTO for making remarkable strides towards the sustainable management of the world's tropical forests. It noted the vital contribution of forests and forestry towards the attainment of the Millennium Development Goals and indicated that both ITTO and FAO were confronted with issues that required concerted and complementary approaches in their efforts to attain the Millennium Development Goals. Dr. El-Lakany underlined and expressed deep appreciation for the continued excellent working relationship between FAO and ITTO, both at the bilateral and at the multilateral level under the umbrella of the CPF in support of the UNFF. He cited the coordination of the biennial work programmes for 2006-2007 for the two Organizations and the exchange of technical staff between the FAO Forestry Department and ITTO as exemplary among international organizations which could serve as a model for interagency collaboration in the CPF.
133. The statement noted that during the 17th Session of the Committee on Forestry and the Ministerial meeting preceding it, ministers and delegates committed themselves to improve domestic forest law enforcement and governance and to this end promote international cooperation to support international trade in timber and forest products from legally harvested and sustainably managed forests. ITTO and FAO, in their support to countries towards the attainment of this objective, would be jointly publishing the "Best Practices for Improving Law Enforcement in the Forest Sector" to provide guidance to countries for policy, legal and institutional reforms aimed at improving law compliance in the forest sector. Dr. El-Lakany indicated that the document would not only serve as a practical tool for government policy makers but also be of assistance to regional endeavours such as the Asia Forest Partnership and the Congo Basin Forest Partnership. FAO consequently proposed further collaboration with ITTO in jointly organizing regional workshops to contribute to strengthening the dialogue among countries, exchanging experiences and working towards developing appropriate strategies and measures to address the problem of forest law compliance.
134. Dr. El-Lakany recognized the role of ITTO as an active participant in the Advisory Group on Global Forest Resources Assessment report published by FAO. He also highlighted ITTO's outstanding contribution to the work on streamlining forest-related reporting and also commended ITTO for its role in the Third Expert Meeting on Harmonizing Forest-related Definitions which was held in Rome in early 2005. He expressed appreciation for the role of ITTO in the core team working on the development of the Code of Best Practices for Planted Forests, a joint effort of FAO and other international organizations.
135. Dr. El-Lakany further commended ITTO for revising its Criteria and Indicators for the Sustainable Management of Tropical Forests and noted the collaboration between the two organizations on this important subject and looked forward to further cooperation in this field. Dr. El-Lakany also cited the collaboration between ITTO and FAO in the organization of the International Conference on Tropical Plywood scheduled to take place in China in September 2005.

Statement by the Central African Forests Commission (COMIFAC)

136. The statement was presented to the Council by Mr. Nagahuedi Mbongo Sodi Jones, Executive Secretary of COMIFAC. He expressed his gratitude to the Council for its support to the implementation of the COMIFAC Regional Convergence Plan and the 2015 COMIFAC Objective and indicated that ITTO's support had confirmed, once again, the commitment of ITTO to promote sustainable forest management in Central Africa. He informed the Council that COMIFAC was the sub-regional organization in charge of coordinating, monitoring and harmonizing all initiatives and strategies relating to the conservation and sustainable management of forest ecosystems in Central Africa and the Convergence Plan provided a reference framework on which to base all sub-regional actions. He indicated that the support provided by ITTO would assist in developing synergies between the actions of the Convergence Plan and all other initiatives already in progress in the sub-region. The synergies would help to avoid any overlapping, redundancy and wasting of resources, thereby promoting consistency in

order to add real value to actions undertaken in the sub-region. He hoped that the support provided by ITTO would be the first step of a long standing collaboration between the two institutions.

Statement by the United Nations Forum on Forests (UNFF)

137. The statement was presented by Dr. Antonio Carlos do Prado, Policy and Trade Officer, UNFF Secretariat. He expressed UNFF's deep appreciation to the Council for the continuation of what had become a long-lasting collaboration between ITTO and the UNFF Secretariat in terms of preparing substantive documents for UNFF meetings and seconding technical staff to the UNFF Secretariat. He noted that the relationship between the UNFF and ITTO had been growing firmly and getting stronger. He reiterated that ITTO's high level participation at UNFF Sessions demonstrated that the two intergovernmental bodies on forests were efficiently working together. Dr. Carlos do Prado stated that the UNFF was a key body on international forest issues to facilitate progress towards SFM and to strengthen political commitment to this end. He noted with commendation ITTO's role as one of the founding partners of the Collaborative Partnership on Forests (CPF), with a lead role in forest-related trade.
138. The statement recalled that at the UNFF5 held from 16 to 27 May 2005, countries could not complete their review and deliberations on the International Arrangement on Forests and its strengthening, a task that would be followed and concluded at UNFF6 in February 2006. He noted that many critical issues emerged at UNFF5 and there were intense discussions including on means of implementation, working modalities, the establishment of global goals or targets and a possible voluntary code or understanding on the management, conservation and sustainable development of forests. He hoped that countries would consult actively before UNFF6 in February and that lively and dynamic negotiations at the session would lead to concrete outcomes for SFM and international cooperation. He reiterated the UNFF Secretariat's commitment to continue to work in collaboration with ITTO and other international forest-related organizations and partnerships for the benefit of forests.

Statement by the African Timber Organization (ATO)

139. The statement was presented by Mr. Emile Mokoko Wongolo, Secretary General of ATO. He noted that the holding of the Thirty-eighth Session of the ITTC in Brazzaville, Republic of Congo was a timely move since the tropical forest resources of Africa rank second on a global scale, after those of Latin America. He indicated that the general well-being of African countries and their populations was largely dependent on forest and the exploitation and trade in forest products. Mr. Mokoko Wongolo stated that ATO was created in 1976 to support and facilitate development by means of sustained cooperation and consultation through experience-sharing process with mutually defined conditions between countries on forest resource management and the trade in timber. He noted that ten (10) Member Countries of ATO were also Members of ITTO and that offered multiple potentials for further cooperation, consultation and collaboration. The Executive Secretary indicated that among the numerous joint forest management initiatives conducted by ITTO and ATO was the adoption of similar strategies for the promotion of SFM through the implementation of Principles, Criteria and Indicators which had resulted in real capacity-building opportunities for the ten (10) dual-membership countries. The outputs gained by the jointly implemented project PD124/01 Rev.2 (M) had been truly remarkable, Mr. Mokoko said. He acknowledged with commendation the role of ITTO in complementing national efforts towards SFM in Africa through a number of initiatives.
140. Mr. Mokoko Wongolo referred to the ATO report on "Promoting the Further Processing of Tropical Timber in Africa – the African Timber Organization Ministerial Conference Proposal for Action" prepared under ITTO Project PD15/98 Rev.2 (I), which showed that global exports of further-processed timber products totaled 3.5 billion dollars in 1998, of which the African share was only 1%. He stated that in the light of this finding, numerous development opportunities related to forest resources were lost by African countries and that such a development gap called for action. He urged ITTO to facilitate and effectively encourage the development of the natural African forests by seeking means to add value to them at the best conditions possible, thereby achieving part of the Millennium Development Goals of poverty reduction, food security and environmental sustainability through integrated management practices and resource uses that would promote higher income levels. In concluding, Mr. Mokoko Wongolo stated that in Africa, reconciling development and sustainable forest management had become one of the major challenges facing most countries.

Statement by the Civil Society Advisory Group (CSAG)

141. The statement was presented by Mr. Parfait Mimbimi Esono, President, National Working Group on Certification in Cameroon. He expressed gratitude to the Government of the Republic of Congo and ITTO for supporting the participation of members of the CSAG in the Thirty-eighth Session of the ITTC. Mr. Mimbimi Esono outlined some key issues for the Council's consideration. He noted that members of the African civil society had the opportunity to meet with representatives of ITTO and its leadership prior to the Thirty-eighth Council Session to discuss the work of ITTO. He stated that the meetings were very useful in understanding the purpose and functioning of ITTO and ways that ITTO could relate to African civil society.
142. Mr. Mimbimi Esono stated that many ITTO projects in the African region did not reflect what the civil society saw as the priority problems in the forests of the region. He indicated that SFM could not be achieved unless there was greater progress in tenure and policy issues geared towards increased recognition and respect for local peoples' rights to use their forests. The African civil society also noted that some ITTO projects claimed to benefit communities but very often the communities had not been consulted or involved in the process of project design, evaluation or implementation. He stated that women were often the primary forest workers but they were almost never involved in decision making regarding forestry projects or policies.
143. The statement noted that international NGOs had been successful in accessing large amounts of funding from ITTO but local NGOs had not. Mr. Mimbimi Esono indicated that many local groups had been very active in their efforts to control illegal logging, while some local groups were increasingly concerned over illegal conservation. He stated that local peoples' human rights continued to be denied and abused in the creation and maintenance of protected areas and industrial concessions and called for greater attention to tackle issues by all stakeholders, governments, international NGOs, industry and ITTO.
144. The Civil Society Advisory Group made the following recommendations for ITTO's consideration:
- Council should take decisions to ensure the direct involvement of civil society in the review of all ITTO projects;
 - The establishment of a financing window for local NGOs to advance SFM and local forest-based enterprises;
 - The creation of a new project for Central and West Africa to support capacity building in project preparation. These activities should be undertaken with representatives of governments to encourage the building of trust and partnerships; and
 - Indigenous peoples' rights to be recognized by ITTO and its Member Countries both in policy and project work.

The statement noted that other intergovernmental bodies had special policies for indigenous peoples and increased special project funds. He cited the ILO 169 decision, the World Bank, the Inter-American Development Bank and the Convention on Biological Diversity.

145. Mr. Mimbimi Esono also reported on the side-event organized by the CSAG in conjunction with the Thirty-eighth Session of the ITTC. The Panel focused on the contributions of African civil society to advancing SFM in the African region as well as the need to address the more fundamental issues of property rights and rights of local people to participate fully in policy formulation and implementation. The CSAG Panel noted that many governments were making progress in these difficult issues, yet insecure tenure and inadequate policy frameworks remained problematic in many tropical forest countries. The Panel urged the Council to become a forum where governments could openly discuss these difficult issues and ITTO to provide more direct support to governments making efforts on these fronts.
146. CSAG expressed its appreciation to the Council for the support of both producer and consumer countries to establish mechanisms that had permitted the regular participation of the Trade Advisory Group (TAG) and CSAG representatives from Producing Member Countries in the sessions of the Council. The statement further expressed CSAG's eagerness to provide more structural input into the work of the Council, and recommended that the Council should consider working with the two advisory groups to prepare new terms of reference, clarifying their roles and responsibilities as external advisors.
147. The CSAG expressed its appreciation for the opportunity to participate in the discussions on the negotiations of a successor agreement to the ITTA, 1994 and recalled its recommendations to

the Negotiations Conference for the inclusion of five principles into the Objective Section of the successor agreement. The CSAG was pleased to note that many of the principles recommended had already been reflected in the bracketed text and looked forward to opportunities to meet with delegations to learn their perspectives, discuss the CSAG's principles, and work towards a strengthened text and a stronger ITTO.

148. In conclusion, the CSAG reiterated its full appreciation for the opportunities offered by the ITTC to work and interact with government and non-governmental partners. The CSAG noted the valuable and positive strides that ITTO had made toward recognizing the fundamental role of civil society, its rights and responsibilities in the sustainable management and conservation of the world's forests. It also noted that much more needed to be done to arrive at a situation where rights of local communities, women and indigenous peoples to resources and their recognition as equal would be achieved.

DECISIONS AND REPORT OF THE SESSION (Agenda Item 22)

149. The Chairperson referred to document ITTC(XXXVIII)/11 containing draft Decision 1(XXXVIII) – “Projects, Pre-projects and Activities”. The Council approved the decision as contained in Annex III. Amendments and editorial corrections were noted. It was noted that Rule 33 of the Rules of Procedures would be applied to the circulation of the decision and the report of the Council Session to Members.
150. Dr. James Gasana (Switzerland) on behalf of the contact group on activities to support the implementation of the COMIFAC Regional Convergence Plan and 2015 COMIFAC Objective reported to the Council that the contact group met to examine the additional activities proposed by the Government of Gabon. He noted that the activities would be carried out as additional activities under Decision 10(XXXII) – “Promotion of Sustainable Forest Management in the Congo Basin”. The activities were:
1. (i) Undertake a study on the potential for a synergy between the African Timber Organization (ATO) Action Plan on the Further Processing of Tropical Timber in Africa and the COMIFAC Sub-regional Convergence Plan, based on the terms of reference (TOR1); and
 - (ii) Based on the most urgent needs identified by the study, develop a regional project proposal to contribute to the promotion of further tropical timber processing in the ITTO Member Countries of COMIFAC, taking into account specific activities identified in the Action Plan that were consistent with the ITTO Action Plan [US\$55,196.00].
 2. (i) Conduct feasibility study, based on terms of reference (TOR1), for the implementation of the revised training programmes in forest management and forest concession management resulting from project PD189/03 Rev.1 (I) implemented by the Network of Central African Forestry and Environmental Training Institutions (RIFFEAC); and
 - (ii) Develop a regional project proposal, based on the most urgent needs identified by the study, taking into account relevant on-going initiatives, for the implementation of these training programmes in the various RIFFEAC affiliated training institutions [US\$57,547.00].
153. The Council approved the above additional activities under Decision 10(XXXII) “Promotion of Sustainable Forest Management in the Congo Basin” in support of the implementation of the COMIFAC Regional Convergence Plan and 2015 COMIFAC Objective. The additional activities and the terms of reference are contained in Annex IV.
154. Ms. Celestine Ntsame-Okwo (Gabon) on behalf of the Chairman of COMIFAC expressed gratitude to ITTO for approving additional activities to support the implementation of the COMIFAC Regional Convergence Plan and 2015 COMIFAC Objective.

CLOSING OF THE SESSION (Agenda Item 23)

Statement by Delegations

155. Lic. Erika del Rocio Lopez Rojas (Mexico) noted with concern the manner in which projects were selected for financing. She indicated that for the first time since becoming a Member of ITTO, Mexico had presented two important project proposals which would allow Mexico to adopt and implement sustainable forest management. Unfortunately, none of the project proposals were financed and such situation had given rise to questions relating to Mexico's objectives as a member of ITTO.
156. Mr. Jorge Malleux (Peru) expressed concerns about the downward trend in the funding of projects, pre-projects and activities in the Latin American region. He noted that the region received less than 5 per cent of the total amount of project funding at the Thirty-eighth Session of the ITTC. He indicated that it appeared there was very little interest to fund projects emanating from the Latin American region, although these projects were very much in line with the principles and priorities of ITTO and had also been highly rated by the Expert Panel for Technical Appraisal of Project Proposals as well as the respective Committees. He also noted that it was important for some projects to have continuity and that these projects were often linked to social and economic issues relating to forest management. He cited a project from Peru which had to be implemented in phases and expressed concern about the lack of continuity. This was the "Condor Mountain Range" project in Peru whose first phase was funded but subsequent phases had not been funded. He indicated that Phase 1 of the project was highly successful as reported by the ex-post evaluation that was carried out. He indicated that the successful implementation of the first phase gave rise to certain expectations and commitments made to the local people living within the protected areas in that region. Unfortunately, the lack of funding for the second phase would be very bad news for the local people who had benefited from the very useful outputs of the first phase.
157. Ms. Rócia Silva Oliveria (Brazil) supported the comments made by Mexico and Peru and expressed concern about the low level of funding of projects during the Thirty-eighth Session of the Council. She also expressed concern about equitability in the funding and the sharing of responsibilities within the Organization. She appealed to donor countries to realize during the negotiations of a successor agreement that it was absolutely necessary for responsibilities to be shared in terms of both human and financial resources. She regretted that not a single project from Mexico was funded during the Session, although it was the first time it had submitted project proposals to ITTO. She hoped that the level of project funding would improve during the next session of the Council in November 2005.
158. Mr. Heliodoro Sánchez (Colombia) expressed disappointment regarding the low level of project funding. He appealed to donor countries to create a system that would ensure a fair and equitable distribution of project funding among Member Countries, and also increase the level of project funding. He endorsed the proposal by Brazil that a solution to the problem of project funding be sought during the Third part of the UN Conference for the Negotiations of a Successor Agreement to the ITTA, 1994 scheduled in Geneva in June/July 2005.
159. Dr. Bipin Behari (India) noted that the level of project financing during the Thirty-eighth Session of the Council was very low. He stated that for the past 3 or 4 years, India had not been submitting project proposals to ITTO because the entire process of project evaluation, approval and funding was cumbersome and sometimes entailed lobbying. On the other hand, when India was facing problems in its statistical reporting to ITTO, it was proposed that India should submit a project proposal to address the issue. India consequently submitted a proposal on "Establishment of a Network to Facilitate Collection, Processing and Dissemination of Statistics Pertaining to Tropical Timber and Other Forestry Parameters in India". However, the proposal had not been funded. He proposed that a funding mechanism like the Bali Partnership Fund be established with a high level committee administering the distribution of the funds. He indicated that that would ensure equitable distribution of project funds to meet the objectives of ITTO.
160. The Chairperson noted that the level of project financing at the Thirty-eighth Session of the Council was higher than the level at the spring of 2004. He acknowledged that a few projects seemed to have captured the bulk of the funding. He indicated that countries were justified in

requesting for more funding and hoped the issue would be taken up during the UN Conference for the Negotiations of a Successor Agreement to the ITTA, 1994.

161. Mr. Marcel Vernooij (Netherlands) noted the concerns raised by Member Countries and regions on the level of project funding for the Thirty-eighth Session of the ITTC. He also congratulated countries which had received funding for their projects which would contribute substantially to SFM. He indicated that it was not entirely correct that there was a downward trend in the level of project financing. He indicated that over the past three years, the level of financing by donors had been above US\$15 million per year, based on figures provided by the Secretariat. He further noted that the level of funding at the Thirty-eighth Session was almost 50 per cent of average yearly total financing and also higher than the level of financing in the spring of 2004. He indicated that his government's priority in project financing was based on sound objectives of the project and its contribution to the objectives of the ITTA, 1994. He urged Member Countries to look for improvements in the Project Cycle and in both assessed and voluntary contributions. He indicated that the Netherlands had put forward a proposal for more programmatic support which had to be discussed at the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994. He urged Member Countries to be more constructive and jointly explore mechanisms to enhance project support.
162. Mr. Wibanarto (Indonesia) noted that the Council had discussed all the agenda items in the full spirit of cooperation and solidarity. He indicated that crucial matters had been discussed in-depth in order to narrow the differences between Members. On the report on "Best Practices for Improving Law Compliance in the Forest Sector", Mr. Wibanarto said that Indonesia would be prepared to support any endeavour by ITTO or any other international organization to determine whether discrepancies were an indication of the possibility or the existence of negative aspects of trade. He reported that Indonesia had recently carried out very wide domestic law enforcement in the Papua Province to combat illegal logging and had confiscated large volumes of logs and had prosecuted the culprits in the courts. Indonesia was intensively combating illegal logging and improving international cooperation to eliminate illegal logging and illegal trade by all means possible. He expressed his sincere thanks to the Chairperson for his able guidance and stewardship of the Council. He also expressed gratitude to donor countries which had responded positively to finance various projects. He commended the Executive Director and the Secretariat for their hard work and dedication. He expressed gratitude to the Government and People of the Republic of Congo for their hospitality and generosity in hosting the Session.
163. Mr. Jacques Tungani Dia Mansoni (Democratic Republic of Congo) reiterated the issue of project funding and stated that Producing Member Countries were disillusioned about the entire process of project appraisal by the Expert Panel and the funding by the Council. He indicated that sometimes, countries committed a lot of efforts and resources on experts to prepare project proposals which eventually might not receive funding. He wondered whether Producing Member Countries were still hopeful and would continue to present projects for approval and funding in future Council sessions since there were many approved projects still awaiting financing. He noted that the Democratic Republic of Congo had three or four projects that had been approved and awaiting financing for 3 or 4 years without any success.
164. Mr. Bernard Bezou (Republic of Congo), on behalf of the Government of the Republic of Congo, expressed gratitude to the Council for accepting the invitation of the Republic of Congo to host the Thirty-eighth Session of the Council. He expressed gratitude to donor countries for the financial support offered to Producer Member Countries, through project financing. He wished all delegates safe return to their respective countries.

Statement by the Producer Spokesperson

165. Mr. Luiz César Gasser (Brazil), on behalf of the Producer Group, expressed gratitude to both Consumer and Producer Members for their positive attitude which allowed the Council to reach consensus on the issue of the venue for the Fortieth Session of the Council. He hoped the same positive attitude would prevail during the upcoming negotiation of the successor agreement to the ITTA, 1994.

Statement by the Consumer Spokesperson

166. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group, expressed gratitude to the Government of the Republic of Congo for their hospitality and excellent arrangements during the Session. She hoped that the good atmosphere that had characterized the Session would also be exhibited during the upcoming negotiations of the successor agreement to the ITTA, 1994.

Closing Statement by the Chairperson

167. In his closing address to the Council, the Chairperson, Mr. Alhassan Attah (Ghana), on behalf of the Council, expressed gratitude to the Government and people of the Republic of Congo for their warmth, hospitality and excellent arrangements in hosting the Council Session. He noted that the exceptional hospitality by the Government and people of the Republic of Congo, coupled with the excellent facilities made available to delegates, had contributed to the success of the Thirty-eighth Session of the Council.
168. Mr. Attah urged Member Countries to approach the third meeting of the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994 with the spirit of cooperation and constructive compromise to achieve win-win outcomes. He reiterated that ITTO was the only organization with the mandate to promote the international trade in tropical timber on a sustainable basis and delegates to the UN Conference had the obligation to ensure a successful outcome of the negotiations.
169. The Chairperson recalled the concerns expressed by some Member Countries about the decline in funding for the Organization's project work. He encouraged existing donors and appealed to others to continue identifying additional opportunities to ensure stability in the funding and reverse the decline in the financial resources for the Organization in support of project activities.
170. Mr. Attah commended the outstanding contributions made by Mr. Christopher Ellis (U.S.A.) to ITTO's work. He informed the Council that the Thirty-eighth Session would be final session to be attended by Mr. Ellis. He commended Mr. Ellis' role as Chairperson of the Committee on Finance and Administration as well as Chairperson of the Panel on Sub-Account B of the Bali Partnership Fund. The Council applauded Mr. Christopher Ellis' immense contributions to ITTO. The Chairperson commended the Executive Director and the staff of the Secretariat for the hard work and dedicated support to the Council.
171. The Chairperson officially closed the Thirty-eighth Session of the ITTC.

ANNEX I

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THIRTY-EIGHTH SESSION
19 – 21 June 2005
Brazzaville, Republic of Congo

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Ms. Utako Aoike
Secretary

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ANNEX II

AGENDA

DOCUMENT: ITTC(XXXVIII)/1 Rev.1

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ITTC(XXXVIII)/1 Rev.1
18 April 2005

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THIRTY-EIGHTH SESSION
19 – 21 June 2005
Brazzaville, Republic of Congo

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 2005
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 – Decisions 11(XXXIV) and 3(XXXVII)
12. ITTO Objective 2000 – Decisions 2(XXIX) and 9(XXX)
 - (a) Report on Assistance Provided to Producer Countries to Identify Factors Limiting Progress Towards Achieving Objective 2000;
 - (b) Status of Tropical Forest Management Report
13. Forest Law Enforcement in the Context of Sustainable Timber Production and Trade – Decision 6(XXXI)
14. Phased Approaches to Certification – Decision 10 (XXXIV)
15. ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII)
 - (a) Development of Technical Manuals on Forest Landscape Restoration
 - (b) Report on Support to the Global Workshop of the Global Partnership on Forest Landscape Restoration

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. 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)
18. Draft Annual Report for 2004
19. Reports of the Associated Sessions of the Committees
20. Dates and Venues of the Thirty-ninth, Fortieth and Forty-first 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 Thirty-eighth Session of the Council will be opened by the Chairperson of the Council, Mr. Alhassan Attah (Ghana)

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(XXXVIII)/1 Rev.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(XXXVIII)/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 2005 [Document ITTC(XXXVIII)/1 Rev.1 Annex]

The proposed distribution of votes for the year 2005, 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 2006.

Item 7 - Admission of Observers [Document ITTC(XXXVIII)/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(XXXVIII)/2]

Pursuant to Decision 5(XXVI), and in order to organize its work for the Session, the Council may consider the report of the Sixteenth Meeting of the Informal Advisory Group (IAG), to be convened on Saturday, 18 June 2005.

The report of the Sixteenth Meeting of the IAG will be presented by the Chairperson, Mr. Alhassan Attah (Ghana).

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(XXXVIII)/4]

Pursuant to its Decision 3(XXXVII) the Council may consider the report of the Expert Panel for Technical Appraisal of Project Proposals on updating the terms of reference for the expert panel and reviewing the consultants' proposals on qualitative award criteria and weighted scores for project appraisal.

Item 12 - ITTO Objective 2000 – Decisions 2(XXIX) and 9(XXX)
[Documents ITTC(XXXVIII)/5 and ITTC(XXXVIII)/6]

- (a) Pursuant to its Decision 2(XXIX), which requested the Executive Director to render assistance, on request, to producer countries to identify, in each country, those factors which most severely limit progress towards achieving Objective 2000 and sustainable forest management and to formulate an action plan to overcome these, the Council may receive the report on the assistance provided to the Governments of Gabon and Liberia.
- (b) Pursuant to its Decision 9(XXX), the Council will be updated on progress in the preparation of the report on the status of tropical forest management.

Item 13 - Forest Law Enforcement in the Context of Sustainable Timber Production and Trade – Decision 6(XXXI)

The Council will be updated on the progress of cooperation with FAO on the development and application of Best Practices for the Improvement of Law Compliance in the Forest Sector.

Item 14 - Phased Approaches to Certification – Decision 10(XXXIV)

The Council will be updated on the outcomes and recommendations of the International Workshop on Phased Approaches to Certification to be convened from 19 to 21 April 2005 in Bern, Switzerland.

Item 15 - ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII)

- (a) The Council will be updated on progress in the development of technical manuals on Forest Landscape Restoration.
- (b) The Council will be updated on the results of the Global Workshop of the Global Partnership on Forest Landscape Restoration to be convened from 4 to 8 April, in Petropolis, Brazil.

Item 16 - ITTO Fellowship Programme – Decision 4(XXVII)
[Documents ITTC(XXXVIII)/7 and ITTC(XXXVIII)/8]

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(XXXVIII)/7]; and (b) the report of the Fellowship Selection Panel presented by its Chairperson [Document ITTC(XXXVIII)/8]. The Council will announce the final selection of awards based on the Chairperson's report

Item 17- 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(XVII)/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(XXXVIII)/9].

Item 18- Draft Annual Report for 2004

[Document ITTC(XXXVIII)/10]

The Secretariat will present to the Council the draft Annual Report for 2004.

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 Thirty-ninth, Fortieth and Forty-first Sessions of the Council and the Associated Sessions of the Committees

The Council has already approved the dates and venue of the Thirty-ninth Session to be held in Yokohama, Japan from 7-12 November 2005. The Council may wish to confirm these dates and venue.

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

Item 21- Other Business

The Council may consider any matters raised 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 Thirty-eighth Session of the Council.

Annex

PROPOSED DISTRIBUTION OF VOTES FOR 2005

	No. of Votes	
	2004	2005 (Proposed)
<u>PRODUCING MEMBERS</u>		
Africa		
Cameroon.....	24	25
Central African Republic.....	24	25
Congo.....	24	25
Côte d'Ivoire	24	25
Democratic Republic of the Congo	24	25
Gabon.....	24	25
Ghana.....	24	25
Liberia.....	24	25
Nigeria.....	24	24
Togo.....	24	24
 Asia & Pacific		
Cambodia.....	16	15
Fiji.....	14	14
India.....	22	22
Indonesia	146	132
Malaysia	103	106
Myanmar.....	29	33
Papua New Guinea	27	25
Philippines	15	14
Thailand	16	16
Vanuatu.....	13	14
 Latin America/Caribbean		
Bolivia	22	22
Brazil	159	163
Colombia.....	22	22
Ecuador	15	14
Guatemala	11	11
Guyana.....	15	15
Honduras.....	11	11
Mexico.....	18	18
Panama	11	11
Peru	27	28
Suriname	14	14
Trinidad and Tobago.....	10	10
Venezuela	22	22
Total:	1,000	1,000

	<u>No. of Votes</u>	
	2004	2005 (Proposed)
<u>CONSUMING MEMBERS</u>		
Australia.....	12	11
Canada	16	17
China	226	239
Egypt	16	11
European Community		
Austria	11	10
Belgium/Luxembourg	17	17
Denmark	14	18
Finland	10	10
France	33	33
Germany	23	21
Greece	12	12
Ireland	14	14
Italy	27	27
Netherlands	29	29
Portugal	24	26
Spain	26	25
Sweden	11	11
United Kingdom	34	36
Japan	254	236
Nepal	10	10
New Zealand	10	10
Norway	11	10
Republic of Korea	80	87
Switzerland	11	11
United States of America	69	69
Total:	1,000	1,000

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ANNEX III

TEXT OF THE DECISION

ADOPTED BY THE COUNCIL AT ITS THIRTY-EIGHTH SESSION

DOCUMENT: ITTC(XXXVIII)/11

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ITTC(XXXVIII)/11
21 June 2005

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THIRTY-EIGHTH SESSION
19 – 21 June 2005
Brazzaville, Republic of Congo

DECISION 1(XXXVIII)
PROJECTS, PRE-PROJECTS AND ACTIVITIES

The International Tropical Timber Council,

Having considered at its Thirty-eighth Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(XXXVI)/4, and CRF(XXXVI)/6; and the report of the Eighth Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTC(XXXVIII)/9;

1. Decides:

(i) to approve the following Projects:

PD 291/04 Rev.2 (M)	Establishment of a Network to Facilitate Collection, Processing and Dissemination of Statistics Pertaining to Tropical Timber and Other Forestry Parameters in India (India) ITTO Budget: \$216,378.00
PD 295/04 Rev.2 (M)	Creating and Sustaining a Market for Environmental Services from China's Tropical Forests (China) ITTO Budget: \$149,958.00
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 (Papua New Guinea) ITTO Budget: \$243,000.00
PD 338/05 Rev.1 (M,I)	Promotion of Guatemalan Certified Timber and Timber Products Trade (Guatemala) ITTO Budget: \$230,468.00
PD 234/03 Rev.3 (F)	Building a Framework and Strategy for Sustainable Forest Management in Trinidad and Tobago (Trinidad and Tobago) ITTO Budget: \$233,820.00
PD 245/03 Rev.3 (F)	Strategies for Sustainable Management and Use of the Sungai Sembilang Mangrove Ecosystem in South Sumatra, Indonesia (Indonesia) ITTO Budget: \$464,346.00
PD 271/04 Rev.3 (F)	Rehabilitation of Degraded Forest Land involving Local Communities in West Java, Indonesia (Indonesia) ITTO Budget: \$493,236.00

PD 288/04 Rev.2 (F)	Development of Lanjak Entimau Wildlife Sanctuary as a Totally Protected Area, Phase IV (Final Phase) (Malaysia) ITTO Budget: \$512,028.00
PD 297/04 Rev.2 (F)	Implementation of the Sustainable Forest Management Programme of the Iwokrama International Centre (Guyana) ITTO Budget: \$701,622.00
PD 309/04 Rev.2 (F)	Integrated Management of Mangrove Forests on the Caribbean Coast of Colombia (Colombia) ITTO Budget: \$612,792.00
PD 310/04 Rev.2 (F)	Biodiversity Management and Conservation in Forest Concessions Adjacent to Totally Protected Area (Nouabale-Ndoki National Park), Northern Republic of Congo (Phase II) (Republic of Congo) ITTO Budget: \$742,241.00
PD 311/04 Rev.2 (F)	Integrated Development of Côte d'Ivoire's South-Western Coastal Forests with the Participation of Communities Living in Forest Areas (Côte d'Ivoire) ITTO Budget: \$509,403.00
PD 314/04 Rev.2 (F)	Secondary Forest Management and Degraded Forest Land Rehabilitation Project in the N'zi Comoe Area with Community Participation (Côte d'Ivoire) ITTO Budget: \$744,419.00
PD 319/04 Rev.2 (F)	Modular System of Forest Management in the Brazilian Amazon (Brazil) ITTO Budget: \$277,560.00
PD 337/05 Rev.2 (F)	An International Workshop on Clean Development Mechanism – Opportunities and Challenges for the Forest Industry Sector in Sub-Saharan Tropical Africa (Ghana) ITTO Budget: \$299,160.00
PD 339/05 Rev.1 (F)	Development of a Forest Genetic Improvement Programme to Enhance the Productivity and Conservation of Tropical Forest Species in Guatemala - Phase I (Guatemala) ITTO Budget: \$ 674,206.00
PD 346/05 Rev.2 (F)	Conservation and Recovery of Degraded Land in Family Agriculture Units in the Eastern Amazon (Brazil) ITTO Budget: \$324,000.00
PD 351/05 Rev.1 (F)	Criteria and Indicators for the Evaluation of Tropical Forest Management Sustainability in Mexico (Southeastern Coastal Plains: Gulf of Mexico and Yucatan Peninsula (Mexico) ITTO Budget: \$514,653.00
PD 352/05 Rev.1 (F)	Protocols and Criteria for the Management of Germ-Plasm of High Commercial Value Species - Cedar (<i>Cedrela odorata</i>), Mahogany (<i>Swietenia macrophylla</i>) and Primavera (<i>Tabebuia donnell-smithii</i>) - in Southeast Mexico (Mexico) ITTO Budget: \$321,367.00
PD 359/05 Rev.1 (F)	Building Capacity to Develop and Implement Afforestation and Reforestation Projects under the Clean Development Mechanism (AR-CDM) of the Kyoto Protocol in Tropical Forestry Sector (Japan) ITTO Budget: \$942,166.00

PD 360/05 Rev.1 (F)	Multispectral Three-Dimensional Aerial Digital Imagery for Monitoring Forest Management and Conservation in the Republic of Congo (Republic of Congo) ITTO Budget: \$701,549.00
PD 371/05 (F)	The Rehabilitation of Mangrove on the Coastal Areas of Aceh, Indonesia (Indonesia) ITTO Budget: \$948,456.00
PD 372/05 (F)	Contribution to Livelihood and Forest Rehabilitation in Thailand's Areas Affected by the Tsunami Disaster (Thailand) ITTO Budget: \$680,724.00
PD 299/04 Rev.3 (I)	Reduction of Timber Wastes in Both Logging and Mechanical Processing Operations (Republic of Congo) ITTO Budget: \$608,970.00
PD 333/05 Rev.2 (I)	Development and Delivery of a Vocational Training Programme in Reduced Impact Logging and Sustainable Forest management Practices in Guyana (Guyana) ITTO Budget: \$361,897.00
PD 334/05 Rev.2 (I)	Demonstration and Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (The Philippines) ITTO Budget: \$629,873.00
PD 336/05 Rev.1 (I)	Thermochemical Processing of Tropical Wood Waste for Furfuryl Alcohol, Phenols, Cellulose and Essential Oils (Ghana) ITTO Budget: \$289,440.00
PD 344/05 Rev.2 (I)	Utilization of Lesser Used Wood Species in Guyana (Guyana) ITTO Budget: \$95,040.00
PD 347/05 Rev.2 (I)	Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership (Gabon) ITTO Budget: \$313,200.00

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

PD 295/04 Rev.2 (M)	\$149,958.00
PD 338/05 Rev.1 (M,I)	\$230,468.00
PD 234/03 Rev.3 (F)	\$233,820.00
PD 271/04 Rev.3 (F)	\$493,236.00
PD 288/04 Rev.2 (F)	\$512,028.00
PD 310/04 Rev.2 (F)	\$742,241.00
PD 319/04 Rev.2 (F)	\$277,560.00
PD 337/05 Rev.2 (F)	\$299,160.00
PD 359/05 Rev.1 (F)	\$942,166.00
PD 347/05 Rev.2 (I)	\$313,200.00

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

(iv) to authorize financing for immediate implementation as soon as the earmarked funds are available in the Special Account of the following Project, approved and partially funded at this Session:

PD 360/05 Rev.1 (F)	\$701,549.00
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- (v) 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 291/04 Rev.2 (M)	\$216,378.00
PD 335/05 Rev.1 (M)	\$243,000.00
PD 245/03 Rev.3 (F)	\$464,346.00
PD 297/04 Rev.2 (F)	\$701,622.00
PD 309/04 Rev.2 (F)	\$612,792.00
PD 311/04 Rev.2 (F)	\$509,403.00
PD 314/04 Rev.2 (F)	\$744,419.00
PD 339/05 Rev.1 (F)	\$674,206.00
PD 346/05 Rev.2 (F)	\$324,000.00
PD 351/05 Rev.1 (F)	\$514,653.00
PD 352/05 Rev.1 (F)	\$321,367.00
PD 371/05 (F)	\$948,456.00
PD 372/05 (F)	\$680,724.00
PD 333/05 Rev.2 (I)	\$361,897.00
PD 299/04 Rev.3 (I)	\$608,970.00
PD 334/05 Rev.2 (I)	\$629,873.00
PD 336/05 Rev.1 (I)	\$289,440.00
PD 344/05 Rev.2 (I)	\$95,040.00

- (vi) to authorize financing for immediate implementation of the following Project approved at earlier Session:

PD 270/04 Rev.2 (F)	\$474,941.00
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- (vii) to authorize the amendment in the budget and release funding for the immediate implementation of the following Projects which were approved at earlier Sessions:

PD 40/00 Rev.4 (I)	\$600,000.00
PD 264/04 Rev.3 (M,I)	\$577,886.00

2. Decides:

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

PPD 103/04 Rev.2 (F)	Rehabilitation of Degraded Forest Using Indigenous Species through Collaboration with Local Communities in West Kalimantan, Indonesia (Indonesia) ITTO Budget: \$52,769.00
PPD 109/05 Rev.1 (F)	Establishment of a Pilot Program for the Genetic Improvement of Native Forest Species (Ecuador) ITTO Budget: \$102,384.00
PPD 111/05 Rev.1 (F)	Sustainable and Multipurpose Forestry to Settle the Tribal Shifting Cultivators of Tripua State in India by Providing Viable Economic Activities (India) ITTO Budget: \$48,114.00
PPD 114/05 Rev.1 (F)	Demonstration of Integrated Models for Sustainable Management of Mangrove in China (China) ITTO Budget: \$74,088.00
PPD 112/05 Rev.2 (I)	Guatemalan Forest Industry Development Project (Guatemala) ITTO Budget: \$ 52,920.00

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

PPD 103/04 Rev.2 (F)	\$52,769.00
PPD 114/05 Rev.1 (F)	\$74,088.00
PPD 112/05 Rev.2 (I)	\$52,920.00

- (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 109/05 Rev.1 (F)	\$102,384.00
PPD 111/05 Rev.1 (F)	\$48,114.00

- (iv) to authorize the release of additional funds for the continued implementation of the following Activity:

PP-A/29-94 [Decision 2(XXIX) para.7]	\$50,000.00
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3. Decides to authorize the release of additional funds for the continued implementation of the following Pre-Project and Activities from the resources obtained through the Unearmarked Funds in the Special Account:

PPD 14/00 (M)	\$30,000.00
PP-A/31-114	\$120,000.00
PP-A/32-122 [Decision 10(XXXII)]	\$150,000.00
PP-A/37-158A [Decision 3(XXXVII)]	\$380,000.00

4. Decides to authorize financing for immediate implementation of the following Activity from resources obtained through the Unearmarked Funds in the Special Account:

Expert panel for Technical Appraisal of Project Proposals, Thirtieth Meeting PP-A/38-159	\$93,500.00
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5. Urges Members to consider financing those approved Projects, Pre-Projects and Activities for which funds are not immediately available,

6. 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,

7. 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,

8. Requests the Executive Director to continue consultations with potential donors and the Common Fund for Commodities in order to secure financing for those Projects, Pre-Projects and Activities for which funds are not immediately available.

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ANNEX IV

**ADDITIONAL ACTIVITIES APPROVED UNDER DECISION 10(XXXII)-
PROMOTION OF SUSTAINABLE FOREST MANAGEMENT IN THE CONGO BASIN**

**Additional Activities Approved Under Decision 10(XXXII)-
Promotion of Sustainable Forest Management in the Congo Basin**

To support the implementation of the COMIFAC Regional Convergence Plan and 2015 COMIFAC Objective, these additional activities will be carried out:

- 1 (i) Undertake a study on the potential for a synergy between the African Timber Organization (ATO) Action Plan on the Further Processing of Tropical Timber in Africa and the COMIFAC sub-regional Convergence Plan, based on the terms of reference (TOR I) listed below; and
- 1 (ii) Based on the most urgent needs identified by the study, develop a regional project proposal to contribute to the promotion of further tropical timber processing in the ITTO Member Countries of COMIFAC, taking into account specific activities identified in the Action Plan that are consistent with the ITTO Action Plan [US\$55,196.00].

- 2 (i) Conduct a feasibility study, based on terms of reference listed below (TOR I), for the implementation of the revised training programs in forest management and forest concession management resulting from project PD189/03 Rev.1 (I) implemented by the Network of Central African Forestry and Environment Training Institutions (RIFFEAC); and
- 2 (ii) Develop a regional project proposal, based on the most urgent needs identified by the study, taking into account relevant on-going initiatives, for the implementation of these training programs in the various RIFFEAC affiliated training institutions [US\$57,547.00].

Terms of Reference I

- (i) Identify common activities and propose measures for their strengthening in order to build synergy between the ATO Plan on the Further Processing of Tropical Timber in Africa and the COMIFAC Plan of Convergence;
- (ii) Identify in the strategic activities included in the African Timber Organization (ATO) Action Plan on the Further Processing of Tropical Timber in Africa those actions that can constitute a basis for the development of a regional project aiming at promoting further processing in Africa;
- (iii) Based on the report of the study, develop a project proposal for the promotion of further processing in ITTO/COMIFAC Member Countries;
- (iv) Assist in the organization of a regional workshop in order to evaluate the work carried out under points (i) to (iii) and revise as appropriate the project proposal based on comments from participants at the workshop.

Terms of Reference II

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

ANNEX V

REPORTS OF THE ASSOCIATED SESSIONS OF THE FOUR COMMITTEES

Documents: CEM-CFI(XXXVI)/4

CRF(XXXVI)/

CFA(XVII)/6

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21 June 2005

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THIRTY-SIXTH SESSION
19 – 21 June 2005
Brazzaville, Republic of Congo

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

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

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- Appendix B:** Report on the ITTO Annual Market Discussion – 2005
- Appendix C:** Technical Assessment of Project and Pre-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-sixth Session of the Committees was opened on 19 June 2005 at the Joint Session of the Committee on Economic Information and Market Intelligence (CEM), the Committee on Reforestation and Forest Management (CRF), the Committee on Forest Industry (CFI), and the Committee on Finance and Administration (CFA), chaired by Ms. Celestine Ntsame-Okwo (Gabon), Chairperson of CFI. 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 (Switzerland), Vice-chairperson of CEM deputizing for Ing. Renzo Silva (Venezuela), Chairman of CEM who was absent and Ms. Celestine Ntsame-Okwo (Gabon), Chairperson of CFI. The list of participants is presented in document ITTC(XXXVIII)/Info. 2 Rev.1.

2. Adoption of Agenda and Organization of Work

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

3. Admission of Observers

The Committees admitted the observers listed in document ITTC(XXXVIII)/Info.3 Rev.1 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. Ricardo Umali (Philippines), Chairman of the Expert Panel on the Report of the Expert Panel for Technical Appraisal of Project Proposals at its Twenty-ninth Meeting held on 21-26 March 2005 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXVI)/1. Problems and issues identified by the Panel included:

- (i) the large number of proposals - 67 projects, 10 pre-projects and 2 project ideas for a total of 79 – assessed by the Panel, which was a challenging task to finish within the allotted time;
- (ii) 29 projects and 6 pre-projects, totaling 35 proposals (44% of proposals assessed) with category 1 rating;
- (iii) 20 new projects and pre-projects and 14 revised proposals.

The Chairman reiterated the persistent problems in project formulation including the lack of comprehensive problem analysis, deficient logical framework and lack of relevance to country and ITTO priorities.

The major findings/recommendations included:

- (i) proposals on lesser-used species (LUS) and lesser-known species (LKS) are often poorly justified;
- (ii) transboundary/regional proposals should contain firm commitments from participating countries to seriously pursue common objectives and conduct joint activities;
- (iii) projects on information management should clarify their components, processes, and relation flow. Use of statistical software packages should clarify these systems, their cost-benefit, and networking involved;
- (iv) project proposals developed from pre-projects and subsequent phases of phased projects should clarify the origin, what needs to be continued, and previous results to build upon;
- (v) phased projects continue to divert away from design and objectives of completed phases to justify continuation of new phases;
- (vi) projects formulated from pre-projects often fail to build upon the results and intention of the pre-projects;
- (vii) several proposals still lack focus, with many unwieldy components like inventory, management plan, plan implementation and training being envisioned for implementation under one project;
- (viii) training and capability building proposals should be supported by needs assessment, curricula of training modules, and targets to be trained etc.;

- (ix) language used for Market Information Service (MIS), genetic improvement and forest industrial processing projects is often too technical for general understanding;
- (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. These should be justified with appropriate government policy and sustainability after ITTO support.

The Panel would like the Council to remind members to limit and prioritize the proposals as currently detailed out in the rules of submission of ITTO and seek only to submit those which would have the most effect on sustainable forest management in member countries.

5. Measures to Improve and Strengthen the ITTO Project Cycle

Pursuant to Decision 3(XXXVII) on "Measures to Improve and Strengthen the ITTO Project Cycle", the Committees reviewed the draft terms of reference, as presented in document CEM,CRF,CFI, CFA(XXXVI)/2, for consultants who would be engaged to revise the ITTO Project Formulation Manual and related materials, to prepare user-friendly and condensed project cycle manuals and guidelines, and to develop computerized tools to facilitate project proposal and budget preparation using the ITTO website.

The Committees revised and approved the terms of reference as contained in Appendix A of this report and decided to recommend to the Council to allocate an amount not exceeding US\$380,000.00 for the implementation of the assignment.

6. ITTO Annual Market Discussion – 2005 [Joint Session with the Committee on Reforestation and Forest Management (CRF)]

The Committees noted the summary of the ITTO Annual Market Discussion – 2005, held in the Joint Session of the Technical Committees on 20 June 2005, as contained in Appendix B. The theme of the Market Discussion was "Advancing the Markets for African Wood Products". Dr. James Gasana (Vice-Chairperson of CEM) chaired the meeting. Mr. Jean-Jacques Landrot (IFIA) served as the moderator of the Market Discussion and the invited speakers were Dr. Lee Hua Seng (Sarawak Timber Association), Mr. Yves Dubois (UniCongo, Republic of Congo) and Mr. Wa Mathurin Martial (GFBC, Cameroon).

7. Report on Completed Projects and Pre-projects

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

Committee on Economic Information and Market Intelligence

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

The representative of Philippines reported on the successful implementation of the project. He noted the decision of his government to extend the results of the pilot project country-wide in a follow-up project. The Committees noted that the completion report and final audited financial statements of the project had been submitted in accordance with the project agreement and the project was duly declared complete.

PD 56/00 Rev.3 (M) Enhancement of the Forest Statistics Information and Management System (STATFOR) Through the Integration of Two Computer Modules: Compilation of Management Inventory Data and Management of Export Log Lumberyard (Gabon)

The Secretariat reported on the successful implementation of the project. The need to implement the pilot information systems at a country-wide level was stressed. The Secretariat reminded the Committee of the approval and funding of a follow-up project (PD 182/03 Rev.2 (M)) subject to an ex-post evaluation of this project, which had now been undertaken. 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.

PD 132/02 Rev.1 (M) Application of an Experimental Model for the Economic Appraisal of the Utilization and Management of Colombian Flora Case Study: *Meliaceae* and *Anacardiaceae*

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.

Committee on Forest Industry

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

The Committees noted that the project completion report, technical report and final audited financial statements had been submitted to the Secretariat in accordance with the project agreement. The Committees duly declared the project complete.

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

The Committees noted that the project completion report, technical report and final audited financial statements had been submitted to the Secretariat in accordance with the project agreement. The Committees duly declared the project complete.

PD 151/02 (I) International Conference on Quality Timber Products of Teak from Sustainable Forest Management (India)

The Committees noted that the project completion report, technical report and final audited financial statements had been submitted to the Secretariat in accordance with the project agreement. The Committees duly declared the project complete.

PPD 6/99 Rev.3 (M,F,I) Promotion of Non-Timber Forest Products in Terai Region of Nepal

The Committees noted that the pre-project completion report and technical report had been submitted to the Secretariat in accordance with the pre-project agreement. The Committees duly declared the pre-project complete, subject to the submission of the audited financial statements to the Secretariat.

PPD 1/00 Rev.1 (I) Improvement of Sustainable Management and Utilization of Tropical Non-timber Forest Products (NTFPs) in Cambodia

The Committees noted that the pre-project completion report and technical report had been submitted to the Secretariat in accordance with the pre-project agreement. The Committees duly declared the pre-project complete, subject to the submission of the audited financial statements to the Secretariat.

PPD 16/01 Rev.1 (I) Timber Enhancement through Mechanical Processing (Rep. of Congo)

The Committees noted that the pre-project completion report and technical report had been submitted to the Secretariat in accordance with the pre-project agreement. The Committees duly declared the pre-project complete, subject to the submission of the audited financial statements to the Secretariat.

PPD 35/01 (I) Assessment of the Multiple Benefits of Downstream Processing of Tropical Timber in Producer Countries (Global)

The Committees noted that the pre-project completion report and technical report had been submitted to the Secretariat in accordance with the pre-project agreement. The Committees duly declared the pre-project complete, subject to the submission of the audited financial statements to the Secretariat.

PPD 53/02 Rev.1 (I)

Development of Energy Alternatives for the Efficient Utilization of Wood Processing Residue: Co-generation and Briquette Production (Ghana)

The Committees noted that the pre-project completion report and technical report had been submitted to the Secretariat in accordance with the pre-project agreement. The Committees duly declared the pre-project complete, subject to the submission of the audited financial statements to the Secretariat.

8. Ex-post Evaluation

(A) Ex-post Evaluation Missions/Report

Committee on Economic Information and Market Intelligence

An oral report by the Secretariat on the progress in the implementation of the ex-post evaluation of the following project was noted by the Committees.

PD 56/00 Rev.3 (M)

Enhancement of the Forest Statistics Information and Management System (STATFOR) through the Integration of Two Computer Modules: Compilation of Management Inventory Data and Management of Export Log Lumberyard (Gabon)

The consultant, Professor Gerard Buttoud, who had recently carried out the ex-post evaluation gave a brief summary of the conclusions of his mission to Gabon. The Committees noted that the final report of this ex-post evaluation would be completed in time to be presented at the next Session.

Committee on Forest Industry

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

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

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

PD 47/94 Rev.3 (I)

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

PD 13/95 Rev.3 (I)

Capacity Building in Training in Planning and Management of Forest Industries in ITTO Producer Member Countries (Phase II) (Finland)

PD 58/99 Rev.1 (I)

Introducing a Village Industry in the Community Around an Industrial Forest Plantation in Indonesia

The Committees further noted that the implementation of these ex-post evaluations was expected to be completed in time for the reports to be presented at the next Session.

(B) Selection of Projects for Ex-post Evaluation

The Committees decided to select the following projects for ex-post evaluation:

Committee on Economic Information and Market Intelligence

PD 41/99 Rev.4 (M)

Development and Implementation of the Pilot Project of the Forestry Statistics Information System (FSIS) (Philippines)

PD 34/00 Rev.2 (M)

Extension and Consolidation of the National Statistical Information System (Bolivia)

Committee on Forest Industry

PD 56/99 Rev.1 (I)

Promotion of the Utilisation of Bamboo from Sustainable Sources in Thailand

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

9. Consideration of Project and Pre-Project Proposals

The Committees considered the following ten project and one pre-project proposals that had been evaluated and commended by the Twenty-ninth Expert Panel for the Technical Appraisal of Project Proposals as contained in document CEM-CFI(XXXVI)/3:

Committee on Economic Information and Market Intelligence

- PD 291/04 Rev.2 (M) Establishment of a Network to Facilitate Collection, Processing and Dissemination of Statistics Pertaining to Tropical Timber and Other Forestry Parameters in India
- PD 295/04 Rev.2 (M) Creating and Sustaining a Market for Environmental Services from China's Tropical Forests
- 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
- PD 338/05 Rev.1 (M,I) Promotion of Guatemalan Certified Timber and Timber Products Trade

Committee on Forest Industry

- PD 299/04 Rev.2 (I) Reduction of Timber Wastes in Both Logging and Mechanical Processing Operations (Republic of Congo)
- PD 333/05 Rev.1 (I) Development and Delivery of a Vocational Training Programme in Reduced Impact Logging and Sustainable Forest Management Practices in Guyana
- PD 334/05 Rev.1 (I) Demonstration and Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (Philippines)
- PD 336/05 Rev.1 (I) Thermochemical Processing of Tropical Wood Waste for Furfuryl Alcohol, Phenols, Cellulose and Essential Oils (Ghana)
- PD 344/05 Rev.1 (I) Utilization of Lesser Used Wood Species in Guyana
- PD 347/05 Rev.1 (I) Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership
- PPD 112/05 Rev.1 (I) Guatemalan Forest Industry Development Project

The Committees also considered the following project proposal that had been evaluated by the Twenty-ninth Expert Panel for the Technical Appraisal of Project Proposals which concluded that the proposal was very weak and recommended that the Committees should not approve it:

- PD 265/04 Rev.2 (I) Implementation of the National Strategy for the Sustainable Development of the Forestry Sector in Ecuador

Committee on Economic Information and Market Intelligence

In addition, the Committees considered the following proposal which was approved by the Council at its Thirty-seventh Session but had been revised and resubmitted by the Government of Ghana:

PD 264/04 Rev.3 (M,I)

Timbers of Tropical Africa Part 1: Group 7(1) within the
PROTA Programme (Ghana)

Committee on Forest Industry

The Committees further considered the following proposal which was approved by the Council at its Twenty-ninth Session but had been revised in order to meet the recommendations and requirements of the Common Fund for Commodities (CFC) in accordance with Decision 4(XVIII) on "Cooperation between ITTO and the Common Fund for Commodities":

PD 40/00 Rev.4 (I)

Utilization of Small-Diameter Logs from Sustainable
Source for Bio-Composite Products (Indonesia)

The Committees considered in detail the comments and recommendations of the Twenty-ninth Expert Panel for Technical Appraisal of Project Proposals on these 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 C.

10. Policy Work

Seven issues under the CEM and four issues under the CFI were discussed by the Committees.

Committee on Economic Information and Market Intelligence

(i) Market Access

The Committees noted that the Final Report on Measures to Promote the Expansion and Diversification of International Trade in Tropical Timber as contained in document ITTC(XXXVII)/10 Rev.1 and which took into account comments made by Member Countries during and after the Thirty-seventh Session of the Council was available upon request.

The Committees further noted that developments surrounding the implementation of new standards for packaging materials under the International Standards for Phytosanitary Measures (ISPM) 15 that would come into effect in the USA in September 2005 had been disseminated through the Market Information Service (MIS) as requested by the International Wood Products Association (IWPA).

(ii) Forest and Timber Certification

The Committees were briefed on the progress of on-going ITTO work on phased approaches to certification pursuant to ITTC Decision 10(XXXIV). In this connection, the Committees noted the proceedings of the ITTO International Workshop on Phased Approaches to Certification convened in Berne, Switzerland from 19 to 21 April 2005 which were presented to the Council at its current Session and had been made available on the ITTO website.

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

The Committees noted that this activity was approved and funded at the Thirty-fifth Session of Council. The Committees further noted that the implementation of the activity would be carried out together with PP-A/36-150 "Monitor and Assess the Environmental, Social and Economic Costs and Benefits of Forest Plantation Development and Utilize that Information to Promote New Plantations – Study on Encouraging Private Sector Investment in Industrial Forest Plantations in the Tropics" under the CRF as the two activities were complementary.

The implementation of the two activities had commenced and a consultant shortlist was being developed.

(iv) ITTO Annual Market Discussion – 2005

The summary of the ITTO Annual Market Discussion – 2005 is contained in Appendix B. The Committees expressed their appreciation to the Trade Advisory Group (TAG) for organizing an interesting and informative Market Discussion. The representative of the Netherlands noted the synergies between producing regions illustrated by the Market Discussion presentations on Malaysia and various African countries, particularly their growing dependence on the Chinese market. He proposed to the Committees to undertake more regular discussions on trends in China's timber trade. The representative of China agreed, proposing that such discussions could also include other major tropical timber markets. The Secretariat informed the Committees of the work already carried out for the Council through its Annual Review and Assessment of the World Timber Situation, and suggested that selected data and analysis from the Review could be presented to the Committees at each Session under this agenda item. The Committees decided to include the item under Policy Work in their agendas for future sessions, starting with the case of China at their Thirty-seventh Session.

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

The Committees noted the presentation made by Professor Anders Baudin (Sweden), the engaged consultant on the Report on the Review of the Italian Timber Market with a focus on tropical timber. The presentations covered, *inter alia*, the characteristics of the Italian timber and wood industry; the tropical wood products trade; tropical timber uses including flooring, builders' woodwork, furniture and energy; views of the Italian timber traders particularly on problems in importing and utilizing tropical timber; structural characteristics of the Italian timber industry; Italian imports and exports of non-tropical wood; threats and opportunities in respect of the Italian timber market, and the lessons learned from the review including the importance of value-added production, the merit of small scale operations capable of generating opportunities on a large scale, the importance of networking and skills as a requisite for remaining competitive at all levels.

The Committees commended Professor Baudin for his excellent presentation.

The Committees were informed that the implementation of the review of the French timber market was about to commence following the engagement of consultants. The Committees noted with appreciation the readiness of the Government of France to extend its cooperation to facilitate the conduct of the review.

(vi) Studies on Subsidies Affecting Tropical Timber Products [PP-A/37-154]

The Committees were informed that the implementation of the activity was scheduled to commence during the second half of 2005.

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

The Committees were informed that the implementation of the activity was scheduled to commence during the second half of 2005.

Committee on Forest Industry

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

The Secretariat briefed the Committees on the arrangements it had made with Forest Trends for the preparations of this study. The representative of Forest Trends, Mr. Andy White, briefed the Committees on the status of progress made so far. The Committees noted that the study would contribute to an international conference on community forestry and forest industries to be convened based on the recommendations of the ITTO CSAG-TAG Joint Workshop on Illegal Logging and Illegal Trade held in Interlaken, Switzerland in July 2004.

- (ii) Assessment of the Multiple Benefits of Downstream Processing of Tropical Timber in Producer Countries [PPD 35/01 (I)]

The Committees noted that two consultants, Dr. Lachlan Hunter (New Zealand) and Dr. Roszehan Mohd. Idrus (Malaysia) had prepared a draft final report [PPR 70/05 (I)] after field visits to Brazil, Honduras, Ghana and Cameroon in 2004. The Committees further noted that comments on the draft final report were needed for its further refinement. A final report would be tabled at the next Session of the Committees.

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

The Committees noted the arrangements for the organization of an international conference on tropical plywood being made with China which would be hosting this conference in Beijing on 26-28 September 2005.

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

The Committees took note that Forest Trends had been engaged to assist ITTO in the implementation of this activity. The representative of Forest Trends, Mr. Andy White, briefed the Committees on the status of progress made so far, particularly with regard to the organization and conduct of a forum on opportunities and constraints to private sector investment in natural forest management in tropical countries, tentatively scheduled to be held in Mexico in October 2005.

11. Dates and Venues of the Thirty-seventh, Thirty-eighth and Thirty-ninth Sessions of the Committees

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

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

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

12. Other Business

No other business was considered by the Committees.

13. Recommendations to the International Tropical Timber Council

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

Committee on Economic Information and Market Intelligence

PD 264/04 Rev.3 (M,I)	Timbers of Tropical Africa Part 1: Group 7(1) within the PROTA Programme (Ghana) [US\$577,886]
PD 291/04 Rev.2 (M)	Establishment of a Network to Facilitate Collection, Processing and Dissemination of Statistics Pertaining to Tropical Timber and Other Forestry Parameters in India [US\$216,378]
PD 295/04 Rev.2 (M)	Creating and Sustaining a Market for Environmental Services from China's Tropical Forests [US\$149,958]
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 338/05 Rev.1 (M,I)	Promotion of Guatemalan Certified Timber and Timber Products Trade [US\$230,468]

Committee on Forest Industry

- PD 40/00 Rev.4 (I) Utilization of Small-Diameter Logs from Sustainable Source for Bio-Composite Products (Indonesia) [US\$600,000]
- PD 299/04 Rev.3 (I) Reduction of Timber Wastes in Both Logging and Mechanical Processing Operations (Republic of Congo) [US\$608,970]
- PD 333/05 Rev.2 (I) Development and Delivery of a Vocational Training Programme in Reduced Impact Logging and Sustainable Forest Management Practices in Guyana [US\$361,897]
- PD 334/05 Rev.2 (I) Demonstration and Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (Philippines) [US\$629,873]
- 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 344/05 Rev.2 (I) Utilization of Lesser Used Wood Species in Guyana [US\$95,040]
- PD 347/05 Rev.2 (I) Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership [US\$313,200]
- PPD 112/05 Rev.2 (I) Guatemalan Forest Industry Development Project [US\$52,920]

- (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 52/97 Rev.3 (M)
Phase II Development and Implementation of an Educational Program to Inform the Wood Products Distribution Chain on the Value of Using Tropical Timbers from ITTO Member Countries - Phase II (Ghana) [US\$180,994]
- PD 124/01 Rev.2 (M)
Phase II, Phase III Promotion of Sustainable Management of African Forests (ITTO/ATO) [Phase II - US\$864,070, Phase III - US\$1,444,144]
- PD 191/03 Rev.3 (M) Information System for the Support and Implementation of National/Regional Forest Policies (Malaysia) [US\$659,502]
- PD 192/03 Rev.3 (M) A Comprehensive Information System for Sustainability of the Wooden Furniture Industry in Malaysia [US\$121,072]
- PD 221/03 Rev.3 (M)
Phase I A Consumer Awareness Programme to Address Market Failures for Tropical Hardwoods (ITTO) [US\$352,850]
- PD 298/04 Rev.1 (M) Strengthen the Capacity to Effectively Market Exports of Forest Products from Guyana [US\$130,896]
- PPD 45/02 Rev.3 (M) Technical Assistance for the Formulation of a Project Proposal Aimed at Capacity Strengthening for the Sustainable Management of Natural and Planted Forests in Panama [US\$32,022]

Committee on Forest Industry

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| PD 177/02 Rev.3 (I) | Establishment of the Kinshasa National Saw Doctoring Center in the Democratic Republic of Congo [US\$637,838] |
| PD 215/03 Rev.4 (I) | Sustainable Utilization and Marketing of Selected Non-Timber Forest Products to Support the Handicraft Industry and the Development of Rural Communities (Philippines) [US\$335,232] |
| 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] |
| PPD 88/03 Rev.3 (I) | Strategy for Sustainable Utilization of Non-Timber Forest Products (NTFP) Involving Local Communities in West Sumatra (Indonesia) [US\$79,056] |

15. Report of the Session

The Committees adopted this report for submission to the Council.

APPENDIX A

TERMS OF REFERENCE FOR CONSULTANTS TO REVISE ITTO PROJECT FORMULATION AND RELATED MATERIALS

INTRODUCTION

1. The Council at its Thirty-seventh Session held on 13-18 December 2004, in Yokohama, Japan, adopted, inter alia, Decision 3(XXXVII) on "Measures to Improve and Strengthen the ITTO Project Cycle". Pursuant to paragraph 5 of the Decision, the Executive Director was requested:
 - (i) To develop draft terms of reference for consultants who would be engaged to revise the ITTO Project Formulation Manual and related material and to prepare user-friendly and condensed Project Cycle manuals and guidelines and to propose those terms of reference to the Joint Session of the Committees at the Thirty-eighth Session of the Council. The draft terms of reference shall incorporate, among other issues, the recommendations listed in the Annex of this Decision;
 - (ii) Following approval by the Joint Committee, to engage two consultants, one from a producer country and one from a consumer country, to implement those terms of reference and to present the results of their work to Council for its consideration; and
 - (iii) Subsequently to develop computerized tools to facilitate project proposal and budget preparation via the ITTO website.

DRAFT TERMS OF REFERENCE FOR CONSULTANTS

2. Accordingly, the Draft Terms of Reference for Consultants to Revise ITTO Project Formulation Manual and Related Materials and associated timeline as contained in Annexes I, II and III to this document have been prepared by the Secretariat for the consideration of the Committees at their Joint Session. The Terms of Reference for the development of the computerized tools is included in Annex II with a view to ensuring the synchronized preparation of the Manuals and the computerized tools in a cost effective manner.
3. The budget for the completion of the assignments is estimated at US\$380,000.00.

ANNEX I

DRAFT TERMS OF REFERENCE OF THE CONSULTANTS

ITTO PROJECT RELATED MANUALS AND GUIDELINES

1. The Consultants, one from a producing member country and one from a consuming member country, shall assist the Secretariat to undertake the following assignments:
 - (i) review, revise, update and enhance the ITTO Manual for Project Formulation (second edition, 1999), the ITTO Manual for Project Monitoring, Review and Evaluation (second edition, 1999), and ITTO Guidelines for the Selection and Employment of Consultants and Guidelines for the Procurement and Payments of Goods and Services financed from the Special Account (1993); and
 - (ii) develop an ITTO Manual on project standard operating procedures and coordinate the development of computerized tools (software) to facilitate project proposal and budget preparation, downloadable from the ITTO website.
2. In carrying out the assignments, the Consultants shall take into consideration:
 - The International Tropical Timber Agreement, 1994;
 - The ITTO Yokohama Action Plan 2002-2006;
 - Financial rules and rules relating to projects of ITTO, 1997;
 - ITTO Guidelines for Annual Financial Audit of projects, 1999;
 - Rules and Procedures applying to ITTO projects, 1999;
 - Decision 3(XXXVII) on Measures to Improve and Strengthen the ITTO Project Cycle – in particular the recommendations contained in the Annex to this Decision;
 - Report on the update of Terms of Reference for the Expert Panel; and Review of Consultants' Proposal on Qualitative Award Criteria and Weighted Scores [ITTC(XXXVIII)/4];
 - Decision 2(X) on Continuation of the Expert Panel for Technical Appraisal of Project Proposals and Adjustment of Project Cycle, Decision 8(XXII) on Revision of Project Related Guidelines and Manuals and other relevant Council Decisions;
 - Report of the 25th Expert Panel on Measures to Improve ITTO Project Formulation and Appraisal [ITTC(XXXIV)/6];
 - Comments of the 27th Expert Panel on Measures to Improve Project Formulation and Appraisal;
 - Report of the Expert Panel on Measures to Improve Project Formulation and Appraisal [ITTC(XXXVI)/5];
 - Project related manuals and guidelines of other organizations.
3. In reviewing, revising, updating and enhancing the manuals and guidelines, the Consultants shall:
 - (i) identify existing provisions and procedures which are no longer relevant, out of date and requiring improvement, with a view to eliminating, updating and enhancing these provisions respectively;
 - (ii) identify deficiencies in the existing provisions, with a view to formulating new provisions, bearing in mind the need to keeping these user-friendly and condensed.
4. In revising the ITTO Manual for Project Formulation, the Consultants shall, in particular:
 - (i) Develop a set of criteria which define the characteristics of an ITTO project (e.g., relevance, strategic value), to assist countries in project identification;
 - (ii) Revise the manual so that project formulators can easily understand, follow and identify more directly the type of information that is being requested in each section through direct questions and checklists;
 - (iii) Include guidance for those projects of a participatory nature, so as to reflect and describe the involvement, input and commitment of all stakeholders involved in the formulation of project proposal, taking into account gender aspects and poverty issues;
 - (iv) Elaborate on the sequence required in the project formulation and present clear examples of formulating process of a proposal including key elements, e.g., objectives, outputs, activities, logical framework, risk assessment, stakeholders, sustainability, budgets, operational

- arrangements, work plan including an inception stage, etc. The examples should be representative of the three technical areas of the ITTO;
- (v) Emphasize project completion and sustainability strategies into a project proposal to ensure greater impact and sustainability of the project and the wide dissemination of its results and outputs.
 - (vi) Formulate instructions for detailed budget presentation, by activities, components and sources of funding, including defining each budget component and budget line;
 - (vii) Provide examples of information on the capabilities of the Executing Agency and operational arrangements for project implementation;
 - (viii) Ensure that the manual is user-friendly and can be implemented as a software tool for the preparation and revision of project proposals (see Annex II)
 - (ix) Ensure that the manual includes provisions to promote and improve the participation of the executing agencies, permanent personnel in project formulation, implementation, monitoring and evaluation.
5. In revising the ITTO Manual for Project Monitoring, Review and Evaluation, the Consultants shall, in particular:
- (i) Develop concise and effective systems for monitoring, evaluation and reporting of a project;
 - (ii) Provide further guidance to the executing agencies (EAs) for the preparation of progress and other relevant reports, plans, financial statements and audits related to a project, including their periodic updates;
 - (iii) Provide clear guidance for the effective and active participation of stakeholders and collaborators in the implementation of a project;
 - (iv) Provide clear guidance for systematic and continuous internal monitoring and evaluation of a project, including assessing effectiveness of project management and regular reviewing of risk assessment, impact and sustainability of the project;
6. In formulating an ITTO Manual on Standard Operating Procedures for ITTO Project Cycle, the Consultants shall, in particular:
- (i) Describe the procedures for the submission, appraisal, approval and funding of Projects;
 - (ii) Compile/elaborate procedures for:
 - the processing and finalization of the ITTO project agreement as well as subsidiary agreement(s) between the Executing Agency and collaborating agencies/parties, as applicable;
 - commencement of the implementation of a project;
 - disbursement of initial and subsequent installments of ITTO funds;
 - selection of financial auditors and submission of audited annual/final financial statements;
 - selection of consultants, procurement of goods and services in accordance with the ITTO Guidelines;
 - modification of elements of approved projects, including project extension;
 - travel policy;
 - preparations and conduct of PSC/PTC meetings and monitoring visits;
 - completion and closing of a project;
 - dissemination of project results;
7. The Consultants shall, after consultations with the Secretariat, produce preliminary drafts of the manuals and guidelines, and an operational version of the computer software and present them to the Secretariat for review. The Consultants shall present the revised drafts at the Council and shall finalize the Manuals, Guidelines, including the Software, taking into account Members' comments and observations (refer to Annex III – Timeline for the Consultants' outputs);
8. The Consultants shall prepare the revised manuals and guidelines in a manner that will facilitate their updating; and
9. The Consultants shall provide a print-ready CD-Rom containing the revised/new manuals and guidelines.

ANNEX II

**DRAFT TERMS OF REFERENCE FOR THE SOFTWARE DEVELOPER
ON THE DEVELOPMENT OF SOFTWARE TOOLS TO FACILITATE
THE PREPARATION OF PROJECT PROPOSALS**

1. The Software Developer, under the coordination of the consultants engaged in accordance with the TORs contained in Annex I and the ITTO Secretariat, shall develop computerized tools to facilitate the preparation of project proposals, downloadable from the ITTO website;
2. The software tools shall be developed along with the draft Manuals. Subsequently, on the advice/recommendations of the Consultants and the Secretariat, the Software Developer shall revise and finalize the software tools;
3. The software shall:
 - (i) be based on the revised Manual of Project Formulation;
 - (ii) be in English, French and Spanish (with facility for selection of language);
 - (iii) guide the project formulators to begin from problem analysis to formulation of objectives, outputs, activities, inputs and in developing the Logical Framework (LFW);
 - (iv) be based on standard project development and formulation tools (basic operations research techniques);
 - (v) include interactive controls for consistency and built-in flags, as well as formulas for standard items;
 - (vi) facilitate the linked presentation where appropriate, among:
 - problem tree analysis;
 - LFW;
 - work plan (e.g., Gant charts or better);
 - standardized detailed budget tables/charts/graphs by activity, component and funding sources;
 - (vii) allow revisions to be made and easily tracked in the project proposals;
 - (viii) Improve ITTO search engine to provide data for project formulation and link to other internet search engines.

ANNEX III

TIMELINE FOR THE CONSULTANTS' OUTPUTS

Date	Activities
Oct 2005-March 2006	Preparation of the draft Project Cycle Manuals (first drafts) Preparation of web-based software (first draft)
April 2006	Validation workshop
May 2006	Submission of the first draft Project Cycle Manuals and web-based software to ITTO Secretariat
June 2006	Consultants' presentation of the first draft Project Cycle Manuals and software to the Secretariat
Jul-Aug 2006	Preparation of the revised manuals (second draft) and software for the Council deliberations, taking into account the comments/observations of the Secretariat
1 Oct 2006	Submission of the revised draft Project Cycle Manuals and Software (second draft) to the Secretariat for distribution to the members
November 2006	Presentation of the revised Project Cycle Manuals and Software to the Council
Jan-Feb 2007	Finalization of the Project Cycle Manuals and of the Software, taking into account the comments of the members made at the ITTC

APPENDIX B

REPORT ON THE ITTO ANNUAL MARKET DISCUSSION - 2005 20 June 2005, Brazzaville, Republic of Congo

The ITTO Market Discussion - 2005 was organized by the Trade Advisory Group and moderated by Mr. Jean Jacques Landrot (Inter-African Forest Industries Association, France), with Dr. Lee Hua Seng (Sarawak Timber Association, Malaysia), Mr. Yves Dubois (UniCongo, Republic of Congo), and Mr. Wa Mathurin Martial (GFBC, Cameroon) as invited speakers.

Mr. Lee reported that the Asian (and specifically Malaysian) timber trade had been impacted by free trade pacts, CE marking in Europe and phyto-sanitary requirements in some markets. Competition with China (which was becoming a significant exporter of tropical plywood) and non-timber products was depressing trade. Tsunami recovery efforts were expected to lead to increased timber demand, as was economic growth in the USA and Japan. Bans and tighter controls on log exports have been implemented in many countries in Asia, often as a means to combat illegal logging and/or log smuggling. The approved ITTO activity on the role of the transport sector in illegal timber trade was anticipated to provide valuable insights into what is a major problem in the region. Ensuing discussion focused on the impacts of China's growing economy on a sustainable timber trade, as well as the need for ITTO to closely monitor such impacts. The representative of Indonesia also requested donors to consider allowing tsunami relief funds to be used to buy timber for reconstruction in Aceh from legal Indonesian producers, in order to provide an incentive to such producers in the face of unfair competition from illegal loggers. The representatives of the USA and Germany pledged to assist Indonesia in ensuring sufficient sustainably produced timber supplies for its rebuilding programs, including investigating the use of donor funds for domestic timber purchases.

Mr. Landrot presented brief summaries of the timber sectors of West African countries. Civil wars in Sierra Leone and Liberia had damaged the timber industries in both countries. A UN log export embargo that has been blocking Liberian trade in order to deny timber revenues to warring parties for the past two years will stay in place. The embargo was preventing the rebuilding of the sector and the increased employment that would accompany it. Limited smuggling of logs through neighboring countries to circumvent the embargo is occurring. The representative of the EU pointed out that the log export embargo was not the sole cause of reduced employment in Liberia, and there was the need for neighboring countries to assist in enforcing the embargo. Côte d'Ivoire had also recently suffered civil war, although it had managed to maintain its significant sawnwood and veneer trade. Ghana's forestry sector, which contributes 6% of GDP and 11% of foreign exchange earnings, has been steadily increasing production of value-added products. Log exports have been banned by Ghana for 20 years, with exports now primarily comprising sawnwood and veneer as well as growing quantities of mouldings and other secondary products.

Mr. Wa noted that Cameroon's ban on exports of several log species had reduced log exports to one-quarter of pre-ban levels. Log production had dropped due to this and improved forest management in the country. Sawnwood exports have increased in recent years, primarily to Europe, China and the USA.

Mr. Dubois highlighted the differences between forests and forest industries in the north (often more than 1000 km from the nearest port) and south of the Republic of Congo. Industry in the south was rebuilding after several years of civil war. Railways provided poor service and were only slowly rebuilding, with only a small fraction of exports from the north using this mode of transport. Log exports increased in 2004 due to new concession allocations in the north. Prices had fallen, however, largely due to exchange rate fluctuations. China (whose imports from Congo have been growing) absorbed half of its log exports in 2004, while Europe accounted for the rest. The representative of France queried the reasons for the imbalance in the timber sector in north and south Congo. The imbalance was due to the destruction or damage to southern mills and infrastructure during the civil war, which were now slowly rebuilding.

The Central African Republic, where most forests are more than 1000 km from Douala (the nearest port) faced transport problems similar to north Congo. Mr. Landrot noted that the disruptions to rail traffic caused by Congo's civil war had deprived CAR of an alternate export route via Pointe Noire. CAR has developed forest management plans for most of the country's forests that have led to reductions in harvest levels of traditional species (e.g. sapelli and iroko) while increasing the production of secondary species. China is CAR's main market for its log and sawnwood exports. In Gabon, implementation of forest management plans and the restructuring of the state log export body SNBG have led to decreased production and exports of okoume (the major species) and increased local processing. SNBG may be

transformed into a marketing board. Over half of Gabon's timber exports go to China, with the remainder to Europe. Mr. Landrot completed his summary of West Africa with a brief summary of the Democratic Republic of Congo and informed that a speaker from that country had been unable to attend. Production in DRC is also limited by transport infrastructure. Its 10 million people consumed significant amounts of timber domestically, but exports are limited.

Mr. Landrot summarized the African presentations by identifying the three main issues faced by producers in the region. These are: legality, sustainable forest management (SFM) and certification. He noted that these issues were interlinked and that countries would need assistance to deal with them. The representative of Germany noted ITTO's on-going work on phased approaches to certification, and asked what role markets and governments could play in promoting phased approaches in Africa. The panelists pointed out that certification, while a useful tool for raising market awareness and securing market access, was not capable of improving forest management alone. Both technical and financial assistance would be needed, from donors and the NGO community, to bring more African forests under certification. Mr. Landrot concluded the Market Discussion by noting that civil wars and insecurity in the region had often scared away legitimate investors, and that a key challenge was rebuilding their confidence.

APPENDIX C

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

The Committees noted the presentation made by the delegate of Ghana and the significant reduction in the level of support sought from ITTO. The representative of the Netherlands noted the importance of detailed information on timber species and reiterated his government's support for the proposal. It was noted that any copyrights on project outputs would be jointly vested in ITTO and PROTA, rather than in PROTA alone as stated in the project document, and that this would be reflected in any eventual project agreement. The Committees recommended that the proposal be approved for immediate funding and implementation.

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

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

- (iii) PD 295/05 Rev.2 (M) Creating and Sustaining a Market for Environmental Services from China's Tropical Forests

The Committees noted the presentation made by the delegate of China. The Committees further noted that the recommendations and comments made by the Twenty-ninth Expert Panel of 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 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

The Committees noted the presentation made by the Secretariat. The Committees further noted that the recommendations and comments made by the Twenty-ninth Expert Panel of 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 338/05 Rev.1 (M) Promotion of Guatemalan Certified Timber and Timber Products Trade

The Committees noted the presentation made by the Secretariat. The Committees further noted that the recommendations and comments made by the Twenty-ninth Expert Panel of 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 40/00 Rev.4 (I) Utilization of Small-Diameter Logs from Sustainable Source for Bio-Composite Products (Indonesia)

The Committees noted that PD 40/00 Rev.2 (I) was approved by the Council at its Twenty-ninth Session in 2000 but it was submitted to the Common Fund for Commodities (CFC) in accordance with Decision 4(XVIII) on "Cooperation between ITTO and the Common Fund for Commodities". The proposal was revised in order to meet the recommendations and requirements of the CFC. The Committees recommended that the proposal be approved for immediate implementation with CFC funds.

- (ii) PD 265/04 Rev.2 (I) Implementation of the National Strategy for the Sustainable Development of the Forestry Sector in Ecuador

The Committees noted the comments and recommendations of the Twenty-ninth Expert Panel of Technical Appraisal of Project Proposals. The Committees recommended that this proposal should not be further considered by ITTO.

- (iii) PD 299/04 Rev.2 (I) Reduction of Timber Wastes in Both Logging and Mechanical Processing Operations (Republic 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 Twenty-ninth Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended to the Council the approval and implementation of PD 299/04 Rev.3 (I) which incorporated a minor modification of the budget to appropriately account for the ITTO Programme Support Costs (8%).

- (iv) PD 333/05 Rev.1 (I) Development and Delivery of a Vocational Training Programme in Reduced Impact Logging and Sustainable Forest Management Practices in Guyana

The Committees noted the presentation made by the delegate of Guyana. The Committees further noted that the recommendations and comments made by the Twenty-ninth Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended to the Council the approval and implementation of PD 333/05 Rev.2 (I) which incorporated a minor modification of the budget to appropriately account for the ITTO Programme Support Costs (8%).

- (v) PD 334/05 Rev.1 (I) Demonstration and Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (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 Twenty-ninth Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended to the Council the approval and implementation of PD 334/05 Rev.2 (I) which incorporated a minor modification of the budget to appropriately account for the ITTO Programme Support Costs (8%).

- (vi) PD 336/05 Rev.1 (I) Thermochemical Processing of Tropical Wood Waste for Furfuryl Alcohol, Phenols, Cellulose and Essential Oils (Ghana)

The Committees noted the presentation made by the delegate of Ghana. The Committees further noted that the recommendations and comments made by the Twenty-ninth Expert Panel of 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) PD 344/05 Rev.1 (I) Utilization of Lesser Used Wood Species in Guyana

The Committees noted the presentation made by the delegate of Guyana. The Committees further noted that the recommendations and comments made by the Twenty-ninth Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended to the Council the approval and implementation of PD 344/05 Rev.2 (I) which incorporated a minor modification of the budget to appropriately account for the ITTO Programme Support Costs (8%).

(viii) PD 347/05 Rev.1 (I) Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership

The Committees noted the presentation made by the delegate of Gabon. The Committees further noted that the recommendations and comments made by the Twenty-ninth Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended to the Council the approval and implementation of PD 347/05 Rev.2 (I) which incorporated a minor modification of the budget to appropriately account for the ITTO Programme Support Costs (8%).

(ix)PPD 112/05 Rev.1 (I) Guatemalan Forest Industry Development Project

The Committees noted the presentation made by the Secretariat. The Committees further noted that the recommendations and comments made by the Twenty-ninth Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees recommended to the Council the approval and implementation of PPD 112/05 Rev.2 (I) which incorporated a minor modification of the budget to appropriately account for the ITTO Programme Support Costs (8%).

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 264/04 Rev.3 (M,l)	c, f, g	577,886	36	Ghana	1
PD 291/04 Rev.2 (M)	c, h, k, n	216,378	24	India	1
PD 295/04 Rev.2 (M)	c, f, l	149,958	30	P.R. China	1
PD 335/05 Rev.1 (M)	h, k	243,000	12	PNG	1
PD 338/05 Rev.1 (M,l)	c, d, e, f, h, i, k, n	230,468	24	Guatemala	1
Committee on Forest Industry					
PD 40/00 Rev.4 (l)	f, i, j	600,000	36	Indonesia	1
PD 265/04 Rev.2 (l)	c, d, e, h, i	359,000	24	Ecuador	5
PD 299/04 Rev.3 (l)	c, d, f, i, m	608,970	24	Congo	1
PD 333/05 Rev.2 (l)	d, e, f, i	361,897	24	Guyana	1
PD 334/05 Rev.2 (l)	c, f, j	629,873	48	Philippines	1
PD 336/05 Rev.1 (l)	e, f, i	289,440	36	Ghana	1
PD 344/05 Rev.2 (l)	e, f, i	95,040	12	Guyana	1
PD 347/05 Rev.2 (l)	c, d, i, k, m, n	313,200	12	Gabon	1
PPD 112/05 Rev.2 (l)	e, f, i, h	52,920	4	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.

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19 – 21 June 2005
Brazzaville, Republic of Congo

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

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Report

**Appendix I Terms of Reference for Consultants to Revise ITTO Project
Formulation and Related Materials**

**Appendix II 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-sixth Session of the Committees was opened on 19 June 2005 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), co-chaired by Ms. Celestine Ntsame-Okwo (Gabon), Chairperson of CFI and Ms. Jennifer Conje (USA), Chairperson of CRF. The subsequent meetings of the CRF were chaired by Ms. Jennifer Conje (USA), Chairperson of CRF, assisted by Dr. Petrus Gunarso (Indonesia), Vice-Chairperson of CRF. The list of participants is presented in document ITTC(XXXVIII)/Info. 2 Rev.1.

Item 2 - Adoption of Agenda and Organization of Work

At the first meeting of the Joint Session of the Committees on 19 June 2005, the Committee formally adopted the Agenda of its Thirty-sixth Session as contained in document CRF(XXXVI)/1.

Item 3 - Admission of Observers

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

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

The Committees noted the presentation made by Dr. Ricardo Umali (Philippines), Chairman of the Expert Panel on the Report of the Expert Panel for Technical Appraisal of Project Proposals at its Twenty-ninth Meeting held on 21-26 March 2005 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXVI)/1. Problems and issues identified by the Panel included:

- (i) the large number of proposals - 67 projects, 10 pre-projects and 2 project ideas for a total of 79 – assessed by the Panel, which was a challenging task to finish within the allotted time;
- (ii) 29 projects and 6 pre-projects, totaling 35 proposals (44% of proposals assessed) with category 1 rating;
- (iii) 20 new projects and pre-projects and 14 revised proposals.

The Chairman reiterated the persistent problems in project formulation including the lack of comprehensive problem analysis, deficient logical framework and lack of relevance to country and ITTO priorities.

The major findings/recommendations included:

- (i) proposals on lesser-used species (LUS) and lesser-known species (LKS) are often poorly justified;
- (ii) transboundary/regional proposals should contain firm commitments from participating countries to seriously pursue common objectives and conduct joint activities;
- (iii) projects on information management should clarify their components, processes, and relation flow. Use of statistical software packages should clarify these systems, their cost-benefit, and networking involved;
- (iv) project proposals developed from pre-projects and subsequent phases of phased projects should clarify the origin, what needs to be continued, and previous results to build upon;
- (v) phased projects continue to divert away from design and objectives of completed phases to justify continuation of new phases;
- (vi) projects formulated from pre-projects often fail to build upon the results and intention of the pre-projects;
- (vii) several proposals still lack focus, with many unwieldy components like inventory, management plan, plan implementation and training being envisioned for implementation under one project;
- (viii) training and capability building proposals should be supported by needs assessment, curricula of training modules, and targets to be trained etc.;
- (ix) language used for Market Information Service (MIS), genetic improvement and forest industrial processing projects is often too technical for general understanding;
- (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. These should be justified with appropriate government policy and sustainability after ITTO support.

The Panel would like the Council to remind members to limit and prioritize the proposals as currently detailed out in the rules of submission of ITTO and seek only to submit those which would have the most effect on sustainable forest management in member countries.

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

Pursuant to Decision 3(XXXVII) on “Measures to Improve and Strengthen the ITTO Project Cycle”, the Committees reviewed the draft terms of reference, as presented in document CEM,CRF,CFI, CFA(XXXVI)/2, for consultants who would be engaged to revise the ITTO Project Formulation Manual and related materials, to prepare user-friendly and condensed project cycle manuals and guidelines, and to develop computerized tools to facilitate project proposal and budget preparation using the ITTO website.

The Committees revised and approved the terms of reference as contained in Appendix A of this report and decided to recommend to the Council to allocate an amount not exceeding US\$380,000.00 for the implementation of the assignment.

Item 6 - ITTO Annual Market Discussion - 2005

The Committees noted the summary of the ITTO Annual Market Discussion – 2005, held in the Joint Session of the Technical Committees on 20 June 2005, as contained in Appendix B of the Report of the Committees on Economic Information and Market Intelligence and Forest Industry [document CEM-CFI(XXXVI)/4]. The theme of the Market Discussion was “Advancing the Markets for African Wood Products”. Dr. James Gasana (Vice-Chairperson of CEM) chaired the meeting. Mr. Jean-Jacques Landrot (IFIA) served as the moderator of the Market Discussion and the invited speakers were Dr. Lee Hua Seng (Sarawak Timber Association), Mr. Yves Dubois (UniCongo, Republic of Congo) and Mr. Wa Mathurin Martial (GFBC, Cameroon).

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(XXXVI)/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 21/97 Rev. 2 (F) **Developing Tropical Forest Resources Through Community-Based Forest Management , Nueva Vizcaya (The Philippines)**

The Committee took note that the Executing Agency has submitted the Completion Report, the Technical Reports and the Final Financial Audit Report of the original project. The Committee further noted that the Executing Agency has also submitted the Annex to the Final Project Report and the external audited statements in accordance with the decision of the Thirty-first Session of the Committee. The Committee decided to consider the project as completed.

2) PD 63/97 Rev. 3 (F) Specialization Program For Forest Technicians on Sustainable Tropical Forest Management in Bolivia (Bolivia)

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.

3) PD 38/98 Rev. 2 (F) Technology Development and Demonstration on Reforestation Using Tropical Hardwood Species in Yunnan Province of China – Phase I (China)

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.

4) PD 44/99 Rev. 2 (F) Implementation of a Management Plan by the Chiquiaca and Orozas Communities in Tarija, Bolivia (Bolivia)

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.

5) *PD3/00 Rev. 2 (F) Bi-National Conservation and Peace in the Condor Range Region, Ecuador – Peru (Peruvian Component)

The Committee took note that this project was reported as completed at its Thirty-fifth 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.

6) PD15/00 Rev. 2 (F) Management of the Phatam Protected Forests Complex to Promote Cooperation for Transboundary Biodiversity Conservation between Thailand, Cambodia and Laos (Thailand)

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.

7) PD 60/01 Rev.1 (F) Sustainable Management and Rehabilitation of Mangrove Forests by Local Communities on the Caribbean Coast of Colombia (Colombia)

The Committee noted that the project has been reported as completed in document CRF(XXXV)/3. Moreover, The Colombian Delegation also provided a formal presentation of the project's accomplishments at this Session of the CRF.

(B) Completed Projects, Pending Financial Audit

1) *PD 115/90 Rev.1 (F) Rehabilitation of Natural Forests (Malaysia)

The Committee took note that this project was reported as completed at its Thirty-third Session, but the Final Financial Audit Report is still pending. The Malaysian Delegation informed the Committee that the Final Financial Audit was currently underway and that the report would be submitted to the Secretariat upon completion. The Committee urged the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session.

2) *PD 24/93 Rev. 2 (F) Forest Management of Natural Forest in Malaysia – Phase II (Malaysia)

The Committee took note that this project was reported as completed at its Thirty-second Session, but the Final Financial Audit Report is still pending. The Malaysian Delegation informed the Committee that the Final Financial Audit was currently underway and that the report would be submitted to the Secretariat upon completion. 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 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 the Final Financial Audit Report is still pending. The Peruvian Delegation apologized for the delay and informed the Committee that the National Comptroller is in charge of processing this Final Financial Audit and that to date it's several tenders inviting bids from independent auditors had resulted vacant but that it is currently initiating another tender. 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 14/97 Rev.1 (F) Global Mangrove Database and Information System (GLOMIS) - Phase I & Addendum/Phase II (Global)

The Committee was informed by the Secretariat that latest information tend to indicate that the Final Financial Audit Report has been submitted by the Executing Agency. The Committee requested the Secretariat to investigate the situation and report at the next Session of the Committee, and decided to consider the project as completed upon the reception of satisfactory final Financial Audit Report by the Secretariat.

5) *PD 7/99 Rev. 2 (F) East New Britain Balsa Industry Strengthening Project – Phase II (PNG)

The Committee took note that this project was reported as completed at its Thirty-fifth Session, 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.

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

The Committee took note that this project was reported as completed at its Thirty-fifth Session, 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) PD178/02 Rev.1 (F) Information and Training Programme for Sustainable Forest Management in the Peruvian Amazon Region (Peru)

The Committee took note that the Executing Agency has submitted the Completion Report and the Technical Reports. The Committee therefore decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

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

7.2 Completed Pre-Projects

(A) Completed Pre-Projects, Including Financial Audit

1) PPD 8/93 (F) Demonstration Areas for Sustainable Management of Production Forests (Global)

The Committee took note that the pre-project was implemented by the ITTO Secretariat and that all pre-project activities have been exhausted. The Committee decided to consider the pre-project as completed.

2) PPD 28/01 Rev. 2 (F) Formulating a Proposal on Demonstration of Integrated Models for Sustainable Tropical Forestry Development (China)

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 pre-project as completed.

3) PPD 86/03 Rev. 1 (F) Promotion of Community-Based Commercial Forest Plantations in Tanah Laut, South Kalimantan (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 pre-project as completed.

(B) Completed Pre-Projects, Pending Financial Audit

The Committee took note that there are no completed pre-projects, pending financial audit to be considered for this session.

Item 8 - Ex-post Evaluation

(A) Ex-post Evaluation

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

Group 1: Thematic Group Evaluation: Community Participation in Biodiversity Conservation

PD 16/97 Rev.3 (F)	Integrated Buffer Zone Development for Sustainable Management of Tropical Forest Resources in Thailand (Thailand)
PD 2/00 Rev.2 (F)	Bi-National Conservation and Peace in the Condor Range Region, Ecuador-Peru (Ecuadorian Component)
PD 3/00 Rev.2 (F)	Bi-National Conservation and Peace in the Condor Range Region, Ecuador-Peru (Peruvian Component)
PD 38/00 Rev.1(F)	Management of Kayan Mentarange National Park (KMNP) to Promote Transboundary Conservation along the Border between Indonesia and Malaysian States of Sabah and Sarawak (Phase II) (Indonesia)

The Committee took note of the presentation of the synthesis of the ex-post evaluations as contained in CRF(XXXVI)/4 by the Team Leader of the evaluation team, Dr. Marc Jean Dourojeanni. The delegates commended the evaluation team for the focused assessment provided in the report, particularly as regards the Ecuadorian and Peruvian projects, as these benefited in the implementation of their follow-up projects. The Committee also observed that these projects were over-ambitious, and that it was the responsibility of the Expert Panel on the Assessment of Project Proposals to make sure that proposals become more specific, focused and reasonable before being commended to the Committees. It recommends that future projects track the costs per each project output so that their cost-effectiveness could be established. Moreover, due to the importance of the findings and lessons learnt from these ex-post evaluations, the Delegation of France recommended that in the future these presentations be given in the Plenary rather than in the Committees.

Group 2: Phased Project Evaluation

PD 10/97 Rev.1 (F)	A Sustainable Management Model in the Iwokrama Rain Forest (Guyana)
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The Committee took note of the presentation of the synthesis of the ex-post evaluation as contained in CRF(XXXVI)/5 by the consultant, Mr. Olav Bakken Jensen. The delegates commended the consultant for the focused assessment provided in the report, as it benefited in the formulation and implementation of IWOKRAMA's follow-up project. Moreover, the importance of participatory sustainable forest management, particularly that of indigenous communities such as in this project, was also highlighted, especially in the context of ITTO's Objective 2000, sustainable development and global poverty alleviation. However, it was also made clear that paternalistic top-down approaches with a large but temporary low-level job-creation component were totally ineffective and that these projects should rather involve the indigenous communities as partners at the onset of the projects in which the experts work shoulder to shoulder with them in order to successfully achieve their outputs. In the case of phased projects, it also noted the need to review the Project Cycle in order to eliminate or at least substantially reduce the time gaps between these, particularly

for those projects with community participation, as the latter could lose interest, become demoralized or even feel betrayed.

(B) Selection of Projects for Ex-Post Evaluation

The Committee reiterated its decision taken at the previous Session that the Secretariat prepare an updated "Shortlist of Completed Projects Relevant for Ex-post Evaluation in the Field of Reforestation and Forest Management" for the Thirty-seventh Session, which should also include all completed projects since 2002 not previously selected for ex-post evaluation. In addition, the Committee requested the Secretariat consider a new theme under which it should group completed projects in the Shortlist to be prepared, this being that of Community Participation in Sustainable Forest Management.

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, seventeen Category One project proposals and four Category One pre-project proposals were considered by the Committee; similarly four Category Five project proposals and one Category Five pre-project proposal were considered.

• CATEGORY ONE PROJECTS ASSESSED BY THE COMMITTEE

Project No.	Title
PD 234/03 Rev.3 (F)	Building a Framework and Strategy for Sustainable Forest Management in Trinidad and Tobago (Trinidad and Tobago)
PD 245/03 Rev.3 (F)	Strategies for Sustainable Management and Use of the Sungai Sembilang Mangrove Ecosystem in South Sumatra (Indonesia)
PD 271/04 Rev.3 (F)	Rehabilitation of Degraded Forest Land involving Local Communities in West Java (Indonesia)
PD 288/04 Rev.2 (F)	Development of Lanjak Entimau Wildlife Sanctuary as a Totally Protected Area, Phase IV (Malaysia)
PD 297/04 Rev.2 (F)	Implementation of the Sustainable Forest Management Programme of the Iwokrama International Centre (Guyana)
PD 309/04 Rev.2 (F)	Integrated Management of Mangrove Forests on the Caribbean Coast of Colombia (Colombia)
PD310/04 Rev. 2 (F)	Biodiversity Management and Conservation in Forest Concessions adjacent to Totally Protected Area (Nouabale-Ndoki National Park), Northern Republic of Congo
PD311/04 Rev.2 (F)	Integrated Development of Cote d'Ivoire's South-western Coastal Forests with the Participation of Communities Living in Forest Areas (Cote d'Ivoire)
PD314/04 Rev.2 (F)	Secondary Forest Management and Degraded Forest Land Rehabilitation Project in the N'Zi Comoe Area with Community Participation (Cote d'Ivoire)
PD319/04 Rev.2 (F)	Modular System of Forest Management in the Brazilian Amazon ((Brazil)

PD337/05 Rev.1 (F)	An International Workshop on Clean Development Mechanism - Opportunities and Challenges for the Forest Industry Sector in Sub-Saharan Tropical Africa (Ghana)
PD339/05 Rev.1 (F)	Development of a Forest Genetic Improvement Programme to Enhance the Productivity and Conservation of Tropical Forest Species in Guatemala
PD346/05 Rev.1 (F)	Conservation and Recovery of Degraded Land in Family Agriculture Units in the Eastern Brazilian Amazon (Brazil)
PD351/05 Rev.1 (F)	Criteria and Indicators for the Evaluation of Tropical Forest Management Sustainability in Mexico (Southeastern Coastal Plains: Gulf of Mexico and Yucatan Peninsula) (Mexico)
PD352/05 Rev.1 (F)	Protocols and Criteria for Cedar (<i>Cedrela odorata</i>), Mahogany (<i>Swietenia macrophylla</i>) and Primavera (<i>Tabebuia donnell-smithii</i>) Germ Plasm Management in Southeast Mexico
PD359/05 Rev.1 (F)	Building Capacity to Develop and Implement Afforestation and Reforestation Projects under Clean Development Mechanism (AR-CDM) of the Kyoto Protocol in Tropical Forestry Sector (Japan)
PD360/05 Rev.1 (F)	Multispectral Three-Dimensional Aerial Digital Imagery for Monitoring Forest Management and Conservation in the Republic of Congo

• **URGENT PROJECTS ASSESSED BY THE COMMITTEE**

The Committee also received the following two project proposals for appraisal under the provisions applying to urgent proposals which rise unexpectedly and therefore cannot follow the full Project Cycle, as specified in the Rules and Procedures Applying to ITTO Projects (November 1999):

PD 371/05 (F)	The Rehabilitation of Mangrove on the Coastal Areas of Aceh Indonesia
PD 372/05 (F)	Contribution to Livelihood and Forest Rehabilitation in Thailand's Areas Affected by the Tsunami Disaster (Thailand)

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

Project No.	Title
PD 180/03 Rev.2 (F)	Reforestation of Degraded State Forest Through Community-based Forest Management (Cambodia)
PD 232/03 Rev.2 (F)	Establishment and Operation of a Model Forest Management Area in PNG under Sustained Management for Multiple Forest Values in the Wipim/Tipila Forest, Western Province, Phase I (PNG)
PD 259/04 Rev.3 (F)	Integrated Buffer Zone Development for Sustainable Management of Tropical Resources in Thailand, Phase II (Thailand)
PD 269/04 Rev.2 (F)	Sustainable Management of Residual Logged-over Natural Forests in the Ecuadorian Amazon Region (Ecuador)

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 (A) below.

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

Pre-Project No.	Title
PPD 103/04 Rev.2 (F)	Rehabilitation of Degraded Forest using Indigenous Species through Collaboration with Local Communities in West Kalimantan (Indonesia)
PPD 109/05 Rev.1 (F)	Establishment of a Pilot Program for the Genetic Improvement of Native Forest Species (Ecuador)
PPD 111/05 Rev.1 (F)	Sustainable and Multipurpose Forestry to Settle the Tribal Shifting Cultivators of Tripua State in India by Providing Viable Economic Activities (India)
PPD 114/05 Rev.1 (F)	Formulating a Proposal on Demonstration of Sustainable Management for Mangrove in China (China)

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

Pre-Project No.	Title
PPD 100/04 Rev.1 (F)	Close to Nature Management of Natural Forest and Close to Nature Establishment of Planted Forest of <i>Vatica mangachapoi</i> in Coastal Sandy Soil of Hainan Province (China)

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 (B) below.

Item 10 - Policy Work

The Committee recalled that ITTC policy work instructions to Committees, pursuant to Decision4(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 2004, the Committee considered the following matters:

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

The Committee took note of the report presented by the Secretariat, indicating that a group of four consultants, one from a consuming member country and three from producing member countries, has been engaged through the IUCN for the purpose of reviewing and updating the Guidelines consistent with the terms of reference of this activity approved by the Committee at its last session [Appendix I of document CRF(XXXV)/9]. The report of the consultants will be presented during the 39th Session of Council and will include: 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; and C) a proposal for communicating and disseminating the final Guidelines.

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

The Committee took note of the report presented by the Secretariat indicating developments with regard to this activity. It was noted that a "Reader" on Forest Landscape Restoration (FLR) has been developed in cooperation with relevant organizations, in particular, IUCN, CIFOR, WWF International, Interoperation and the University of Queensland (Australia). The "Reader" was developed as a compilation of texts that clarify the various elements and features associated to FLR. The ITTO Reader is structured in 13 substantive chapters, each dealing with a specific aspect of FLR. The Committee noted that both the

ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests and the "Reader" were presented at an International Workshop on the Implementation of Forest Landscape Restoration in Petropolis (Brazil) in April 2005. The Committee also noted that preparations for the organization of national workshops are underway and that IUCN has been engaged to facilitate the conduct of national workshops which are expected to be initiated in the second half of this year.

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

The Committee took note of developments in the implementation of this activity, noting that the selection of consultants to conduct the study is underway, and that the results of the study will be presented at its next Session in November 2005.

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

The Committee took note of developments in the implementation of this activity, noting that the studies for Colombia and Philippines had already been carried out and that the Government of Peru had recently requested ITTO support in this field for the Piura River Watershed. The Secretariat further informed that it is currently coordinating the programming of the mission to the Piura River Watershed with the Government of Peru and the selected consultants.

The Committee decided to continue with the discussion of these above four items during its Thirty-seventh Session under the agenda of its policy discussion.

Item 11 - Dates and Venues for the Thirty-seventh, Thirty-eighth and Thirty-ninth Sessions of the Committee

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

Item 12 - Other Business

The Committee discussed no other business.

Item 13 - Recommendations to the International Tropical Timber Council

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

PD 234/03 Rev.3 (F)	Building a Framework and Strategy for Sustainable Forest Management in Trinidad and Tobago (Trinidad and Tobago) [US\$ 233,820]
PD 245/03 Rev.3 (F)	Strategies for Sustainable Management and Use of the Sungai Sembilang Mangrove Ecosystem in South Sumatra (Indonesia) [US\$ 464,346]
PD 271/04 Rev.3 (F)	Rehabilitation of Degraded Forest Land involving Local Communities in West Java (Indonesia) [US\$ 493,236]
PD 288/04 Rev.2 (F)	Development of Lanjak Entimau Wildlife Sanctuary as a Totally Protected Area, Phase IV (Malaysia) [US\$ 512,028]
PD 297/04 Rev.2 (F)	Implementation of the Sustainable Forest Management Programme of the Iwokrama International Centre (Guyana) [US\$ 701,622]
PD 309/04 Rev.2 (F)	Integrated Management of Mangrove Forests on the Caribbean Coast of Colombia (Colombia) [US\$ 612,792]

- PD310/04 Rev. 2 (F) Biodiversity Management and Conservation in Forest Concessions adjacent to Totally Protected Area (Nouabale-Ndoki National Park), Northern Republic of Congo [US\$ 742,241]
- PD311/04 Rev. 2 (F) Integrated Development of Cote d'Ivoire's South-western Coastal Forests with the Participation of Communities Living in Forest Areas (Cote d'Ivoire) [US\$ 509,403]
- PD314/04 Rev. 2 (F) Secondary Forest Management and Degraded Forest Land Rehabilitation Project in the N'Zi Comoe Area with Community Participation (Cote d'Ivoire) [US\$ 744,419]
- PD319/04 Rev. 2 (F) Modular System of Forest Management in the Brazilian Amazon ((Brazil) [US\$ 277,560]
- PD337/05 Rev.1 (F) An International Workshop on Clean Development Mechanism - Opportunities and Challenges for the Forest Industry Sector in Sub-Saharan Tropical Africa (Ghana) [US\$ 299,160]
- PD339/05 Rev.1 (F) Development of a Forest Genetic Improvement Programme to Enhance the Productivity and Conservation of Tropical Forest Species in Guatemala [US\$ 674,206]
- PD346/05 Rev.1 (F) Conservation and Recovery of Degraded Land in Family Agriculture Units in the Eastern Brazilian Amazon (Brazil) [US\$ 324,000]
- PD351/05 Rev.1 (F) Criteria and Indicators for the Evaluation of Tropical Forest Management Sustainability in Mexico (Southeastern Coastal Plains: Gulf of Mexico and Yucatan Peninsula) (Mexico) [US\$ 514,653]
- PD352/05 Rev.1 (F) Protocols and Criteria for Cedar (*Cedrela odorata*), Mahogany (*Swietenia macrophylla*) and Primavera (*Tabebuia donnell-smithii*) Germ Plasm Management in Southeast Mexico [US\$ 321,367]
- PD359/05 Rev.1 (F) Building Capacity to Develop and Implement Afforestation and Reforestation Projects under Clean Development Mechanism (AR-CDM) of the Kyoto Protocol in Tropical Forestry Sector (Japan) [US\$ 942,166]
- PD360/05 Rev.1(F) Multispectral Three-Dimensional Aerial Digital Imagery for Monitoring Forest Management and Conservation in the Republic of Congo [US\$ 701,549]
- PD371/05 (F) The Rehabilitation of Mangrove on the Coastal Areas of Aceh Indonesia [US\$ 948,456 (Phase I)]
- PD 372/05 (F) Contribution to Livelihood and Forest Rehabilitation in Thailand's Areas Affected by the Tsunami Disaster (Thailand) [US\$ 680,724]

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

- PPD 103/04 Rev. 2 (F) Rehabilitation of Degraded Forest using Indigenous Species through Collaboration with Local Communities in West Kalimantan (Indonesia) [US\$ 52,769]
- PPD 109/05 Rev. 1 (F) Establishment of a Pilot Program for the Genetic Improvement of Native Forest Species (Ecuador) [US\$ 102,384]
- PPD 111/05 Rev. 1 (F) Sustainable and Multipurpose Forestry to Settle the Tribal Shifting Cultivators of Tripura State in India by Providing Viable Economic Activities (India) [US\$ 48,114]

PPD 114/05 Rev.1 (F) Formulating a Proposal on Demonstration of Sustainable Management for Mangrove in China (China) [US\$ 74,088]

Item 14 - Report of the Session

The Committee accepted this Report for submission to the Council.

Appendix I

TERMS OF REFERENCE FOR CONSULTANTS TO REVISE ITTO PROJECT FORMULATION AND RELATED MATERIALS

INTRODUCTION

1. The Council at its Thirty-seventh Session held on 13-18 December 2004, in Yokohama, Japan, adopted, inter alia, Decision 3(XXXVII) on "Measures to Improve and Strengthen the ITTO Project Cycle". Pursuant to paragraph 5 of the Decision, the Executive Director was requested:
 - (i) To develop draft terms of reference for consultants who would be engaged to revise the ITTO Project Formulation Manual and related material and to prepare user-friendly and condensed Project Cycle manuals and guidelines and to propose those terms of reference to the Joint Session of the Committees at the Thirty-eighth Session of the Council. The draft terms of reference shall incorporate, among other issues, the recommendations listed in the Annex of this Decision;
 - (ii) Following approval by the Joint Committee, to engage two consultants, one from a producer country and one from a consumer country, to implement those terms of reference and to present the results of their work to Council for its consideration; and
 - (iii) Subsequently to develop computerized tools to facilitate project proposal and budget preparation via the ITTO website.

DRAFT TERMS OF REFERENCE FOR CONSULTANTS

2. Accordingly, the Draft Terms of Reference for Consultants to Revise ITTO Project Formulation Manual and Related Materials and associated timeline as contained in Annexes I, II and III to this document have been prepared by the Secretariat for the consideration of the Committees at their Joint Session. The Terms of Reference for the development of the computerized tools is included in Annex II with a view to ensuring the synchronized preparation of the Manuals and the computerized tools in a cost effective manner.
3. The budget for the completion of the assignments is estimated at US\$380,000.00.

ANNEX I

DRAFT TERMS OF REFERENCE OF THE CONSULTANTS

ITTO PROJECT RELATED MANUALS AND GUIDELINES

1. The Consultants, one from a producing member country and one from a consuming member country, shall assist the Secretariat to undertake the following assignments:
 - (i) review, revise, update and enhance the ITTO Manual for Project Formulation (second edition, 1999), the ITTO Manual for Project Monitoring, Review and Evaluation (second edition, 1999), and ITTO Guidelines for the Selection and Employment of Consultants and Guidelines for the Procurement and Payments of Goods and Services financed from the Special Account (1993); and
 - (ii) develop an ITTO Manual on project standard operating procedures and coordinate the development of computerized tools (software) to facilitate project proposal and budget preparation, downloadable from the ITTO website.
2. In carrying out the assignments, the Consultants shall take into consideration:
 - The International Tropical Timber Agreement, 1994;
 - The ITTO Yokohama Action Plan 2002-2006;
 - Financial rules and rules relating to projects of ITTO, 1997;
 - ITTO Guidelines for Annual Financial Audit of projects, 1999;
 - Rules and Procedures applying to ITTO projects, 1999;
 - Decision 3(XXXVII) on Measures to Improve and Strengthen the ITTO Project Cycle – in particular the recommendations contained in the Annex to this Decision;
 - Report on the update of Terms of Reference for the Expert Panel; and Review of Consultants' Proposal on Qualitative Award Criteria and Weighted Scores [ITTC(XXXVIII)/4];
 - Decision 2(X) on Continuation of the Expert Panel for Technical Appraisal of Project Proposals and Adjustment of Project Cycle, Decision 8(XXII) on Revision of Project Related Guidelines and Manuals and other relevant Council Decisions;
 - Report of the 25th Expert Panel on Measures to Improve ITTO Project Formulation and Appraisal [ITTC(XXXIV)/6];
 - Comments of the 27th Expert Panel on Measures to Improve Project Formulation and Appraisal;
 - Report of the Expert Panel on Measures to Improve Project Formulation and Appraisal [ITTC(XXXVI)/5];
 - Project related manuals and guidelines of other organizations.
3. In reviewing, revising, updating and enhancing the manuals and guidelines, the Consultants shall:
 - (i) identify existing provisions and procedures which are no longer relevant, out of date and requiring improvement, with a view to eliminating, updating and enhancing these provisions respectively;
 - (ii) identify deficiencies in the existing provisions, with a view to formulating new provisions, bearing in mind the need to keeping these user-friendly and condensed.
4. In revising the ITTO Manual for Project Formulation, the Consultants shall, in particular:
 - (i) Develop a set of criteria which define the characteristics of an ITTO project (e.g., relevance, strategic value), to assist countries in project identification;
 - (ii) Revise the manual so that project formulators can easily understand, follow and identify more directly the type of information that is being requested in each section through direct questions and checklists;
 - (iii) Include guidance for those projects of a participatory nature, so as to reflect and describe the involvement, input and commitment of all stakeholders involved in the formulation of project proposal, taking into account gender aspects and poverty issues;
 - (iv) Elaborate on the sequence required in the project formulation and present clear examples of formulating process of a proposal including key elements, e.g., objectives, outputs, activities,

- logical framework, risk assessment, stakeholders, sustainability, budgets, operational arrangements, work plan including an inception stage, etc. The examples should be representative of the three technical areas of the ITTO;
- (v) Emphasize project completion and sustainability strategies into a project proposal to ensure greater impact and sustainability of the project and the wide dissemination of its results and outputs.
 - (vi) Formulate instructions for detailed budget presentation, by activities, components and sources of funding, including defining each budget component and budget line;
 - (vii) Provide examples of information on the capabilities of the Executing Agency and operational arrangements for project implementation;
 - (viii) Ensure that the manual is user-friendly and can be implemented as a software tool for the preparation and revision of project proposals (see Annex II)
 - (ix) Ensure that the manual includes provisions to promote and improve the participation of the executing agencies, permanent personnel in project formulation, implementation, monitoring and evaluation.
5. In revising the ITTO Manual for Project Monitoring, Review and Evaluation, the Consultants shall, in particular:
- (i) Develop concise and effective systems for monitoring, evaluation and reporting of a project;
 - (ii) Provide further guidance to the executing agencies (EAs) for the preparation of progress and other relevant reports, plans, financial statements and audits related to a project, including their periodic updates;
 - (iii) Provide clear guidance for the effective and active participation of stakeholders and collaborators in the implementation of a project;
 - (iv) Provide clear guidance for systematic and continuous internal monitoring and evaluation of a project, including assessing effectiveness of project management and regular reviewing of risk assessment, impact and sustainability of the project;
6. In formulating an ITTO Manual on Standard Operating Procedures for ITTO Project Cycle, the Consultants shall, in particular:
- (i) Describe the procedures for the submission, appraisal, approval and funding of Projects;
 - (ii) Compile/elaborate procedures for:
 - the processing and finalization of the ITTO project agreement as well as subsidiary agreement(s) between the Executing Agency and collaborating agencies/parties, as applicable;
 - commencement of the implementation of a project;
 - disbursement of initial and subsequent installments of ITTO funds;
 - selection of financial auditors and submission of audited annual/final financial statements;
 - selection of consultants, procurement of goods and services in accordance with the ITTO Guidelines;
 - modification of elements of approved projects, including project extension;
 - travel policy;
 - preparations and conduct of PSC/PTC meetings and monitoring visits;
 - completion and closing of a project;
 - dissemination of project results;
7. The Consultants shall, after consultations with the Secretariat, produce preliminary drafts of the manuals and guidelines, and an operational version of the computer software and present them to the Secretariat for review. The Consultants shall present the revised drafts at the Council and shall finalize the Manuals, Guidelines, including the Software, taking into account Members' comments and observations (refer to Annex III – Timeline for the Consultants' outputs);
8. The Consultants shall prepare the revised manuals and guidelines in a manner that will facilitate their updating; and
9. The Consultants shall provide a print-ready CD-Rom containing the revised/new manuals and guidelines.

ANNEX II

DRAFT TERMS OF REFERENCE FOR THE SOFTWARE DEVELOPER ON THE DEVELOPMENT OF SOFTWARE TOOLS TO FACILITATE THE PREPARATION OF PROJECT PROPOSALS

1. The Software Developer, under the coordination of the consultants engaged in accordance with the TORs contained in Annex I and the ITTO Secretariat, shall develop computerized tools to facilitate the preparation of project proposals, downloadable from the ITTO website;
2. The software tools shall be developed along with the draft Manuals. Subsequently, on the advice/recommendations of the Consultants and the Secretariat, the Software Developer shall revise and finalize the software tools;
3. The software shall:
 - (i) be based on the revised Manual of Project Formulation;
 - (ii) be in English, French and Spanish (with facility for selection of language);
 - (iii) guide the project formulators to begin from problem analysis to formulation of objectives, outputs, activities, inputs and in developing the Logical Framework (LFW);
 - (iv) be based on standard project development and formulation tools (basic operations research techniques);
 - (v) include interactive controls for consistency and built-in flags, as well as formulas for standard items;
 - (vi) facilitate the linked presentation where appropriate, among:
 - problem tree analysis;
 - LFW;
 - work plan (e.g., Gant charts or better);
 - standardized detailed budget tables/charts/graphs by activity, component and funding sources;
 - (vii) allow revisions to be made and easily tracked in the project proposals;
 - (viii) Improve ITTO search engine to provide data for project formulation and link to other internet search engines.

ANNEX III

TIMELINE FOR THE CONSULTANTS' OUTPUTS

Date	Activities
Oct 2005-March 2006	Preparation of the draft Project Cycle Manuals (first drafts) Preparation of web-based software (first draft)
April 2006	Validation workshop
May 2006	Submission of the first draft Project Cycle Manuals and web-based software to ITTO Secretariat
June 2006	Consultants' presentation of the first draft Project Cycle Manuals and software to the Secretariat
Jul-Aug 2006	Preparation of the revised manuals (second draft) and software for the Council deliberations, taking into account the comments/observations of the Secretariat
1 Oct 2006	Submission of the revised draft Project Cycle Manuals and Software (second draft) to the Secretariat for distribution to the members
November 2006	Presentation of the revised Project Cycle Manuals and Software to the Council
Jan-Feb 2007	Finalization of the Project Cycle Manuals and of the Software, taking into account the comments of the members made at the ITTC

Appendix II

TECHNICAL ASSESSMENT OF PROJECT PROPOSALS

(A) CATEGORY ONE PROJECT PROPOSALS

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

Conclusion of the Thirty-sixth 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 234/03 Rev.3 (F) and recommended the Council to allocate US\$ 233,820 for its immediate implementation.

2. PD 245/03 Rev.3 (F) **Strategies for Sustainable Management and Use of the Sungai Sembilang Mangrove Ecosystem in South Sumatra, Indonesia**

Conclusion of the Thirty-sixth 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 245/03 Rev.3 (F) and recommended the Council to allocate US\$ 464,346 for its immediate implementation.

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

Conclusion of the Thirty-sixth 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 271/04 Rev.3 (F) and recommended the Council to allocate US\$ 493,236 for its immediate implementation.

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

Conclusion of the Thirty-sixth 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 288/04 Rev.2 (F) and recommended the Council to allocate US\$ 512,028 for its immediate implementation.

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

Conclusion of the Thirty-sixth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the amended Project PD 297/04 Rev.2 (F) and recommended the Council to allocate US\$ 701,622 for its immediate implementation.

6. PD 309/04 Rev.2 (F) **Integrated Management of Mangrove Forests on the Caribbean Coast of Colombia**

Conclusion of the Thirty-sixth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the amended Project PD 309/04 Rev.2 (F) and recommended the Council to allocate US\$ 612,792 for its immediate implementation.

- 7. PD 310/04 Rev. 2 (F) Biodiversity Management and Conservation in Forest Concessions adjacent to Totally Protected Area (Nouabale-Ndoki National Park), Northern Republic of Congo**

Conclusion of the Thirty-sixth 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 310/04 Rev.2 (F) and recommended the Council to allocate US\$ 742,241 for its immediate implementation.

- 8. PD 311/04 Rev. 2 (F) Integrated Development of Cote d'Ivoire's South-western Coastal Forests with the Participation of Communities Living in Forest Areas (Cote d'Ivoire)**

Conclusion of the Thirty-sixth 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 311/04 Rev.2 (F) and recommended the Council to allocate US\$ 509,403 for its immediate implementation.

- 9. PD 314/04 Rev. 2 (F) Secondary Forest Management and Degraded Forest Land Rehabilitation Project in the N'Zi Comoe Area with Community Participation (Cote d'Ivoire)**

Conclusion of the Thirty-sixth 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 314/04 Rev.2 (F) and recommended the Council to allocate US\$ 744,419 for its immediate implementation.

- 10. PD 319/04 Rev. 2 (F) Modular System of Forest Management in the Brazilian Amazon (Brazil)**

Conclusion of the Thirty-sixth 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 319/04 Rev.2 (F) and recommended the Council to allocate US\$ 277,560 for its immediate implementation.

- 11. PD 337/05 Rev.1 (F) An International Workshop on Clean Development Mechanism - Opportunities and Challenges for the Forest Industry Sector in Sub-Saharan Tropical Africa (Ghana)**

Conclusion of the Thirty-sixth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the amended Project PD 337/05 Rev.1 (F) and recommended the Council to allocate US\$ 299,160 for its immediate implementation.

- 12. PD 339/05 Rev.1 (F) Development of a Forest Genetic Improvement Programme to Enhance the Productivity and Conservation of Tropical Forest Species in Guatemala**

Conclusion of the Thirty-sixth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the amended Project PD 339/05 Rev.1 (F) and recommended the Council to allocate US\$ 674,206 for its immediate implementation.

13. PD 346/05 Rev.1 (F) Conservation and Recovery of Degraded Land in Family Agriculture Units in the Eastern Brazilian Amazon (Brazil)

Conclusion of the Thirty-sixth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the amended Project PD 346/05 Rev.1 (F) and recommended the Council to allocate US\$ 324,000 for its immediate implementation.

14. PD 351/05 Rev.1 (F) Criteria and Indicators for the Evaluation of Tropical Forest Management Sustainability in Mexico (Southeastern Coastal Plains: Gulf of Mexico and Yucatan Peninsula) (Mexico)

Conclusion of the Thirty-sixth 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 351/05 Rev.1 (F) and recommended the Council to allocate US\$ 514,653 for its immediate implementation.

15. PD 352/05 Rev.1 (F) Protocols and Criteria for Cedar (*Cedrela odorata*), Mahogany (*Swietenia macrophylla*) and Primavera (*Tabebuia donnell-smithii*) Germ Plasm Management in Southeast Mexico

Conclusion of the Thirty-sixth 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 352/05 Rev.1 (F) and recommended the Council to allocate US\$ 321,367 for its immediate implementation.

16. PD 359/05 Rev.1 (F) Building Capacity to Develop and Implement Afforestation and Reforestation Projects under Clean Development Mechanism (AR-CDM) of the Kyoto Protocol in Tropical Forestry Sector (Japan)

Conclusion of the Thirty-sixth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the amended Project PD 359/05 Rev.1 (F) and recommended the Council to allocate US\$ 942,166 for its immediate implementation.

17. PD 360/05 Rev.1 (F) Multispectral Three-Dimensional Aerial Digital Imagery for Monitoring Forest Management and Conservation in the Republic of Congo

Conclusion of the Thirty-sixth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the amended Project PD 360/05 Rev.1 (F) and recommended the Council to allocate US\$ 701,549 for its immediate implementation.

(B) URGENT PROJECT PROPOSALS

1. PD 371/05 (F) The Rehabilitation of Mangrove on the Coastal Areas of Aceh Indonesia –Phase I (Indonesia)

Conclusion of the Thirty-sixth Committee

The Delegation of Indonesia presented a detailed description of the objectives and expected outputs of the project and justified the urgent need for the implementation of this project in order to ameliorate the disaster created by the tsunami that recently struck the project's area of influence. Motions of support were voiced by the delegations of Norway, Malaysia, Thailand and Mexico. In this light, the Committee approved the Project PD 371/05 and recommended the Council to allocate US\$ 948,456 (Phase I) for its immediate implementation.

2. PD 372/05 (F) Contribution to Livelihood and Forest Rehabilitation in Thailand's Areas Affected by the Tsunami Disaster (Thailand)

Conclusion of the Thirty-sixth Committee

The Delegation of Thailand presented a detailed description of the objectives and expected outputs of the project and justified the urgent need for the implementation of this project in order to ameliorate the disaster created by the tsunami that recently struck the project's area of influence. Motions of support were voiced by the delegations of Norway, Malaysia, Indonesia, Mexico and Cote D'Ivoire. In this light, the Committee approved the Project PD 372/05 (F) and recommended the Council to allocate US\$ 680,724 for its immediate implementation.

(C) CATEGORY FIVE PROJECT PROPOSALS

Project No.	Title
1. PD 180/03 Rev.2 (F)	Reforestation of Degraded State Forest Through Community-based Forest Management (Cambodia)

Conclusion of the Thirty-sixth Committee

The Committee noted that the 29th 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 232/03 Rev.2 (F)	Establishment and Operation of a Model Forest Management Area in PNG under Sustained Management for Multiple Forest Values in the Wipim/Tapila Forest, Western Province, Phase I (PNG)
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Conclusion of the Thirty-sixth Committee

The Committee noted that the 29th 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.

3. PD 259/04 Rev.3 (F)	Integrated Buffer Zone Development for Sustainable Management of Tropical Resources in Thailand, Phase II (Thailand)
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Conclusion of the Thirty-sixth Committee

The Committee noted that the Government of Thailand had submitted a revised proposal. The Committee noted that this revised proposal appeared to be a full reformulation of the previous version. In this light and in view of the recently carried out ex-post evaluation of the predecessor project, the Committee recommended that the recommendations of this evaluation be incorporated into the current version of the proposal and be resubmitted to the Expert Panel as a new project.

4. PD 269/04 Rev.2 (F)	Sustainable Management of Residual Logged-over Natural Forests in the Ecuadorian Amazon Region (Ecuador)
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Conclusion of the Thirty-sixth Committee

The Committee noted that the Government of Ecuador had not submitted a revised proposal incorporating the recommendations of the 29th Expert Panel by the deadline. Moreover, in view of the numerous specific recommendations made by the Twenty-ninth Expert Panel, the Submitting Government requested in writing additional time in order to properly address all of the Panel's recommendations. In this light, the Committee decided that the proposal should be revised, taking into account all the recommendations of the Twenty-ninth Expert Panel, and be submitted directly to the Committee for its consideration at the next Session; otherwise, the Committee will not consider it any further.

TECHNICAL ASSESSMENT OF PRE-PROJECT PROPOSALS

(A) CATEGORY ONE PRE-PROJECT PROPOSALS

1. PPD 103/04 Rev.2 (F) **Rehabilitation of Degraded Forest using Indigenous Species through Collaboration with Local Communities in West Kalimantan (Indonesia)**

Conclusion of the Thirty-sixth 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 103/04 Rev.2 (F) and recommended the Council to allocate US\$ 52,769 for its immediate implementation.

2. PPD 109/05 Rev.1 (F) **Establishment of a Pilot Program for the Genetic Improvement of Native Forest Species (Ecuador)**

Conclusion of the Thirty-sixth 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 109/05 Rev.1 (F) and recommended the Council to allocate US\$ 102,384 for its immediate implementation.

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

Conclusion of the Thirty-sixth 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 111/05 Rev.1 (F) and recommended the Council to allocate US\$ 48,114 for its immediate implementation.

4. PPD 114/05 Rev.1 (F) **Formulating a Proposal on Demonstration of Sustainable Management for Mangrove in China**

Conclusion of the Thirty-sixth 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 114/05 Rev.1 (F) and recommended the Council to allocate US\$ 74,088 for its immediate implementation.

(B) CATEGORY FIVE PRE-PROJECT PROPOSAL

Pre-Project No.	Title
PPD 100/04 Rev.1 (F)	Close to Nature Management of Natural Forest and Close to Nature Establishment Planted Forest of <i>Vatica mangachapoi</i> in Coastal Sandy Soil of Hainan Province (China)

Conclusion of the Thirty-sixth Committee

The Committee noted that the 29th 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-FIFTH SESSION OF THE COMMITTEE

PROJECT DOCUMENT	BUDGET ITTO CONTRIBUTION (US\$)	GEOGRAPHICAL COVERAGE	DURATION (months)	RECOMMENDATION *	
				29th EP	36th CRF
PD 234/03 Rev.3 (F)	233,820	Trinidad and Tobago	24	1	1
PD 245/03 Rev.3 (F)	464,346	Indonesia	48	1	1
PD 271/04 Rev.3 (F)	493,236	Indonesia	24	1	1
PD 288/04 Rev.2 (F)	512,028	Malaysia	24	1+BPF	1
PD 297/04 Rev.2 (F)	701,622	Guyana	24	1	1
PD 309/04 Rev.2 (F)	612,792	Colombia	30	1	1
PD 310/04 Rev.2 (F)	742,241	Congo	36	1	1
PD 311/04 Rev.2 (F)	509,403	Cote d'Ivoire	36	1	1
PD 314/04 Rev.2 (F)	744,419	Cote d'Ivoire	36	1	1
PD 319/04 Rev.2 (F)	416,400	Brazil	36	1	1
PD 337/05 Rev.1 (F)	299,160	Ghana	14	1	1
PD 339/05 Rev.1 (F)	674,206	Guatemala	36	1	1
PD 346/05 Rev.1 (F)	324,000	Brazil	24	1	1
PD 351/05 Rev.1 (F)	514,653	Mexico	24	1	1
PD 352/05 Rev.1 (F)	321,367	Mexico	30	1	1
PD 359/05 Rev.1 (F)	942,166	Japan	36	1+BPF	1
PD 360/05 Rev.1 (F)	701,549	Congo	24	1	1

PROJECT DOCUMENT	BUDGET ITTO CONTRIBUTION (US\$)	GEOGRAPHICAL COVERAGE	DURATION (months)	RECOMMENDATION *	
				29th EP	36th CRF
PD371/05 (F)	94,8456 (Phase I)	Indonesia	24		1
PD372/05 (F)	680,724	Thailand	24		1
PD180/03 Rev.2 (F)	428,324	Cambodia	36	5	5
PD232/03 Rev.2 (F)	460,620	PNG	18	5	5
PD259/04 Rev.3 (F)	823,287	Thailand	36	5	5
PD 269/04 Rev.2 (F)	300,402	Ecuador	36	5	4
PPD 103/04 Rev.2 (F)	52,769	Indonesia	9	1	1
PPD 109/05 Rev.1 (F)	102,384	Ecuador	10	1	1
PPD 111/05 Rev. 1(F)	48,114	India	6	1	1
PPD 114/05 Rev.1 (F)	74,088	China	12	1	1
PPD100/04 Rev.1 F)	60,480	China	5	5	5

* For Categories of Recommendation see Table B.

TABLE B

Categories of Decision for 29th Expert Panel	Categories of Recommendation from 36th CRF to the Council
<p>1. The Panel concluded that, with the incorporation of (any minor) (the) amendments noted, the (pre-) project proposal could be commended to the Committee for final appraisal. (In the view of the Panel, this (pre-) project proposal is eligible for consideration for financing from the Bali Partnership Fund in accordance with Decision 8(XXV).)</p> <p>2. The Panel concluded that the (pre-) project proposal requires essential modifications (which are necessary for the project to succeed) and the Panel will need to assess the modified (pre-) project proposal before it can commend it to the Committee for final appraisal.</p> <p>3. The Panel concluded that a re-formulation of the (pre-) project proposal is essential and the Panel will need to assess the re-formulated proposal before it can commend it to the Committee for appraisal.</p> <p>4. The Panel concluded that a pre-project (not exceeding US\$) is necessary in order to assess the situation and the viability of the proposed work and the possible formulation of a project proposal.</p> <p style="padding-left: 20px;">a: (Such a pre-project proposal could be commended to the Committee for final appraisal.) b: (The Panel will need to assess the pre-project proposal before it can commend it to the Committee for appraisal.)</p> <p>5. The Panel concluded that it could not commend the modified or revised (pre-) project proposal and submits it to the Committee for further appraisal.</p> <p>6. The Panel concluded that the (pre-) project proposal (, in its present form,) is not sufficiently relevant to the mandate of ITTO. (The Panel encourages the submitting agency to seek other sources of project support.)</p> <p>7. The Panel concluded that there is insufficient information to assess the (pre-) project proposal adequately.</p> <p>(Text in Parentheses is optional.)</p>	<p>1. Recommend to the ITTC to approve the (amended) proposal for implementation by ITTO and recommend it for immediate financing.</p> <p>2. Recommend to the ITTC that the proposal be revised and resubmitted:</p> <p style="padding-left: 40px;">a) directly to the relevant Committee, or b) to the Expert Panel.</p> <p>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.</p> <p>4. Recommend to the ITTC that a decision on the proposal be deferred until the next session.</p> <p>5. Recommend to the ITTC that the proposal should not be further considered by ITTO.</p>

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Brazzaville, Republic of Congo

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

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

(19 – 21 June 2005, Brazzaville, Republic of Congo)

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

SEVENTEENTH SESSION OF THE COMMITTEE ON FINANCE AND ADMINISTRATION

Item 1: Opening of the Session

1. The Chairperson, Mr. Shaharuddin Mohamad Ismail of Malaysia, welcomed all delegates to the Seventeenth Session of the Committee. He informed the Committee that the Vice Chairperson, Ms. Sai Guohua of China, had regretfully resigned due to other official engagement and would be replaced by Mr. Li Qiang of China.

Item 2: Adoption of Agenda and Organization of Work

2. The Committee adopted its agenda as presented in document CFA(XVII)/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 Monday, 20 June 2005 at 19:30. 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(XXXVIII)/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 Twenty-ninth Meeting of the Expert Panel for Technical Appraisal of Project Proposals [Document CEM,CRF,CFI,CFA(XXXVI)/1] was deliberated and concluded in the joint Session of the Committees. 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 noted that this agenda item to develop the "Draft Terms of Reference for Consultants to Revise ITTO Project Formulation and Related Materials" [Document CEM,CRF,CFI,CFA(XXXVII)/2] pursuant to paragraph 5 of the Decision 3(XXXVII) on "Measures to Improve and Strengthen the ITTO Project Cycle" was deliberated and concluded in the joint Session of the Committees. The joint Session had not requested the CFA for any follow-up.

Item 6: Review of Contributions to the Administrative Budgets

6. The Secretariat introduced document CFA(XVII)/3, prepared on 8 June 2005, which detailed the history of Members' contributions to the Administrative Budget for the financial years from 1986 to 2005, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed that a total amount of \$790,240.68 had been received to date from Producing Members out of the total net assessment of \$2,899,005.00, while \$2,513,381.42 out of the total net assessment of \$2,866,073.00 had been received to date from Consuming Members. As shown in the document, arrearages in contributions from Producing Members amount to \$5,016,938.88 and the outstanding payment of interest charges levied on late contributions under the ITTA, 1983, amount to \$204,608.84. In addition, a former member (Russian Federation) continues to carry an outstanding obligation of \$24,836.72.

7. The representative of the European Community informed the Committee that the outstanding payments from Denmark and Greece would be followed up with a view to arrange settlement.
8. The representative of Canada informed the Committee that the small amount of \$1,375.58 representing the remainder of its outstanding contribution for 2005 was due to the difference in exchange rates would soon be settled. At the same time, Peru confirmed that arrangements would be made for the settlement of their outstanding contributions within a short period. The United States of America advised that the delay in its payment of contribution is due to the difference of its government's financial year than the calendar year, and that the contribution for the current year will soon be regulated.
9. In response to the queries from the representatives of Côte d'Ivoire and Indonesia regarding changes of votes not being correctly reflected in their assessment of contributions, the Secretariat explained that in accordance with Article 19, paragraph 4 of the ITTA, "The contribution of each member to the administrative budget for each financial year shall be in proportion which the number of its votes at the time the administrative budget for that financial year is approved bears to the total votes of all members", and that the assessed contributions to the administrative budget for 2005 were calculated based on the number of votes approved and distributed by the Council for 2004.
10. The Committee took note of the report.

Item 7: Current Status of the Administrative Account

11. The Secretariat presented document CFA(XVII)/4 reporting the current status of the Administrative Budget for 2005 (as of 8 June 2005) 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 \$5,065,853 (i.e. \$700,138 less than the total amount approved in the budget for 2005 of \$5,765,991). This was due to some additional cost saving efforts exercised by the Secretariat at the instructions of the Executive Director.
12. 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 2005 from interest earned in 2004 (of \$913 to round up the assessed contribution), the Secretariat estimated that a deficit in the amount of \$229,481 is expected. 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 authorized under Decision 2(XXXIV).
13. 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 \$324,884.02, and the current balance of the Working Capital Account had been increased from \$2,167,754.00 as at 31 December 2004 to \$2,496,981.11 as at 8 June 2005.
14. 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 \$5,765,991, and called Members to make all efforts in settlement of their contributions to make up the shortfalls.
15. The Committee took note of the report.

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

16. The Secretariat presented document CFA(XVII)/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\$1,683,777.15 and regular ex-post evaluations of projects, as approved, are being carried out. Accordingly, the current available balance in this account amounts to US\$783,509.39.

17. 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-five 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\$2,033,514.99. 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\$4,353,966.16. 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.

18. 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.

19. The Committee took note of the document.

Item 9: Auditor's Report for the Financial Year 2004

20. The Secretariat introduced document CFA(XVII)/2 which was the report of the newly appointed auditor, Grant Thornton – ASG Audit Corporation, Tokyo, who was appointed by the Council under Decision 2(XXXVI) to audit the accounts of the Organization for the financial year 2004. 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 2005 by the auditor and assisted by 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 – that had been prepared, in addition to the usual separate account. The consolidated financial statement showed a comprehensive picture of the overall financial status of the Organization.

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

Item 10: Review of the positions of the two Regional Officers

22. The Chairperson recalled that at its Fourteenth Session held during 3-8 November 2003 in Yokohama, Japan, recommended to the Council the increase to the charges to be deducted in all budgets of projects, pre-projects and activities, to 8% (from the current percentage of 6%), except in the case of ITTO-executed projects, pre-projects and Council-approved activities when this figure will be 13% (from the current percentage of 11%), to be deposited as Programme Support, with a view to financing the continuation of the two positions of the Regional Officers. The Committee at that Session further recommended that:

- i. approval for the increase is to be on a trial basis for a period of two years, and after a period of eighteen months an evaluation of the performance of the Regional Officers is to be carried out to determine the merits and effectiveness of these positions, including other options for financing; and
- ii. the positions of the Regional Officers are to be further deliberated during the process of Negotiating a Successor Agreement to the ITTA, 1994.

23. The Secretariat informed the Committee that although the Committee did not expressly request any assistance of the Secretariat with its review, the Secretariat, nevertheless, with a view to assist the Committee with its review of these positions, engaged a Consultant, Mr. Kyran Thelen in April 2005, with the following Terms of Reference:

- i. Review and assess the appropriateness and effectiveness of the "Regional Officers" system adopted by ITTO in 2002 to strengthen ITTO activities in Africa and Latin America, particularly in relation to monitoring and evaluation of projects; and

- ii. Carry out an evaluation of the performance of the Regional Officers with a view to assisting the ITTO Committee on Finance and Administration to determine the merits and effectiveness of these positions.

24. The Consultant in relation to the work assignment, visited ITTO Headquarters, as well as the Regional Officer for Africa in Libreville, Gabon, and the Regional Officer for Latin America and the Caribbean in Brasilia, Brazil, during April-May 2005. The Consultant summarized his report to the Committee as follows:

- i. On the whole the current ITTO Regional Officer (RO) System is beginning to prove itself useful, after going through considerable investments in terms of time and funds. Initially, a number of teething problems had to be overcome, viz., finding a host country with adequate facilities, privileges and immunities, as well as selection of the Regional Officers. Moreover, the ROs themselves had to become familiar with the ITTO Project operation procedures as well as the ITTO Headquarters had to adopt itself to work through the ROs.
 - a. However, due to the "temporary nature" of the system – a pilot scheme – the current arrangements with regard to the RO System is not entirely satisfactory. A system on a permanent basis would ensure adequate facilities and privileges from the host country as well as it would allow the ROs and the ITTO Headquarters to perform more effectively with a longer term management plan.
 - b. The following three Options were suggested by the Consultant:

Option I: The Regional Officers System be significantly strengthened and transformed to a Regional System that could monitor and evaluate nearly all of ITTO projects and take on certain tasks that could be more efficiently and effectively handled at a regional level; or

Option II: The Regional Officers System continues essentially as it is currently being operated but that it undergoes some changes that could strengthen its work; or

Option III: The Regional Officers System be discontinued and ITTO return to its former way of handling the monitoring and evaluation of projects in Africa and in Latin America and the Caribbean.

25. The Committee expressed appreciation for the report of the Consultant and thanked the Secretariat for its prudence in ensuring the production of such a report to assist the members of the Committee in the deliberations.

26. The representatives of Brazil and Gabon confirmed that the temporary nature of these positions is the cause of difficulties in granting privileges and suggested that in view of the proven effectiveness, the establishment of Regional Officers system on a permanent basis should be recommended. A number of other governments, namely, Norway, Côte d'Ivoire, Republic of Congo, Cameroon and Peru supported the continuation of the decentralization process of the Project Monitoring system.

27. The representative of the European Community appreciated the added value of the current Regional Officers system but nevertheless, expressed concern about establishing such a system on a permanent basis while the arrears of contributions to the Administrative Budget remained at an alarmingly high level. He also referred to other options than those proposed by the Consultant including an enhanced cooperation with other organizations acting at the regional level.

28. The representative of Switzerland expressed reservation about taking any decision regarding the ROs system which would become a permanent nature of the ITTO in view of the ongoing discussion regarding the issue at the Negotiating of a Successor Agreement to the ITTA, 1994, and instead, suggested the extension of the continuation of the current system until 31 December 2006, the date of expiration of the current ITTA.

29. The Consultant in response to the remarks of the representative of the United States of America explained that it is probably premature to conduct a cost-benefit analysis of the ROs system at this stage since it has been in operation only for a very short period. He also added, in response to the suggestion made by the representative of Malaysia, that it is not prudent to contract out such services to an independent institution.

30. The Secretariat informed the Committee that, should a decision be taken for the continuation of the current ROs system, an additional amount of US\$100,000 to US\$120,000 would be needed to be sought through voluntary contributions, since the already approved 2% increase in the Programme Support was not sufficient for financing both the Regional Officers.

31. In response to the remarks of the representative from The Netherlands, the Secretariat explained that initially an amount of US\$400,000 per annum was approved for the two positions. However, through experience gained in the past years, the Secretariat could now confirm that a reduced amount of US\$300,000 per annum would suffice for both the Regional Officer positions.

32. The representative of The Netherlands stressed the preliminary nature of the current system of ROs and noted that any decision for the continuation should take that into account.

33. The representative of Brazil suggested the consideration of an updated Terms of Reference for the Regional Officer as well as preparation of their work programme.

34. The Committee concluded to recommend to the Council that the current system be extended till the end of 2006. It also decided to deliberate on this issue further at the next Session of the Committee to be held in November 2005, in Yokohama, Japan, and requested the Secretariat to provide new Terms of Reference of the Regional Officer taking into account the Consultant's report. The Committee further requested the representative of Brazil to propose a sample work programme for the Regional Officer for further deliberation at the next Session.

Item 11: Dates and Venue of the Eighteenth, Nineteenth and Twentieth Sessions

35. The Committee agreed that the Eighteenth, Nineteenth and Twentieth Sessions of the Committee would be held on the same dates and at the same venues as the Thirty-ninth, Fortieth and Forty-first Sessions of the Council.

Item 12: Other Business

(a) Additional Funds to Finance the Participation of Delegates to the Fourth Part of the UN Conference on Negotiating the Successor Agreement to the ITTA, 1994

36. The Chairman recalled that the IAG requested the Committee to deliberate on the issue of further funds that would be required for assisting the financing the participations of delegates from producing countries, should the UN Conference is to be convened for the fourth part. He also added that the Secretariat had indicated that an additional amount of US\$250,000 would be required and that in the past this activity was funded from the Working Capital Account of the Administrative Budget.

37. The Committee after some deliberations decided to deliberate on this issue further at the next Session of the Committee to be held in November 2005 in Yokohama, Japan, in light of the outcome of the forthcoming third part of the UN Conference in Geneva.

(b) Debt Relief for Member Governments in Dire Economic Situations due to Prolonged Civil Wars

38. The Chairman again recalled that the IAG requested the Committee to deliberate on the issue of debt relief for Liberia and the Democratic Republic of Congo in view of their dire state of economy as a result of prolonged civil wars.

39. The Committee considered the application of Article 33 "Relief from Obligations" of the ITTA, 1994, as well as the ITTC Decision 7(XXXIII) on write-off arrears of contributions and acceptance of project proposals for evaluation by the Expert Panel and their subsequent approval by the Council on the recommendations of the respective Committees.

40. The Committee decided to recommend to the Council that if a formal declaration was received by these Members of the application of *force majeure*, with documented justifications, it should consider the whether to apply the provisions of Article 33 of the ITTA, 1994.

41. No other business was discussed by the Committee.

Item 13: Recommendations to the International Tropical Timber Council

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

- (1) To adopt the Report of the Independent Public Accountants on the Accounts of the Organization for the Financial Year 2004 as contained in document CFA(XVII)/2;
- (2) To recommend the continuation until 31 December 2006, and also continue to apply the charges to be deducted in all budgets of projects, pre-projects and activities, and to be deposited as Programme Support, for financing the continuation of the two positions of the Regional Officers; and
- (3) To recommend that if a formal declaration was received by the Governments of Liberia and Democratic Republic of the Congo, of the application of *force majeure* with documented justifications, it should consider whether to apply Article 33 of the ITTA, 1994.

Item 14: Report of the Session

43. The Committee adopted this report as amended.

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ANNEX VI

REPORT OF THE INFORMAL ADVISORY GROUP (IAG)

DOCUMENT: ITTC(XXXVIII)/2

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THIRTY-EIGHTH SESSION
19 – 21 June 2005
Brazzaville, Republic of Congo

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

**18 June 2005
Brazzaville, Republic of Congo**

**Sixteenth Meeting of the Informal Advisory Group (IAG)
Brazzaville, Republic of Congo, 18 June 2005**

Report of the Chairperson

Introduction

1. The Sixteenth Meeting of the IAG was convened on Saturday, 18 June 2005 at the Hotel Le Meridien, Brazzaville, Republic of Congo at 10:00 a.m., chaired by Mr. Alhassan Attah (Ghana), Chairperson of the Council. The meeting was attended by Mr. Koichi Ito (Japan), Vice-Chairperson of the Council, Mr. Taira Iwasaki (Japan), Representative of the Host Government of the Headquarters, Ms. Jennifer Conje (USA), Chairperson of the Committee on Reforestation and Forest Management (CRF), Ms. Celestine Ntsame-Okwo (Gabon), Chairperson of the Committee on Forest Industry (CFI), Mr. Shaharuddin Mohamad Ismail (Malaysia), Chairperson of the Committee on Finance and Administration (CFA), 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. Mr. Jacques Kanwe (Republic of Congo), Representative of the Host Government of the Thirty-eighth Session of the Council was also in attendance at the invitation of the Chairperson.
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 Fifteenth Meeting, 12 December 2004;
 - General observation by IAG Members;
 - ii. Negotiations of a Successor Agreement to the ITTA, 1994;
 - iii. Relief from obligations for countries significantly affected by long conflicts;
 - iv. Council decision-making process – ITTC Decision 7(XXXIII);
 - v. 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”;
 - vi. List of possible decisions for the Thirty-eighth Session of the ITTC and report to the Council; and
 - vii. 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 Fifteenth Meeting held on 12 December 2004 in Yokohama, Japan as contained in document ITTC(XXXVII)/2 dated 12 December 2004. 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. The IAG was subsequently briefed by the Executive Director on the progress in the implementation by the Secretariat of the relevant recommendations made by the IAG at its previous meeting as approved by the Council.

Negotiations of a Successor Agreement to the ITTA, 1994

4. The IAG noted the outcomes of the Second Part of the United Nations Conference for the Negotiation of a Successor Agreement to the ITTA, 1994 held in Geneva from 14 to 18 February 2005 and the preparations for the convening of the Third Part of the Conference at the United Nations Office in Geneva, Switzerland, from 27 June to 1 July 2005. While expressing optimism regarding the prospects of concluding the negotiations during the Third Part of the Conference, the IAG was informed of the need for the Council to consider providing funding assistance to delegates from developing member countries in the event that a Fourth Part of the Conference became necessary. The IAG recommended that the Committee on Finance and Administration (CFA) be alerted of this possibility.
5. In order to facilitate the negotiations during the Third Part of the Conference, the IAG recognised the usefulness of delegations undertaking consultations during the course of the current Session of the Council. Taking due account of the tight schedule of the Council at its current Session, the IAG recommended that an appropriate time slot be allocated for the convening of an informal consultation session among delegations.

Relief from Obligations for Countries Significantly Affected by Long Conflicts

6. The Executive Director drew the attention of the IAG to the position of producing member countries emerging from long conflicts such as Liberia and the Democratic Republic of Congo which were currently subjected to the measure regarding arrears to the Administrative Account as stipulated in paragraph 2, Part C of ITTC Decision 7(XXXIII). Citing Liberia as an example, he pointed out that the measure would affect the implementation of recommendations made by the ITTO Mission despatched to the country pursuant to ITTC Decision 2(XXIX). He further indicated that provisions under Article 33 of the ITTA, 1994 would enable the Council to relieve such members of obligation from the measure. Taking full account of the merit of the proposal, the IAG recommended to the Council that the proposal be referred to the CFA for its consideration with a view to making appropriate recommendation to the Council.

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

7. The Executive Director drew the attention of the IAG to ITTC Decision 7(XXXIII) and pointed out that Annex II of the decision covered the Schedule of Council Sessions and ITTA Renegotiations up to its Thirty-ninth Session in November 2005. He further indicated that under item 20 of the agenda at its current Session, the Council would, *inter alia*, decide on the dates and venues of its Fortieth and Forty-first Sessions in order to facilitate logistical arrangements. In view of the foregoing and the possibility that the process of negotiating a successor agreement to ITTA, 1994 might continue in 2006, the IAG recognised the need for the Council to consider the schedule for the frequency and duration of its sessions for the year 2006 and possibly beyond.
8. On the issue of the venue for the future sessions of the Council, the IAG noted that invitations had been received from the Governments of Papua New Guinea (PNG) and Mexico to host the Fortieth Session of the Council in 2006. The IAG was informed that the delegation of PNG would not be present at the current Session of the Council. It further recalled that the matter was considered at its previous meeting at which it recommended that the matter be taken up by the CFA and that it required substantive caucus discussion. The IAG reiterated the importance of its recommendation made at its previous meeting and underlined the desirability for the matter to be considered and decided amicably.
9. Having given due consideration to these matters and having taken due account of the on-going negotiations of a successor agreement to the ITTA, 1994, the absence of the delegation of PNG at the current Session of the Council and the shortened duration of the Session, the IAG recommended that the consideration of the duration of the future sessions of the Council and the venue of its Fortieth Session be deferred to the Thirty-ninth Session of the Council in Yokohama, Japan from 7-12 November 2005.

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”

10. The Executive Director informed the Meeting that in accordance with the relevant provisions of Decision 7(XXXIII), the ITTO Secretariat had received a draft decision entitled ‘Support to the Implementation of the Sub-Regional Convergence Plan and the COMIFAC 2015 Objective’ submitted by the Government of the Republic of Gabon. Although the Streamlining Council Decision-Making Procedures as provided for in paragraph 4, Part B, Annex 1 of Decision 7(XXXIII) could not be applied in the context of the shorter duration of the current Session of the Council, the IAG took full cognisance of the political significance of the Council taking action on the proposal from the Government of the Republic of Gabon as a substantive decision considering that its current Session was being held in Africa. The IAG duly recommended that the proposal be considered by the Council with a view to adopting a substantive decision at its current Session. It further recommended that the details of the proposal be worked out by the delegation of the Republic of Gabon and the ITTO Secretariat and that the Open-ended Chairperson’s Drafting Group be convened to undertake negotiations of the Council decision.

List of possible decisions for the Thirty-eighth Session of the ITTC and report to the Council

11. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Thirty-eighth Session as follows:
 - i. Project, Pre-Projects and Activities
 - ii. Support to the Implementation of the Sub-Regional Convergence Plan and the COMIFAC 2015 Objective.
12. 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. Accordingly, follow-up work could be undertaken through the provisions of existing decisions of the Council.

Other Matters

13. The IAG noted the desirability of taking full advantage of convening the sessions of the Council in producing member countries by extending ITTO's outreach to secure enhanced commitment and involvement of member countries, maximising ITTO's exposure to the challenges facing the forestry sectors in these countries and assessing the impact of the implementation of ITTO funded projects on the ground.
14. The IAG unanimously agreed to put on record its appreciation to the Government and people of the Republic of Congo for the hospitality and arrangements made for the smooth and fruitful convening of the current Session of the Council in Brazzaville.

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