



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

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

**Yokohama, Japan
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REPORT

OPENING OF THE SESSION (Agenda Item 1)

1. The Thirty-seventh Session of the International Tropical Timber Council was opened by the Chairperson of the Council, Ms. Jan McAlpine (USA). The Chairperson welcomed all delegates to the Session and on behalf of the Council expressed gratitude and appreciation to the Government of Japan for hosting the Session.
2. The Chairperson acknowledged with gratitude the participation of H.E. Mr. Hiroshi Nakada, Mayor of the City of Yokohama, H.E. Mr. Emile Doumba, Minister of Forest Economy, Water Resources, Fisheries and Environment of Gabon, Mr. Naoto Maeda, Director-General of the Forest Agency of Japan and Mr. Shigeki Sumi, Deputy Director-General, Global Issues Division of the Ministry of Foreign Affairs of Japan.
3. Ms. McAlpine acknowledged the tremendous progress made by ITTO in developing an atmosphere of mutual respect between Producing and Consuming Members of the Organization and urged the Council to maintain this spirit of mutual respect and cooperation. She cited the willingness to listen to each other more effectively, and to admit that there were problems that members needed to address such as the issue of financing to support the Organization while also contending with some of the tougher and sensitive issues such as illegal logging and the associated illegal trade in timber.
4. In his address to the Council, H.E. Mr. Hiroshi Nakada, Mayor of the City of Yokohama recalled the objectives that led to the establishment of ITTO in Yokohama in 1986. He noted that ITTO was established in order to seek a new harmony between the conservation and development of tropical forests. He indicated that the primary objective for the establishment of ITTO was, therefore, different from other primary commodity agreement organizations. He acknowledged the tremendous role played by ITTO in developing policies for the sustainable management of tropical forests while at the same time supporting projects in the field and commended ITTO for these achievements. Mr. Nakada also acknowledged that global forest problems were still serious, highlighting particularly the problem of deforestation in tropical countries. Mr. Nakada underlined the importance of tropical forests in preventing global warming and securing the earth biodiversity and water resources and stated that the role of ITTO was going to become more important in the future. He pledged the continuing support of the City of Yokohama to international organizations located in the city and hoped that in the light of the on-going negotiations for a successor agreement to the ITTA, 1994, the City of Yokohama would continue to host the headquarters of ITTO.
5. In his statement to the Council, Mr. Naoto Maeda, Director-General of the Forestry Agency of Japan stated that ITTO was the only international organization focusing on tropical forests and tropical timber. He noted that since its inception in 1986, ITTO had published a number of policy guidelines for the sustainable management of tropical forests, including the criteria and indicators for the sustainable management of tropical forests. He acknowledged the immense contributions being made by ITTO towards the sustainable management and preservation of tropical forests. Mr. Maeda noted that currently, the issue of illegal logging and illegal trade was proving to be a major impediment towards the achievement of sustainable forest management and Japan had highlighted the issue at various international fora and stressed the importance of tackling the issue. Mr. Maeda recalled the establishment of the Asia Forest Partnership with the objective of studying measures to prevent illegal logging, prevention of forest fires, and restoration and reforestation of degraded areas. He reported that in June 2003, the Government of Japan signed a joint statement and an action plan with the Government of Indonesia to establish a tracking system for illegal logging and to eliminate illegally harvested timber products from the trade. He indicated that the specific approaches for the implementation of the action plan were being worked out. He said that Japan would continue to promote measures to tackle the problem of illegal logging and, thereby, contributing to sustainable forest management in Producing Member Countries. He noted that this was being done through bilateral and multilateral cooperation and pledged Japan's continuing support to ITTO in this area.

6. H.E. Mr. Emile Doumba, Minister of Forest Economy, Water Resources, Fisheries and Environment of Gabon reiterated the commitment of the Heads of States of the Congo Basin Countries to ensure the conservation and sustainable management of forest ecosystems in Central Africa through the establishment of the Conference of Central African Ministers in Charge of Forests (COMIFAC). He informed the Council that the latest COMIFAC Session held in Libreville from 28 to 30 September 2004 adopted the treaty establishing the Central African Forest Commission and appealed to the Council for financial assistance to implement the priority actions of the COMIFAC Convergence Plan. H.E. Mr. Doumba also reiterated the commitment of the Government of Gabon to the achievement of the ITTO Year 2000 Objective and the promotion of local industrialization and local timber processing activities through the enactment of a new forest law. He appealed to the international community for support and urged Consuming Member Countries to contribute to the Bali Partnership Fund. H.E. Mr. Doumba called on the Council to begin discussions on the extent to which natural tropical forests could become eligible under the Clean Development Mechanism (CDM). He welcomed the rotating system for the chairmanship of the Council and expressed his pleasure that the next chairman of the Council would be from the African region. He proposed the creation of the position of an additional spokesperson within the Producers Group, in order to ensure a better representation of the three tropical regions. He expressed the wish to see the system institutionalized and also applied to the appointment of the next Executive Director. H. E. Mr. Doumba appealed to Producer Member Countries of Asia and Latin America to grant their support, in due course, to the future African applicant to the Executive Director position.
7. In his address to the Council, H.E. Mr. Henri Djombo, Minister of Forest Economy and Environment of the Republic of Congo noted that the development of guidelines and criteria and indicators for sustainable forest management together with the support provided by ITTO for the implementation of numerous projects had contributed substantially to the promotion of sustainable tropical forest management. He, however, acknowledged that many things still remained to be done and urged the Council to build increased funding capacity in order to pursue and enhance its actions. He said that field-level activities should be reinforced while maintaining an acceptable level of discussion on policies and strategies relating to sustainable forest management. He mentioned that with the support of ITTO, Congo had developed a sustainable forest management toolkit, including national-level principles, criteria, indicators and verifiers, based on the harmonized ATO/ITTO Principles, Criteria and Indicators. He expressed his gratitude and appreciation to the donor community for their support. H.E. Mr. Djombo enumerated a number of activities being undertaken by his Ministry in support of sustainable forest management. He noted that a key instrument to provide the framework for the implementation of the Congo Basin Forest Partnership was the Plan of Convergence for the conservation and sustainable use of forest ecosystems in Central Africa, adopted in May 2004 in Yaoundé. He appealed to all stakeholders and the international community to actively engage in the implementation of the plan and to provide the necessary financial support. H.E. Mr. Djombo noted with regret that the level of resources in the Special Account and the Bali Partnership Fund had significantly declined and appealed to Consuming Member Countries to fulfill their commitment to provide financial support to Producing Member Countries to sustainably manage their forests. He re-affirmed the invitation of the Government of Congo to host the Thirty-eighth Session of the Council in Brazzaville and extended a cordial invitation to all delegates.
8. In his statement to the Council, Mr. Shigeki Sumi, Deputy Director General, Global Issues Division of the Ministry of Foreign Affairs of Japan acknowledged that since its establishment, ITTO had played a significant role to stabilize and promote international trade in tropical timber and promoted sustainable forest management through information exchange, formulation of policy guidelines and implementation of many important projects. He, however, noted that the Organization was facing new challenges such as illegal logging which was hindering the achievement of sustainable forest management. He stressed the importance of combating illegal logging and urged the Council to continue to search for a solution to the problem. He mentioned that the issue of illegal logging would be on the agenda at the next G8 Summit to be held in Glen Eagles, U.K. and stated that the G8 Summit would be a good opportunity for ITTO to showcase its efforts in combating illegal logging. Mr. Sumi indicated that the ITTA, 1994, was well balanced and reflected appropriately the purpose and functions of ITTO. He, however, proposed that new and emerging issues such as illegal logging, environmental considerations, financial resources to support ITTO's activities should be fully taken into account in the successor agreement to the ITTA, 1994. He stressed that securing stable financial resources for project implementation was of utmost importance in the successor agreement. He pledged Japan's continued support to

ITTO and called on other Member Countries to share the costs for project implementation in order to consolidate ITTO's future.

ASCERTAINMENT OF THE QUORUM (Agenda Item 2)

9. The Executive Director, Dr. Manoel Sobral Filho, reported that the quorum for the Thirty-seventh Session of the Council had been met. The list of participants is contained in Annex 1.

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

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

REPORT ON MEMBERSHIP OF THE COUNCIL (Agenda Item 4)

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

REPORT OF THE CREDENTIALS COMMITTEE (Agenda Item 5)

12. The report of the Credentials Committee was presented by the Chairperson of the Committee, Mr. Henri Felix-Maitre (France). He reported that the Committee was composed of representatives from Cameroon, Republic of Congo, Peru, Malaysia, France, Germany, New Zealand and Switzerland. The Committee met on 17 December 2004 and accepted the credentials of forty-five (45) countries and the European Community which participated in the Thirty-seventh Session of the Council and the Sessions of the Committees.

DISTRIBUTION OF VOTES FOR 2004 (Agenda Item 6)

13. The Executive Director referred to the Annex to document ITTC(XXXVII)/1 containing the distribution of votes for 2004. He informed the Council that the distribution of votes for 2004 was adopted by the Council, in accordance with Article 10(6) of the ITTA, 1994 at its Thirty-sixth Session. In accordance with Article 19(4) of the ITTA, 1994, the approved distribution of votes had been used for the assessment of the contribution of each Member to the Administrative Budget for 2005.

ADMISSION OF OBSERVERS (Agenda Item 7)

14. The Chairperson drew the Council's attention to document ITTC(XXXVII)/Info.3 which listed states, inter-governmental and non-governmental organizations applying for Observer status and invited comments from the Council. New observers applying for observer status were requested to leave the plenary while the Council decided on their applications for admission.
15. Mr. Xia Jun (China) stated that since 1987, China had been very supportive of the participation of observers at the Sessions of the Council. He referred to document ITTC(XXXVII)/Info.3 and objected to the participation of the Taiwan Forest Products Association (TFPA) as an observer. Mr. Xia stated that one of the members of TFPA was a staff member of the Trade Representative of Taiwan Authority in Japan and indicated that the information provided by TFPA to the Council was incorrect and he was, therefore, doubtful about the nature of the TFPA as well as its objectives and intention to participate in the Session of the Council. He appealed to the Council not to admit TFPA as an observer to the Session. He noted that as an inter-governmental organization, the activities of ITTO should not interfere with the sensitive and political issues relating to the sovereignty of the Member Countries of ITTO.
16. Dr. David Brooks (U.S.A.) noted the importance of transparency and the role of observers in the work of the Council. He further noted the contributions of NGOs, particularly industry associations, to the work of ITTO. He, however, took note of the issues raised by China regarding the admission of TFPA as an observer to the Session. He proposed that all other new observers

should be admitted and further consultation should be carried out in the course of the Session to clarify the issues raised by China regarding TFPA.

17. Mr. Luis Ernesto Barreta Garavito (Guatemala) supported the proposal made by U.S.A.
18. Mr. Shigeki Sumi (Japan) supported the proposal made by U.S.A. provided that the proposal was acceptable to China.
19. The Chairperson thanked the Council for the spirit of cooperation in addressing the sensitive issue. She proposed that all other observers should be admitted and requested the Secretariat to pursue further the elements relating to the application of TFPA.
20. Mr. Xia Jun (China) thanked the Council and all Member Countries who had supported the proposal made by China.
21. The Council admitted all the observers with the exception of Taiwan Forest Products Association.

STATEMENT BY THE EXECUTIVE DIRECTOR (Agenda Item 8)

22. The Executive Director welcomed delegates to the Thirty-seventh Session of the Council. He acknowledged with gratitude the participation of H.E. Mr. Emile Doumba, Minister of Forest Economy, Water Resources, Fisheries and Environment of Gabon, H.E. Mr. Henri Djombo, Minister of Forest Economy and Environment of the Republic of Congo, Mr. Naoto Maeda, Director-General of the Forestry Agency of Japan and Mr. Shigeki Sumi, Deputy Director-General, Global Issues Division of the Ministry of Foreign Affairs of Japan. Dr. Sobral expressed his gratitude and appreciation to the Honorable Hiroshi Nakada, Mayor of the City of Yokohama for accepting to address the Thirty-seventh Session of the Council and for the strong support that the City of Yokohama had been providing to ITTO since its establishment in 1987.
23. Referring to the negotiation of a successor agreement to the ITTA, 1994, Dr. Sobral noted that progress towards a consensus on important aspects of the Agreement had been slow. He said that the most important challenge was the financing of the Organization's work and indicated that financial constraints were already affecting the implementation of the current Agreement, with a worrisome dual trend of a sharp decrease in new voluntary contributions coupled with a reduction in the amount of existing funds allocated by donors in 2003 and in the first half of 2004. Dr. Sobral acknowledged that the issue of financing was important and difficult and urged negotiators to approach the task with innovative ideas and a spirit of compromise to enable a successor agreement to enter into force by January 2007.
24. Dr. Sobral reported that great progress had been made in the implementation of the ITTO Criteria and Indicators training programme, targeting mostly government agencies, the private sector and civil society groups overseeing or controlling forest management units. He noted that to date, almost 600 professionals responsible for, or working in forest management units had received training in the use of the ITTO Criteria and Indicators and associated formats for monitoring, reporting on and improving forest management. He urged the Council to step up efforts to engage and provide training to the private sector in those key areas where the sector's ability to implement sustainable forest management was limited, including in the application of criteria and indicators and reduced impact logging. Dr. Sobral also called on the Council to increase its support for indigenous and local communities who now owned and administered at least 22 per cent of all forests in developing countries. He urged the Council to consider innovative ways in which indigenous and local communities could better access the benefits offered by ITTO.
25. Dr. Sobral informed the Council that ITTO's collaborative work with CITES continued to strengthen, particularly with regard to facilitating the implementation of CITES requirements for tropical timber species already listed. He reported that ITTO sponsored a meeting in Peru on the implementation of Appendix II listing of mahogany and as a follow up, the CITES Secretariat had contacted ITTO to investigate options for another joint work to facilitate implementation of the Appendix II listing of ramin, approved at the Thirteenth Conference of Parties (COP) of CITES. He also informed the Council that the CITES Secretariat had also sought ITTO collaboration in the use of economic and trade-related incentives to promote the implementation of CITES recommendations related to tropical timber species.

REPORT OF THE INFORMAL ADVISORY GROUP (IAG) (Agenda Item 9)

26. The Chairperson presented the report of the Informal Advisory Group (IAG) as contained in document ITTC(XXXVII)/2. She reported that the IAG held its Fifteenth Meeting on 12 December 2004. 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.
27. Issues considered by the IAG included negotiations of a successor agreement to the ITTA, 1994; follow-up on CSAG/TAG recommendations; assistance to Members to implement CITES listings of tropical timber species; Council decision-making process – ITTC Decision 7(XXXIII); draft decisions/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-seventh Session of the ITTC. The full report of the IAG is attached as Annex V.

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

28. Dr. Steven Johnson (ITTO Secretariat) recalled Decision 3(XVI) which requested Members to inform ITTO at the earliest opportunity of any proposals by Members to include internationally traded tropical timber species in the CITES Appendices. He reported that the Secretariat had not been informed by any Member on such proposals. He also informed the Council that the inclusion of Ramin (*Gonystylus* spp.) in Appendix II was approved by Thirteenth meeting of the Conference of Parties (COP) held in Bangkok, Thailand from 3 to 4 October 2004. Dr. Johnson reported that the working relationship between the Secretariats of ITTO and CITES had improved significantly to the extent that CITES was now looking to ITTO as an important partner in implementing the listing of tropical timber species.

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

29. The report was presented by Dr. Steven Johnson (ITTO Secretariat). Dr. Johnson provided a brief background on the data for the Annual Review and Assessment of the International Timber Situation. He mentioned that the Secretariat did not receive the responses to the Joint Questionnaire on time. He appealed to Member Countries to endeavour to submit their data on time. He stated that seven Member Countries - Brazil, Côte d'Ivoire, Fiji, Nepal, Nigeria, Papua New Guinea and Vanuatu did not provide any responses to the Joint Questionnaire. For these countries the Secretariat had to use data from alternative sources such as COMTRADE although some Member Countries had also not provided any data to COMTRADE.
30. On the quality of data received by the Secretariat, Dr. Johnson stated that fourteen (14) Member Countries provided good responses to the JQ. He explained that a good response meant that:
- All major sections of the JQ were filled;
 - It is internally consistent (material balance, year on year trends, unit values, compatibility between tables); and
 - It is more or less consistent with reports of trade partners.
- The countries that provided good responses were Bolivia, Cameroon, Ghana, Honduras, Myanmar, Panama, Peru, Philippines, Suriname, Trinidad & Tobago, Venezuela, Japan, New Zealand and Republic of Korea. Dr. Johnson noted that most Consuming Member Countries did not provide data on tropical timber.
31. Dr. Johnson mentioned that Malaysia's reported trade with China had been quite consistent over the years. In terms of trade between Malaysia and Indonesia, the report showed that log imports from Indonesia to Malaysia had dropped considerably and attributed this to the log export ban imposed by Indonesia.
32. Dr. Johnson indicated that the economic growth in consumer countries had picked up in 2004 and looked likely to slow down in 2005. China still remained as the country with the highest growth rate. Economic growth in Producing Member Countries had increased marginally from a lower base and most countries had recovered from the Asian financial crisis of the late 90's and early 2000. Dr. Johnson indicated that exchange rate changes had also significantly affected

trade. He noted that the U.S. Dollar had significantly depreciated against all the major currencies. Plywood prices had been increasing from the lowest reached in 1998 and in some cases had improved up to 80% of those prices. The export trends of primary products had also been decreasing notably in Asia. In terms of imports (roundwood equivalent), China still remained the major importer of tropical timber, followed by Japan and the European Union. Most of the China's imports were in the form of logs. Dr. Johnson reported that there had been a remarkable growth in the imports of secondary tropical timber products by consuming countries.

33. Mr. Tasso Rezende de Azevedo (Brazil) informed the Council that Brazil had not submitted its response to the Joint Questionnaire because Brazil had identified several errors in the reporting and was reviewing the system.

NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994 – DECISIONS 4(XXXII), 8(XXXIII) AND 6(XXXIV) (Agenda Item 12)

34. Amb. Carlos Antonio Da Rocha Paranhos (Brazil), President of the UN Conference on the Negotiations of a Successor Agreement to the ITTA, 1994, reported to the Council on the outcome of the First Part of the Conference held from 26 to 30 July 2004, in Geneva, Switzerland. He noted that no substantive progress was made during the First Part of the Conference. He indicated that it was his intention to conclude the negotiations during the Second Part of the Conference to be held from 14 to 18 February 2005, in Geneva, Switzerland. He stressed that all delegates attending the Second Part of the Conference should ensure that they had the necessary authority and mandate to take decision on all issues. He cautioned that delegates should not indulge in a situation that presumed that the negotiations could go on indefinitely. Amb. Paranhos requested the Secretariat to enter into negotiations with UNCTAD for additional services of interpretations in order to ensure longer working hours during the Second Part of the Conference. He urged negotiators to go through the core issues where there were still differences in order to make progress at the Conference.
35. Mr. Alexei Mojarov (UNCTAD Secretariat) said that the UNCTAD Secretariat took due note of the comments made by delegates during the First Part of the Conference with regard to logistics, particularly the provision of two teams of interpreters. He mentioned that the United Nations Office in Geneva was in charge of logistics and had agreed to provide two teams of interpreters during the Second Part of the Conference. However, the teams of interpreters would only be available during official working hours i.e. 10:00-13:00 hours and 15:00-18:00 hours. Mr. Mojarov informed the Council that additional interpretation would have to be sought on commercial basis for meetings taking place outside the official working hours. Mr. Mojarov also reported that the UNCTAD Secretariat had already informed the ITTO Secretariat that the cost of additional interpretation services would have to be borne by ITTO. He further informed the Council that the notification for the Second Part of the Conference had already been issued by the UNCTAD Secretariat.

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

- (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 Fiji - Report of the ITTO Diagnostic Mission**
36. The report was presented by Dr. Alf Leslie (New Zealand), leader of the mission. The other members of the mission were Dato' Dr. B.C.Y. Freezailah (Malaysia), Mr. Hirokatsu Kotari (Japan), Dr. M.E. Duncan Poore (U.K.) and Mr. S. Bulai (Fiji). The objectives of the mission were:
- Identify in the country those factors most severely limiting progress towards achieving ITTO Objective 2000 and sustainable forest management;
 - Rank these constraints in order of importance; and
 - Recommend a series of measures aimed at lifting these constraints.
37. Dr. Leslie provided a brief background on the forest resources of Fiji. The report noted that forests had a much greater potential and could become the main pillar of the Fiji economy. The mission noted that the traditional Fijian communal land-owning units or clans called matagalis accounted for 1.52 million ha or 83% of the land. The rest were private and/or state-owned lands.

For this reason, land ownership problems were often viewed as the main constraints to sustainable forest management. The report further noted that there was no formal land-use planning system (though one was before cabinet), but indigenous forests had for almost 40 years been classified according to stocking level and slope as:

- Production forest (0.23 – 0.28 million ha)
- Non-commercial forest (0.24 – 0.3 million ha); and
- Protection forest (0.23 – 0.25 ha)

Pine plantations covered 45,000 ha and are owned by the Fiji Pine Trust. Hardwood plantations, mainly of mahogany (*swietenia macropylla*) covered 60,000 ha and belonged to the Fiji Hardwood Corporation. The mission noted that given the plantation resource, there was no need for Fiji to be in danger of over-cutting its indigenous forests. The sustainable production capacity could be estimated at 1.1 – 1.4 million m³/year. With increased area and productivity of plantations, Fiji could eventually sustain an annual output of 1.5 million m³. The report noted that non-wood forest products were of great importance to the local economies. A few of these were being cultivated and marketed but most were being collected from the wild for local use.

38. The mission noted that the present forest classification allowed for the reservation for the protection of soil and water. The prevention of soil erosion had long been a national priority because of the danger from flooding and siltation and damage to coastal ecosystems by sedimentation. Nevertheless, present forest extraction was still causing great damage to the soil because of unsuitable machinery, unskilled workforce, weak management, inadequate supervision and lack of enforcement. The report further noted that similar attention had not been paid to the conservation of biodiversity for which there was no specific provision. The mission highlighted the need for the selection and protection of representative areas for conservation of biodiversity.
39. The report mentioned that there were 26 licensed sawmills, 18 of which were operating, two small veneer and plywood mills, and one wood chip plant integrated with a big sawmill. About half of the mills possessed kiln drying units of variable quality and under-utilized capacity. Timber harvesting was being authorized by licenses issued by the Forestry Department which could be annual, long-term (10 years) or concessions (10-25 years). About 40% of the area of indigenous forests had been allocated under concession or long-term licenses.
40. The mission identified the following factors as constraints to sustainable forest management:
 - Security of land tenure;
 - Inadequacies of the workforce;
 - Infrastructural weaknesses; and
 - Lack of finance.

The report stated that security of land tenure was identified as a problem that had to be addressed since the land belonged to the matagali, the sole communal land owning unit recognized by law. The available workforce was also too small and ill-trained. The mission noted that export markets were the key to sustainable forest management in Fiji and depended on products of high quality. The mission called for a restructuring of the timber industry and the setting up of a central authority to oversee the activities of the Forest Department, Fiji Pine Ltd. and the Fiji Hardwoods Corporation. It called for improved coordination of planning, development and optimization of the wood flow from the forest to the export markets, expansion, upgrading of harvesting and production facilities and marketing. The mission also called for improving the standard of logging, especially in the indigenous forests and finally recommended the continuation, expansion and acceleration of the landowner awareness programme.

41. Mr. Mitieli Baleivanualala (Fiji) on behalf of the Government of Fiji expressed appreciation to ITTO for the work of the diagnostic mission. He underlined the commitment of the Government of Fiji to sustainable forest management and its challenges. He cited technical expertise for the implementation of sustainable forest management as a critical requirement for Fiji and stressed that the lack of technical expertise to provide guidance and focus to progress efforts towards sustainable forest management in a much faster manner was an important constraint. Mr. Baleivanualala indicated that Fiji had within the last six months undertaken some internal restructuring to address some of the mundane issues identified by the diagnostic mission. He

indicated that there had been an increased effort for collaboration amongst the forestry sector stakeholders involving industry, landowners, NGOs and civil society in order to collectively capture the interest of these different stakeholders in the process of progressing towards sustainable forest management. He hoped that the process would eliminate the element of distrust which seemed to be prevailing among the stakeholders. Mr. Baleivanualala indicated that the Government of Fiji was also restructuring internally by narrowing its activities in order to focus on areas that were very necessary for the Government to address such as enforcement, surveillance and monitoring. He further indicated that the creation of a Forestry Board was being governed by a protectionist instrument under the current regulations and needed to be liberated a little. He mentioned that the membership of the Board was currently too confined and driven by government interest and not totally capturing the interests of other stakeholders. The Government was reviewing the composition of the Board. He underlined the fact that financing of sustainable forest management was a big challenge for the Government and cited levy mechanism as an option. He also appealed for some strategic external financial support to supplement and accelerate the efforts of the Government.

42. Mr. Don Wijewardana (New Zealand) welcomed the report of the mission and noted that there were fundamental issues to be addressed and sought further clarification as to why the diagnostic mission did not go beyond the recommendations to look at using tools such as criteria and indicators and certification to promote sustainable forest management.
43. Dr. Camilo Aldana Vargas (Colombia) noted that Fiji was a good example of a country with a valuable resource and a fairly good market but still encountering obstacles with regard to cooperation and coordination. He indicated that some countries had tried to integrate the production chain in order to address this problem by overcoming certain local rivalries or by pushing down transaction costs. He stated that experiences in such countries could be applied to address the situation in Fiji.

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

44. The report was presented by Mr. Olav Bakken Jensen (Norway), leader of the mission. Other members of the mission were Ms. Angela Andrade (Colombia), Mr. Jose Carlos Carvalho (Brazil), Dr. James Gasana (Switzerland), Dr. Ruben Guevara (Regional Officer in Latin America), and Mr. Mileiades Samaniego (Panama). The mission was conducted from 1 to 15 August 2004. The mission had broad based consultations with a wide range of stakeholders, including various government authorities, especially Autoridad Nacional del Ambiente (ANAM), and representatives of several ministries and agencies, representatives of NGOs, indigenous peoples and the private sector.
45. Mr. Bakken Jensen provided a brief background of the geography and forest resources of Panama. He noted that Panama was extremely rich in biodiversity and provided the biological corridor between the two large landmasses of South and North America and thereby ensured the natural migration of biodiversity. About 42% of the country was still under forest cover and the annual deforestation rate was above 1%. Twenty-eight per cent (28%) of the land area was under protection while 22% had been assigned as indigenous territories, some overlapping with national parks. The mission noted that the establishment and partial implementation of the FAO's Tropical Forest Action Plan (TFPA) for Panama in the late 80s contributed to increased awareness for sustainable forest management and gave the impetus for various laws and regulations including the law on restoring deforested land (Law No. 24 of 1992) which provided tax breaks for plantations. The National Environment Authority (ANAM) was created under the General Environment Law of 1998 and in 2003 the National Forest Policy establishing the principles and guidelines for forest policies in Panama was approved. In general, there had been important advances in the field of forestry policies and laws although it should be noted that forestry was not enjoying full recognition at the highest political level. For a relatively small country, Panama had an impressive diversity of forest types due to variations in topography and rainfall. In accordance with the Forestry Law there were three legal categories of forests, namely, production forests (11.5%), protection forests (51.9%) and special forests with scientific, educational, historical or tourist and recreational functions.
46. The mission noted that timber harvesting practices had been very problematic and not conducive to the achievement of sustainable forest management. An old system of larger forest concessions, which was felt to be very exploitative and destructive was discontinued in 2002 and

replaced by more limited community and subsistence harvesting permits. To date there were six (6) community permits in operation, and in 2003 some four thousand (4000) subsistence permits were issued. The mission indicated that a new system with longer term community permits over larger areas with obligations to develop real management plans and with full participation of local people, particularly indigenous peoples seemed the only way forward to achieve sustainable forest management.

47. The mission noted that over the past 10 years, there had been important advances in forest plantations in Panama, following the Law No.24, 1992, which provided economic incentives for reforestation. To date, there were approximately 55,000 ha of forest plantations in the country, mainly pine (*pinus caribea*), teak (*tectona grandis*) and thorny cedar (*bombacopsis guinata*). Statistics on forest utilization showed a general decline from 1982 to 2003. The strong declining tendency in recent years corresponded to the rapid deterioration of forest industries, mostly caused by staunch competition from duty-free imported timber products. According to ANAM, some 20% of total logging in the country was illegal. The control and follow up of logging operations by authorities was very weak and operations were generally very destructive due to the use of partly obsolete and ill adapted machinery.
48. The report indicated that the forest industry in Panama was very small. In 1999-2000, there were 15 large sawmills and 3 plywood mills. In 2004, there were only 6 sawmills, 2 flooring factories and one plywood mill working with obsolete equipment and under immediate threat of bankruptcy. The forest industry in Panama had not been able to compete in the world market with large scale regional industries of neighboring countries like Chile, Brazil or U.S.A. The mission indicated that the adoption of macro-economic measures, including removal of import duties on forestry products, were responsible for the collapse of the forestry industry. The mission also noted that forestry research in Panama was ad hoc, sporadic and generally weak.
49. The mission recommended a revision and enforcement of the role of the state at its highest level to become proactive in forestry development. It called for the formulation and adoption of a National Forestry Development Plan in short, medium and long term with prioritized actions and identifying the production forests of highest potential for investments. The mission also recommended a revision of the Land Reform Law to allow private property over natural forests and a revision of the Forestry Law and its regulations to remove contradictions and impediments to sustainable forest management.
50. The mission called for a demarcation of the natural productive forests (within the permanent forests estate) as a matter of urgency and to fully apply the ITTO's Guidelines and Criteria and Indicators. Other recommendations were:
 - Formulation and implementation of a programme for the promotion of forestry investments;
 - Promotion of community forestry;
 - Reorganization of ANAM and elevation of the hierarchical position of the Forestry Service within the governmental structure, preferably with a large degree of autonomy within ANAM;
 - Establishment of an integral information system for the forestry sector, including market information;
 - Consolidation of current protected areas and creating ecological corridors;
 - Implementation of cadastre and demarcation of all protected areas;
 - Incorporating ecosystem approach in the management plans of protected areas; and
 - Recategorization of the protected areas according to the categories of IUCN.
51. The mission further recommended that ITTO should provide support to the Government of Panama to:
 - Establish and demarcate the Permanent Forest Estate;
 - Analyze and revise forestry policies and strategies;
 - Create a programme of forestry research and development and its implementation;
 - Develop a community forestry management plan on a pilot basis with the Comarca Embera-Wounaan in Darien and also develop a pilot project for sustainable forest management in production forest outside the Comarcas;
 - Strengthen the programmes for forestry training, particularly at the skilled labour and forest technicians levels;

- Promote transboundary conservation to safeguard the function of the ecological corridor choco (Colombia) – Darien (Panama);
 - Support regional consultations on the market mechanisms such as import duties, and also market intelligence generally; and
 - Assist in making a thorough analysis of the potential of forest plantation in employment generation, the revitalization of the forest industry, and in future exports.
52. Mr. Nirmal Kumar Joshi (India) commended the technical mission to Panama for a comprehensive report. He sought further information on the percentage of teak (*tectona grandis*) among the old plantations and the genetic source of the planting material.
53. Mr. Enzo Barattini (European Community) commended the technical missions for the reports. He noted that the reports provided an overview on the forestry sector of the Member Countries and efforts made towards the achievement of the ITTO Objective 2000. He indicated that a common characteristic of the missions was the problem of reaching economies of scale for processing and marketing of tropical forest products. He further noted that other common challenges facing the countries stemmed from the need to:
- (i) Improve communication and information sharing on the principles of sustainable forest management;
 - (ii) Enhance cooperation between governmental departments to ensure adequate resource for the relevant institutions;
 - (iii) Develop regulatory framework which would take into account stakeholders and, in particular, those people that depended on forests for securing their livelihood; and
 - (iv) Ensuring effective implementation and law enforcement in the forestry sector.
- Mr. Barattini noted that the mission reports primarily provided the basis for further action in the countries concerned. He indicated that the European Community was interested to know from Member Countries where technical missions had been undertaken the impact of these missions. He proposed that the Secretariat should undertake an ex-post evaluation to analyze the impacts of such missions and inform the Council accordingly. He indicated that in spite of the different situations in the respective countries, valuable lessons could be learnt from both successes and obstacles. Mr. Barattini proposed that country by country references to reports providing information on national policies regarding forest management should be included in the ITTO website.
54. Mr. Ricardo Umali (Philippines) commended the technical mission for the comprehensive report. He noted that inherent weaknesses in the enabling conditions for sustainable forest management (policies and legislations) were common in most producing countries. He welcomed the recommendations of the mission and sought further information on which recommendations were of the highest priority in terms of changing the enabling policies in Panama.
55. Mr. Olav Bakken Jensen provided additional information to the Council in response to the issues raised by some delegates. He indicated that there were some 55,000 ha of teak plantations following the legislations that provided tax breaks but the plantations were still young to provide the raw material for the industry. However, there was a window of opportunity in the future. He also indicated that the Forestry Service of Panama could not provide information on the genetic origin of the teak and that the teak seeds were purchased by the entrepreneurs themselves and there was no concerted government effort to supply quality seeds. Mr. Bakken Jensen also stated that the recommendations of the mission had been prioritized in the report.

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

56. The report was presented by Prof. Jeff Sayer, leader of the mission. Other members of mission were Dr. Efransjah (Indonesia), Mr. Sheikh Ibrahim (Malaysia), Mr. Misao Ishijima (Japan) and Dr. Xuhe Chen (China). The mission was conducted from 16 to 30 October 2004. The objectives of the mission were:
- Identify and prioritize the constraints to achieving sustainable forest management and the sustainable development of the forest sector in Cambodia; and
 - Identify the actions that both the Government of Cambodia and ITTO might take to accelerate progress towards sustainable forest management.

57. The mission visited Cambodia at a time of transition in arrangements for forest conservation and management. Logging concessions had been cancelled or suspended and timber transport made illegal so that organized forestry had been effectively suspended. A new forest policy statement and a new law on forestry were adopted in July and September 2002 respectively. The official figure derived from an assessment in 1997 showed that Cambodia had a forest cover of 58.8% down from 73% in 1969, which represented a loss of 14% in 28 years. The mission noted that a considerable area of forest was degraded as a result of agricultural encroachment, fire and poor logging practices but extensive forests rich in timber and biodiversity still remained in a number of areas of the country. The official figures for land allocation and forest cover for 2004 were:

• Permanent forest estates:	11,104,285 ha
• Protected forests:	1,490,499 ha
• Protected areas:	3,128,471 ha
• Forest concessions:	3,374,328 ha

The permanent forest estate was principally under the jurisdiction of the Forestry Administration.

58. The main challenges identified by mission included:

- Land registration not coordinated with delimitation of the permanent forest estate;
- Uncertain policies – no agreed long-term NFP;
- Weak capacity in forest sector – in government agencies and in private sector and other civil society;
- Inadequate knowledge of forest resources – timber, NTFPs, biodiversity, environmental functions; and
- Lack of incentives for sustainable forest management – both at the scale of industrial forestry and community forestry.

59. On the issue of land allocation, the mission recommended that:

- (i) PFE must be clearly defined – but must recognize existing and traditional rights;
- (ii) Allocation of PFE must allow for appropriate levels of land conversion for estate crops and agriculture;
- (iii) Security of forest user-rights for local people must be ensured; and
- (iv) Forest land allocation must be consistent with decentralized administrative arrangements.

60. On the issue of uncertain sectoral policies, the mission recommended the following:

- (i) NFP should include mechanism for other land management agencies to participate;
- (ii) Responsibilities for forestry and protected areas should be clarified; and
- (iii) Regulations were excessively detailed.

61. The mission noted the weak capacity in the forest sector and recommended the following:

- (i) Provision of incentives, rewards, budgets and working conditions to motivate and retain competent staff;
- (ii) A focus on attitude and organizational performance in addition to technical training;
- (iii) An emphasis on accountability to stakeholders – especially at decentralized levels;
- (iv) Forest Administration Staff should include social and environmental disciplines; and
- (v) Forest Administration should work in partnership with specialists from outside bodies such as research, independent monitoring, etc.

62. The mission made the following recommendations for improved incentives for decentralized management:

- (i) Recognition that local conditions differ;
- (ii) Reducing local taxes and premiums; and
- (iii) Improving long-term resource security for communities and households.

63. The report stated that wood based industry must be given incentives for long-term commitment and that concessions could provide large scale and long-term planning framework. The mission

concluded that the Forest Administration should continue to work with concessionaires and a small number of concessions under strict control should be resumed.

64. On the issue of industrial plantations, the mission concluded that plantation forestry should be an important part of the long term strategy for forestry development. Small and medium sized enterprises should also be encouraged to develop plantations for fuel wood, local timber needs and for high quality hardwoods for handicrafts and furniture.
65. The mission noted that ITTO had implemented several projects and pre-projects in Cambodia since 1998 and recommended that ITTO should continue to support Cambodia in the following areas:
 - (i) The development of a national forestry inventory capacity;
 - (ii) Assistance for the further development of a national forestry programme;
 - (iii) Partnership forestry: a pilot programme in a large forest-rich area to help the Forestry Administration to develop approaches to integrating industrial forestry, community management and conservation at the level of one or more commune councils; and
 - (iv) Sponsorship of a workshop at which the senior staff of the Forestry Administration might be familiarized with the opportunities existing for Cambodia under current international forest-related initiatives.
66. Mr. Huot Bunnary (Cambodia), on behalf of the Royal Government of Cambodia, expressed appreciation and gratitude to ITTO for sending the technical mission to Cambodia. He noted that the report had clearly presented the facts, problems and opportunities for forest resource management in Cambodia. He, however, expressed some concerns on the following issues:
 - (i) The Forest Administration had no intention to close down the concession management practice in Cambodia. The moratorium on forest concession logging activities had been applied on technical grounds. He stated that according to guidelines developed by the Asian Development Bank and the World Bank, concessionaires were required to prepare management plans before commencing logging operations and that concessionaires without the necessary technical expertise on forest management had to cease operations. He indicated that new companies who fulfilled the technical guidelines were welcomed to operate concessions through bidding process;
 - (ii) The Forestry Administration was of the view that the technical mission should have recommended increased flow of investment back to maintain and sustain forest management;
 - (iii) The Forest Administration did not fully agree with the proposal to introduce forestry partnership with commune councils in forest rich areas, considering the limitations of the Forestry Administration professional staffs' knowledge on the operation of such a system;
 - (iv) The Forestry Administration was of the opinion that the management of large numbers of small logging operations such as local coupe biddings was not only practical to Cambodia but could also solve the problems of local market supply deficit;
 - (v) The new forestry law, the national forestry statement and other relevant sub-decrees and regulations had encouraged a decentralized forest administration system. He mentioned that the local Forestry Administration, the Cantonments, Divisions and Triages had been organized and deployed in the field. He noted that the new structure was a big step towards decentralization and devolution. The Forestry Administration recognized that the development of community-based forest management required a certain period of time to build its foundation; and
 - (vi) The Forestry Administration endorsed the recommendations of the mission on potential areas for ITTO future support to Cambodia, except on partnership forestry. The following areas recommended by the mission for ITTO support were of great interest to the Forestry Administration:
 - The development of a national forestry inventory capacity;
 - The delimitation of a permanent forest estate;
 - The development of national forestry programme; and
 - Sponsorship of a workshop at which the senior staff of Forestry Administration might be familiarized with the opportunities existing for Cambodia under current international forest-related activities.
67. Prof. Yeo-Cheng Youn (Republic of Korea) welcomed the recommendations made by the mission and proposed that those recommendations that had been highlighted by the Government of

Cambodia should be considered for future ITTO's work in Cambodia, especially the capacity building of the Cambodian forestry sector. He noted that the mission's report contained valuable information about the Cambodian forestry sector and proposed that the information contained therein could be utilized in the preparation of the "Report on the Status of Tropical Forest Management".

68. Mr. Ricardo Umali (Philippines) expressed delight that the mission had recognized the concept of "minimum necessary regulation" for forestry management adopted by the Philippines and had advocated the same concept to Cambodia. He indicated that over-regulation might not always provide the solution and might lead to problems, especially if the necessary institutional capacity was lacking.
69. Mr. A.S.K. Boachie-Dapaah (Ghana) indicated that there was the urgent need to harmonize activities of various donors in support of forestry in Producing Member Countries to avoid duplication of efforts. He stated that future ITTO projects and activities to support Member Countries should take into account the need for synergy to optimize benefits to Member Countries and to ensure effective use of resources. He urged the Council to focus on the development of the capacity of the private sector and civil society as well as other advocacy groups within the forestry sector in Producing Member Countries to serve as a vehicle for enhancing sustainable forestry management. He called on the Council to facilitate the creation of a forum in Member Countries to allow for interaction between the private sector, civil society and other advocacy groups and governments to collectively work towards sustainable forest management and the elimination of illegal activities and trade in the forestry sector. Mr. Boachie-Dapaah urged the Council to review the role of independent forest monitors in Member Countries to provide support and assurance to markets in the absence of certification schemes in these countries, which should be seen as complementary to the process for achieving good governance in the forestry sector.
70. Prof. Jeff Sayer noted that a large number of issues were identified by both the technical mission and the Cambodian authorities which could have been good subjects for future ITTO projects. However, Cambodia already had quite a large number of projects that had been approved by the Council and awaiting funding as well as a number of pre-projects that had to be developed into full projects. On behalf of the technical mission, Prof. Sayer expressed gratitude to the Government of Cambodia for the support and assistance the mission received whilst in Cambodia.
71. Mr. Luis César Gasser (Brazil) stressed the need for activities implemented by ITTO with the view to promoting international trade in tropical timber and non-wood forest products to be linked to efforts aiming at sustainable development. He stated that to date, benefits generated by ITTO projects relating to sustainable management still had limited impacts on local communities as projects often remained restricted to companies that exploit these natural resources. Mr. Gasser noted that in the context of international negotiations on forests such as the UNFF and the Committee on Forests of FAO, Brazil had supported the notion that priority be given to the promotion of effective international cooperation. He underlined the fact that this international cooperation should aim at institutional strengthening, capacity building and transfer of new and additional technological and financial resources to developing countries, without which ITTO Objective 2000 would remain unattainable. He further noted and stressed the importance and the need to add value to wood products exported to consuming countries.

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

72. The report was presented by Dr. Steven Johnson (ITTO Secretariat). He indicated that the criteria and indicators training workshops were convened under ITTC Decisions 9(XXX) and 4(XXXIV). Both Decisions approved the convening of a total of eighteen (18) workshops to train forest concessionaires and forest managers and forest officials on how to use the ITTO criteria and indicators and the reporting formats. Dr. Johnson reported that to date, thirteen (13) workshops had been convened in Bolivia, Cameroon, Colombia, Côte d'Ivoire, Ecuador, Panama, Papua New Guinea, Peru, Philippines, Republic of Congo, Togo, Vanuatu and Venezuela. In 2005, workshops would be held in Cambodia, Guatemala, Mexico and Nigeria.

(c) Report on Progress in the Preparation of a "Status of Tropical Forest Management Report"

73. The report was presented by Mr. Alastair Sarre (ITTO Secretariat). He reported that ITTC Decision 9(XXX) authorized the Executive Director to prepare and publish the report on the status of tropical forest management based on evidence, including:

- (i) Country reports based on the ITTO Criteria and Indicators reporting formats;
- (ii) Meetings with government officials, professional foresters, industry, concessionaires, NGOs and people's organizations; and
- (iii) Field visits to a random sample of forest management units.

Mr. Sarre noted that the original deadline for the submission of country reports was December 2001. Unfortunately, Member Countries could not comply with the deadline and to date a total of twenty-two reports had been received by the Secretariat. He indicated that many of the reports were incomplete and as mandated by the Council, the Secretariat had been drawing on a wide range of other sources including, the information provided by the national level criteria and indicators workshops, country visits by consultants and reports of diagnostic missions. Mr. Sarre reported that consultants had been engaged to prepare the report, and they had also worked closely with the World Conservation Monitoring Center to obtain available information on the status of protected areas. He noted that the report was in its final stages of preparation and should be ready by the first half of 2005.

FOREST LAW ENFORCEMENT IN THE CONTEXT OF SUSTAINABLE TIMBER PRODUCTION AND TRADE – DECISION 6(XXXI) (Agenda Item 14)

(a) Report on Study on Export and Import Data on Tropical Timber Products

74. The report was presented by Mr. Alberto Goetzi (Consultant). He provided the background and the terms of reference for the study. He noted that trade statistics published by ITTO and other international organizations often showed discrepancies between what was reported as exported by a supplying country compared to what was reported as imported by the receiving country. The discrepancies appeared particularly large in the case of tropical wood products. In 2002, ITTO commissioned the Center for International Trade in Forest Products (CINTRAFOR) to prepare a background paper on discrepancies in forest products trade statistics. Subsequently, ITTO retained consultants in several countries to closely examine discrepancies in trade statistics and as of September 2004, completed reports were received from 10 countries: Bolivia, Brazil, China, Indonesia, Japan, Malaysia, Papua New Guinea, Republic of Congo, United Kingdom and the United States. The synthesis report contained summaries of the major findings and recommendations of the ten submitted country reports on trade data discrepancies.

75. The report noted that the major factors contributing to data discrepancies could be grouped into three general categories:

- (i) International compilation and reporting;
- (ii) Trade data collection systems; and
- (iii) Country/Trader Reporting, Recording and Compiling.

The report stated that errors and inconsistencies could result from incomplete or inconsistent submissions by individual countries. It further noted that compilation of data using the 6-digit HTS codes was not detailed enough for some products and could result in data discrepancies. The report also identified that the manipulation of various sources of data potentially resulted in discrepancies. It stated that the use of varying weight estimates and conversions between weight and volume could lead to discrepancies between data derived from different sources.

76. The report attributed some data discrepancies to trade data collection systems such as:

- Variation in sophistication of data collection, compilation and reporting systems of customs agencies;
- Highly automated and integrated systems in some countries such as U.S.A. and Japan;
- Lack of resources and technology in some countries; and

- Differences in type of information filed across all of the countries.
77. The report noted that discrepancies in trade data reporting arising from country/trade reporting, recording and compiling could be due to the following:
- Classification practices – grouping of products in different HTS codes;
 - Differing product measures and conversion factors;
 - Trans-shipments and triangular trade; and
 - Unreported trade and illegal activities
78. The report noted that efforts to improve the reliability of trade data would not only foster better market intelligence, but would also improve the information available to decision-makers. The consultants noted that import data were generally more reliable than export data in their countries.
79. The report made the following recommendations for ITTO's consideration:
- (i) Provide guidance and/or to conduct a workshop on unifying tropical timber product classifications, standard units of measure, log scaling techniques and conversions for trade data reporting purposes;
 - (ii) Conduct a study to more specifically compare required documentation for forest products production, transport and trade in ITTO Member Countries;
 - (iii) Comparative study of customs systems in selected countries, focusing on differences and/or commonalities in procedures, forms, administration and data collection;
 - (iv) Data reconciliation studies for specific product flows between two trading partners;
 - (v) In preparing data for publication in the Annual Review:
 - (a) To the extent possible, rely on originally sourced country data and avoid multiple manipulations of the same data;
 - (b) Where data were not made available on-line, ITTO should consider obtaining data directly from the customs collection organizations in Member Countries; and
 - (c) Consider using the Global Trade Information Service (GTIS)/Global Trade Atlas (GTA) as an additional tool for checking and verifying data of GTIS partner countries.
 - (vi) Sponsoring a workshop in conjunction with other trade data gathering organizations to define common routines and procedures for checking and guaranteeing the consistency, integrity and quality of the reported data; and
 - (vii) Consider working with the World Customs Organization (WCO) to sponsor workshops or provide technical assistance to ITTO Member Countries in the areas of customs collection and enforcement procedures.
80. The report made the following recommendations for ITTO Member Countries:
- (i) Ensure more accurate reporting of trade data to ITTO and other international organizations;
 - (ii) Sponsor reconciliation studies with partner countries where wood products trade data showed high discrepancies and/or sponsor internal audits of customs procedures and data collecting and reporting;
 - (iii) Increase training oversight and automation of data systems; and
 - (iv) Reduce incentives for misclassification or under-reporting.
81. Dr. David Brooks (U.S.A.) welcomed the report and noted that the study represented an area of ITTO work that brought together core activities such as data collection, statistics, market information and attention to sensitive policy issues such as illegal logging and illegal trade. He indicated that the original country studies and the summary reports had provided good reference material for countries to draw upon. Dr. Brooks stated that some of recommendations as provided in the country reports were problematic or expensive in terms of implementation. He further indicated that generally, the recommendations highlighted the importance of the study as a core activity of ITTO. He stressed the importance of training, capacity building and improving the information base for compiling, collecting and reporting trade data to ITTO or to international organizations in general through the Joint Questionnaire. Dr. Brooks proposed that some of the recommendations in the report should be taken up as part of other on-going activities and cited the recommendations of the CSAG/TAG Panel discussions during the Thirty-sixth Session of the Council with respect to customs cooperation on timber trade.

82. Mr. Daniel Birchmeier (Switzerland) welcomed the recommendations in the report, particularly the recommendations for additional studies required to improve the data collection, compilation and reporting. He also endorsed the recommendation to strengthen ITTO's cooperation with the World Customs Organization (WCO). He proposed that, as a follow-up to this study, the Secretariat should conduct further studies on trade flows through transit points like Hong Kong and Singapore.
83. Mr. Xia Jun (China) welcomed the report and endorsed most of the recommendations contained therein. He noted that the lack of technology and resources contributed to the discrepancies in the import and export data and proposed that ITTO Secretariat together with FAO should organize a workshop to build the capacity of some of the countries in data collection and compiling of the Joint Questionnaire in order to increase transparency in timber trade collection and market intelligence.

(b) Report on Studies to Enhance Forest Law Enforcement in Producing Member Countries

(i) Report on Forest Law Enforcement and Governance in Malaysia in the Context of Sustainable Forest Management

84. The report was presented by Mr. Chen Hin Keong, Traffic International. The objective of the study was to examine the state of forest law enforcement and governance in Malaysia and to identify gaps and challenges in the legislative framework and institutional responsibilities in the context of sustainable forest management.
85. The report noted that Malaysia had been managing its forest for over 100 years with scientific silvicultural systems being first developed during the colonial era. State forest policies had been in place in Sabah and Sarawak since 1954, although for Sarawak the policy had not seen much change despite advances in knowledge resulting from experience with practical forestry issues and challenges. The National Forest Policy (NFP) was adopted in 1977 and applied to Peninsular Malaysia, with Sabah using the NFP as a template for its own policy revisions. The concept of the Permanent Reserved Forest (PRF) was enacted in the National Forestry Act, 1984, as well as the Forest Enactment of 1968 for Sabah and Forests Ordinance of 1954 for Sarawak. From 1995, the Sarawak Forestry Corporation Ordinance gave the implementation role of the Forests Ordinance to a newly established private company, the Sarawak Forestry Corporation. In Malaysia, protected areas system amounted to nearly 1.6 million ha or 5% of land area. These exclude the extensive protection forests classified under the Permanent Reserved Forests managed by the Forestry Departments.
86. The report identified the following challenges to sustainable forest management in Malaysia:
 - Coordination between federal government and states; and state to state;
 - Ensuring that the protected area system included areas of sufficient size representing the full range of habitats in the country;
 - Policy to encourage forest-based industrialization; and
 - Laws regarding native customary rights, land and compensatory issues.
87. The report noted that Malaysia had a comprehensive set of legislation to manage and control the use of its forest resources. Forests were national asset and the Forestry Departments were the custodians of this asset. The Government had provided funds administered by the Malaysian Timber Certification Council (MTCC) for the auditing of forest management in the PRFs under the MTCC scheme. The report noted that government support for this form of certification was unique and should be expanded to Sabah and Sarawak where feasible and appropriate.
88. The report identified the following sources of timber supply:
 - Permanent Forest Estates (PFE);
 - State land forests;
 - Private forested land;
 - Plantations; and
 - Imports

89. The report stated that CITES provision, when implemented effectively by Malaysia for Appendix II and III – listed species could help to provide additional management support for the trade in CITES-listed species. Malaysia was putting in place a mechanism to implement the import and export controls of the only commercial timber species found in Malaysia that had been listed in CITES Appendices, Ramin (*Gonistylus* spp.) This control had allowed Malaysia to interdict certain cases of illegal smuggling of Ramin from Indonesia to Malaysia. The report indicated that Malaysia had a comprehensive documentation system in place for tracking the movement of timber. The documentation system was further supported by field and enforcement checks. The Forestry Departments had the ability to track the movement of log imports from an official point of entry to a registered sawmill. The main loophole in the timber tracking system from imported sources was from the mills onwards to the point of export. In Peninsular Malaysia and Sabah, the enforcement of CITES requirements for Ramin was primarily the responsibility of the Malaysian Timber Industry Board (MTIB). The report stated that increased cooperation in this regard would greatly enhance the CITES implementation for Ramin. Part of the challenge stemmed from the lack of verification checks on the origin of the timber. In efforts connected with verifying origin of timber, MTIB had instituted a process whereby the Malaysian Embassy based at the particular exporting country would run a simple but relatively effective check on the validity of the transaction, to add to existing controls preventing illegal Indonesian logs from entering Malaysia using fraudulent documentation. The report noted that Malaysian system had the potential to work relatively well for part of the supply chain from source to mill but the system fell short of a robust chain-of-custody for the entire supply chain from mill onwards. Malaysia's long land and sea border with Indonesia provided opportunities for smuggling to occur. The other challenges for international Ramin trade controls were the barter trade and Free Trade Zone (FTZ). The barter trade system required less stringent documentation. The system for timber no longer follows the traditional system of exchange of goods. The FTZ challenge initially involved the difficulties of Malaysian authorities to check timber products in the zones for illegal trade in Ramin. The provisions for control in FTZ were being addressed in the interim where timber entering the FTZ was regularly checked by MTIB and customs for smuggling of Ramin. Ramin had been proposed for inclusion in schedule 4 of the Customs Prohibition Act where all timber would be checked to ensure no Ramin was smuggled via the FTZ.
90. The Report noted that certification in Malaysia was complementing the various efforts undertaken by the CITES management authorities, the Forestry Departments and trade regulatory agencies such as MTIB and Sarawak Timber Industry Development Board (STIDC) to carry out sustainable forest management. The MTCC scheme, which was being practiced in Peninsular Malaysia, was promoted by the Malaysian government as a step-wise approach that would ultimately ensure that the FMUs in the country reached a high level of management through a demand-driven process. The MTCC was in the process of achieving compatibility between the MTCC standards and those of the FSC scheme.
91. The report stated that Malaysia had been at the forefront of international discussions on forestry issues. At the regional level, Malaysia had played the lead role on many forestry issues within the ASEAN Forum. It cited the lead role of Malaysia to develop a pan ASEAN certification scheme that would become the standard for sustainable forest management in the region. Malaysia had also adopted a reciprocal policy of banning the import of round logs into Malaysia from Indonesia following a log export ban by Indonesia in 2001. Malaysia took further unilateral action of banning the import of Large Square and Scantling (LSS) above 60 square inches from Indonesia as of June 2003 to further tighten the enforcement challenges discovered from smuggling of illegal timber from Indonesia into Malaysia.
92. The report made the following recommendations for the consideration of the Government of Malaysia:
 - Ensuring that policies which minimized impacts to wildlife, habitat and environment were followed stringently;
 - Totally Protected Areas (TPAs) and species conservation should be comprehensively reviewed for the whole country in a coordinated manner;
 - Balancing policy to encourage forest-based industrialization;
 - Reconciling laws regarding native customary rights, land and compensatory issues;
 - Enforcement challenges required new approaches to reduce illegal logging and illegal trade;
 - The National Forestry Council should play a greater role in ensuring a more consistent approach towards management of forest resources; and

- The barter trade system for timber with neighbouring countries should be reviewed to close existing loopholes.
93. Mr. Mohd Yusoff Mydin (Malaysia) commended the consultant for the report. He noted that Malaysia had studied the report with great interest. He stated that at the end of 2003 the total area of forest in Malaysia was estimated to be 19.52 million ha equivalent to 59.5% of the total land area of which 14.39 million ha had been designated as Permanent Reserved Forests (PRF) which were under sustainable forest management. Approximately 11.18 million ha of the PRFs were production forests with the remaining 3.21 million ha of the PRFs being protection forests. Malaysia had also 5.52 million ha of perennial agricultural tree crops which were mainly rubber, oil palm, cocoa and coconut. Hence, at the end of 2003 the total area under tree cover in Malaysia was estimated to be 25.04 million ha or 76.35% of the total land area.
94. Mr. Mydin indicated that forest management was not a new concept in Malaysia and had been practiced since the appointment of the first forester in 1901. Malaysia was fully aware of the need for effective forest management and conservation not only to ensure a sustained supply of timber but also to maintain environmental stability, provide sanctuary for wildlife and to serve as an invaluable storehouse of genetic resources useful for the improvement of its indigenous tree species, agricultural crops and livestock. Hence the forests of Malaysia were being managed under strict and technically sound forest management objectives and practices to ensure sustainable timber production, the conservation and protection of biological diversity, the rational and sustainable utilization of the genetic resources, the maintenance of equable climate, and ecological and environmental balance, as sound environmental conservation was prerequisite for sustainable forest management.
95. Mr. Mydin mentioned the following prevention strategies which were currently being undertaken by Malaysia, particularly the Forest Authority to reduce or even eliminate the occurrence of forest offences:
- In Peninsula Malaysia, the National Forestry Act, 1984 was amended in 1993 to incorporate new provisions to deter the occurrences of forest offences, including (a) mandatory imprisonment of not less than 1 year and not more than 20 years; (b) a maximum fine of RM500,000 (US\$131,579.00); and (c) compound of forest offences confined to first offenders;
 - Incorporated also in the National Forestry Act, 1984 (amended 1993) were provisions for the police and armed forces to undertake surveillance of forest activities, especially in curbing illegal logging in Peninsular Malaysia including: (a) "Enforcement Teams" within State Forestry Departments and the Forestry Department Headquarters had been set up to patrol sensitive areas, occasionally by helicopter. The Enforcement Teams had been carrying out monthly checks on currently logged areas, checking stations and setting up roadblocks to ensure that no illegal logging occurred, as well as checks on mills to verify that no illegal logs entered the production process; (b) encouraging the public to report on illegal activities to the relevant Forestry Departments, through posters and giving of rewards; and (c) the checking station system to ensure that all log-carrying lorries were issued and carried "log removal passes" at all times. Roadblocks to check the movement of harvested logs, including the detection of illegally harvested logs, if any;
 - The Sabah Forest Enactment 1968 and Forest Rules 1969 were amended in 1995 to include prescription on all aspects of forest administration, planning, management, development/regulation of forest harvesting, revenue collection and development of forest-based industries as well as specified penalties and procedures in dealing with forest offences;
 - The Sarawak Forest Ordinance 1954 was amended in 1996 to include the description of three forest types and all forest procedures in dealing with forest offences. In addition, there were the Sarawak National Parks Ordinance (1956) and Wildlife Ordinance (1958);
 - Revising the related forest manuals emphasizing effective procedures in making police report and preparation of succinct investigation paper for the purpose of effective legal prosecution of the forest offenders;
 - Conducting regular training programmes on forest law enforcement to enhance the skills, leadership ability and knowledge amongst the forest personnel; and
 - Strengthening information data bank amongst relevant authorities (intra-agencies) for effective detection, prevention and suppression of forest offences.

96. Mr. Mydin noted that in relation to the implementation of sustainable forest management, the Malaysian Criteria and Indicators (MC&I) had been formulated to include the elements of law and enforcement. He said that criteria 1 dealing with "enabling conditions for sustainable forest management" required a framework of laws, policies and regulation on the control of forest harvesting, encroachment and participation of local communities. Criteria 2 dealing with "forest resource security" required the Permanent Forest Estate (PFE) to be demarcated and clearly defined. Criteria 7 dealing with "economic, social and natural aspects" required the ration of domestic log production to processing capacity of wood-based industries to be determined and clarified.
97. Mr. Mydin stated that the Malaysian Timber Certification Council was developing and implementing a timber certification scheme in Malaysia to promote sustainable forest management, as well as to facilitate the trade in timber from Malaysia. He noted that the MTCC, based on phased approach, had launched its Timber Certification Scheme in October 2001 using the same criteria, indicators, activities and standards of performance of the MC&I for forest certification at the forest management unit level. He reported that to date, eight forest management units in Peninsular Malaysia, namely the states of Johor, Kedah, Kelantan, Negeri Sembilan, Pahang, Perak, Selangor and Terengganu, covering 4.67 million ha of the PRFs in Peninsular Malaysia had been certified under the MTCC Timber Certification Scheme through independent third party assessors. In addition, a forest management model area covering 55,083 ha in the Deramakot Forest Reserve in the state of Sabah and a forest concession awarded to the Perak Integrated Timber Complex (ITC) Sdn. Bhd. in the state of Perak in Peninsular Malaysia covering an area of 9,000 ha had also been certified under the Forest Stewardship Council's Principles and Criteria for Forest Management (FSC's P&C) since 1997 and 2002 respectively.
98. Mr. Mydin called upon all ITTO Member Countries to fully consider and apprehend the significant contributions of all issues related to law enforcement, control of harvesting, participation of local communities and other social aspects toward the achievement of sustainable forest management practices. He indicated that forest management certification was the only pragmatic way forward and consequently, Malaysia together with the ten Members of the Association of Southeast Asian Nations (ASEAN) had decided to develop a Pan-ASEAN Timber Certification Scheme through a "phased approach" certification process. He informed the Council that the inaugural meeting of the Ad-hoc working group on Pan-ASEAN Timber Certification Initiative was held on 17-19 December 2002 in Kuala Lumpur and since then, much progress had been achieved and many Member Countries had been assisted in strengthening forest management as well as minimizing illegal logging and illegal trade. Mr. Mydin appealed for further cooperation between Producing and Consuming Member Countries of ITTO to promote appropriate timber certification to ensure sustainable forest management and, thereby, prevent illegal practices.
99. Mr. Mydin stated that Malaysia had been participating in the Asia Forest Partnership (AFP) initiative to further enhance the implementation of sustainable forest management practices through various programmes, particularly those on minimizing illegal logging and illegal trade activities. He stated that while Malaysia recognized that there were gaps to be narrowed and issues to be overcome, Malaysia would continuously support any initiatives by other ITTO Member Countries in order to ensure the sustainability of tropical timber trade.
100. Mr. Daniel Birchmeier (Switzerland) commended the consultant and the Government of Malaysia for the report. He noted that the study provided a lot of information on law enforcement in the forest sector of Malaysia. He said the study showed that Malaysia was establishing a good precedence for a systematic assessment of the problems facing sustainable forest management with regard to law enforcement. He noted that such studies which objectively assess and document the extent of law enforcement successes and failures could allow the identification of the right actions against illegal logging and related illegal trade as well as unsustainable forest management. Mr. Birchmeier indicated that Switzerland would welcome similar efforts by other countries facing similar challenges in improving effectiveness of law enforcement mechanisms. He commended Malaysia's accomplishments in establishing the legal framework to ensure that policies could be translated into action. He also commended Malaysia for the comprehensive set of legislations to manage and control the use of its forest resources. Mr. Birchmeier welcomed the recommendations contained in the report but indicated that there had not been enough attention to aspects relating to dialogue and transboundary cooperation with neighbouring countries as far as law enforcement and governance of transboundary forest ecosystems were

concerned. He also stated although the report mentioned ITTO's transboundary conservation projects in Sarawak and Kalimantan there was no assessment of the contribution of transboundary conservation to law enforcement and to international dialogue on the governance of transboundary resources. Mr. Birchmeier underlined that Switzerland being one of the donors of the ITTO's transboundary conservation projects in Sarawak and Kalimantan recognized the importance of such a programme and the role it could play in promoting international dialogue as far as forest law enforcement and governance was concerned. He indicated that Switzerland would welcome further consideration of these aspects in the final report.

101. Mr. Enzo Barattini (European Community) stated that the issue of illegal logging and associated illegal trade was central to the work of ITTO, both in terms of its role in facilitating legal trade in tropical timber as well as achieving the ITTO Objective 2000. He noted that stamping out illegality was a crucial step towards ensuring that all tropical timber products were derived from sustainably managed sources. The European Union recognized that actions against illegal logging could not simply be placed on the shoulders of Producing Member Countries and stated that Consuming Member Countries would also have to take responsibilities. He recalled that at the Thirty-sixth Session of the Council, the European Union reported on the work done by the European Commission on the development of FLEGT Action Plan. Mr. Barattini said that in recent months the Member States of the EU had been considering a proposal for a regulation that would ensure that only imports of legally harvested timber entered the EU from countries that had concluded voluntary FLEGT partnership agreements with the EU. He recalled that the proposal was distributed to delegates at the Thirty-sixth Session of the Council and in addition workshops had been held on the issue of using anti-money laundering legislation against the trade in illegal timber and the role of public procurement in furthering legal and sustainable forest management.
102. Mr. Barattini also commended the consultant for the report on discrepancies in trade data and noted that trade data discrepancies were in some cases very large and significant. He indicated that the issue was related to Chapter 9 of the ITTA, 1994, dealing with availability and exchange of data. He said that the lack of reliable data hampered the understanding of the international timber trade and proposed that ITTO should explore possible collaboration with the World Customs Organization, especially in terms of capacity building.
103. Dr. Camilo Aldana Vargas (Colombia) welcomed the report and indicated that the law enforcement system in Asia should be quite effective in promoting sustainable forest management and sustainable use of forests. He indicated that illegal logging could be tackled either through law enforcement, which could be effective but expensive and also through the promotion of legal behaviour. He stated that Colombia had in the past embarked on law enforcement as a means of combating illegal logging. However, the Government had recently embarked on measures to promote legal behaviour and legal use of the forests through simplification of procedures and standards as well as provision of technical assistance and easily accessible credit schemes to forest users. He urged Member Countries to use both approaches in combating illegal logging but stressed that more emphasis should be placed on promoting and facilitating legal behaviour. Dr. Vargas noted that stringent laws tend to make legal exploitation more difficult and thus encourage illegal activities.
104. Mr. Dike Kari (Papua New Guinea) commended Traffic International for the comprehensive report. He also commended Malaysia for being transparent and allowing the study to be undertaken. He noted that this was a good sign of cooperation among Member Countries on the issue of illegal logging and illegal trade. Mr. Kari expressed concern that the outcry on illegal logging was having a negative impact on timber trade and indicated that some countries were over-emphasizing the issue. He stated that the issue should not be the core issue for every Session of the Council and that the core objective of sustainable forest management should rather be the focus of Council's attention. He sought further clarification as to why PNG had been mentioned on page 34 of the report, and stated that PNG did not allow any export of illegal timber. Mr. Kari reported that certain NGOs were chaining themselves across certain timber yards in Australia and advocating that timber exports from PNG were from illegal sources. He expressed surprise at such accusations.
105. Mr. Kazuyuki Morita (Japan) commended the consultant for the report. He also welcomed the comments made by the delegation of Malaysia on the consultant's report. He indicated that Japan was seriously concerned about the issue of illegal logging and associated illegal trade. He acknowledged that the issue had made a huge negative impact on the promotion of tropical timber trade as well as markets for tropical timber, as a result of pressures from consumers.

Mr. Morita said that the issue of illegal logging and illegal trade should be addressed in a transparent manner. He proposed that the studies should continue and indicated that it would be very effective to establish an international consensus for tackling the problem of illegal logging for the benefit of exporting and importing countries. He pledged Japan's continued assistance in addressing the issue.

(ii) Report on Illegal Logging and Forest Law Enforcement in Honduras

106. The report was presented by Mr. Danilo Humberto Escoto of AFE-COHDEFOR. He noted that the objective of the report was to provide a general overview of the current state of affairs in relation to illegal timber production, transport and trade in Honduras. The report stated that the degradation of broadleaved forests was the result of a variety of causes, but the uncontrolled logging and marketing of forest products was an important element in the process. It noted that the phenomenon was complex and was causing huge economic losses to the country and a strong disincentive to sustainable forest management. The report stated that illegal timber was much more attractive proposition for timber traders as they did not have to pay the relevant taxes and tariffs, and consequently, their costs were lower and their profit margins were higher. These illegal activities were further facilitated by the inability of the state and municipal governments to adequately control them.
107. Mr. Escoto stated that from 1998 to 2001, the problems related to illegal timber trade activities reached a critical stage and even seed trees that had been left to guarantee the regeneration of the forest were cut down. AFE-COHDEFOR was implementing direct actions aimed at combating illegal logging and marketing of timber and this had reduced illegal trade in these products. The report indicated that unofficial information was available about the operations of timber trafficking groups that had timber yards situated near major urban centers and were promoting the illegal trade by convincing timber producers, timber cooperative leaders and dissident agroforestry groups and/or producers to supply illegal timber to their facilities. This timber was then distributed to the different micro-processors and craftsmen, using deferred payment schemes of up to 30-60 days in order to ensure that timber yards and timber processors did not run the risk of possible losses due to raids and control operations leading to the seizure of products.
108. The report stated that illegal logging activities could occur under different land tenure systems. In privately owned forests, illegal activities might occur when the forest owner:
- (i) cut the timber without authorization or without an approved management plan;
 - (ii) had a management plan but carried out logging activities without authorization or without an operational management plan;
 - (iii) had a management plan and an operational management plan but agreed with the contractor to cut higher volumes of timber than those that had been authorized; and
 - (iv) had harvested timber outside the authorized cutting period.

In community forests, illegal logging activities might be carried out by authorities of municipal corporations under the same modalities as those described for private forests, or by the residents of the municipality who believed that the forest belonged to them due to the fact that it was in their possession. The report noted that national forests was the land tenure that was most affected by illegal logging as illegal timber traders took advantage of the large areas covered by these forests and the lack of surveillance and control measures.

109. The report identified the following as factors encouraging illegal logging:
- Limited capacity of AFE-COHDEFOR to control sustainable management operations;
 - Corruption among police service authorities;
 - Lack of definition in land tenure and resource utilization policies;
 - The effects of increased rural poverty rates; and
 - Weaknesses in the institutional framework.

The report indicated that analysis of the current legislation covering illegal timber trade had revealed that there were sufficient legal mechanisms in place to combat illegal logging. It noted that currently there were three state institutions, with pre-established roles, that were carrying out coordinated and individual efforts aimed at controlling illegal timber trade. AFE-COHDEFOR was performing a preventive role; the Public Prosecutors Office of the Ministry of Environment was

responsible for submitting evidence and prosecuting offenders as well as supervising the compliance of officers from other institutions with the legal framework; and the National Police, responsible for the security and control of personnel from other institutions involved in enforcement operations. Some of the most important activities that had produced concrete results included:

- Unannounced and/or prolonged control operations;
- Technical industry audits, including small, medium and large processing mills and timber sale yards and warehouses;
- Restrictions in AFE-COHDEFOR on the use of commercial and non-commercial licenses;
- Streamlining of approval procedures for management plans and operational plans to authorize forest harvesting activities;
- Daily issue of bills of lading to agroforestry groups and on-going supervision and control of this documentation;
- Approval of operational plans for the harvesting of dead timber;
- Positive attitude, creativity and diligence in addressing and solving the problems identified by society; and
- Gradual rehabilitation of the institutional image of AFE-COHDEFOR so as to ensure greater confidence in the institution, and organization of groups in order to support them in their negotiations and guide them towards a client-service philosophy.

110. The report stated that a draft Forestry Law would be approved by the National Congress in the first semester of 2005. It indicated that the draft Law had been the object of a long consultation process and was currently being revised by an evaluation committee in an attempt to balance and mitigate possible conflicts of interest among the various interested parties. It noted that the draft law contained a general article on illegal logging with the following provisions:

- Provisional confiscation of forest products by AFE-COHDEFOR in coordination with other organizations carrying out inspection and monitoring activities;
- Public auction of confiscated forest products at a price not less than that set by AFE-COHDEFOR;
- The article defined the technical authority of AFE-COHDEFOR and the responsibility of the National Police to provide assistance to other organizations involved in the implementation of the necessary measures aimed at the prevention of any act which might constitute a violation of the forestry law or breach of administrative procedure, in order to minimize the repercussions of these acts; and
- Definition of forestry crimes related to illegal harvesting, transport and marketing or industrialization of timber, with the imposition of jail sentences of between four to seven years.

111. The report proposed the following five strategies aimed at addressing the problem of illegal logging:

- National Awareness Campaign with estimated implementation costs of US\$250,000 over a period of three years;
- National strategy for the control of illegal timber production and trade aimed at reducing the possibilities for illegal activities in the forest production chain, strengthening government revenues, consolidating the legal activities of various stakeholders, and
- Creating and developing the office of Forest Certifier.

112. Mr. Renzo Silva (Venezuela) commended the consultant for the comprehensive report. He noted that the report highlighted the problems facing the forestry administration in Honduras, particularly the issue of corruption and the demands of the rural indigenous people to manage the forest themselves. He sought clarification on concrete measures being taken by the Government of Honduras to respond to the problems identified.

113. Mr. Danilo Escoto, in his response indicated that in Honduras the problem was not the lack of laws but the implementation of laws. He reiterated that the government was fighting corruption by involving the Police Service, the tax authorities and the forestry authorities. He noted that traditionally, Honduras had been working with agroforestry industries but was currently pushing the concept of community forestry and explaining to the communities the benefits of managing the forests sustainably.

(c) Cooperation with FAO

114. Dr. Steven Johnson (ITTO Secretariat) updated the Council on the progress of cooperation with FAO on the development and application of guidelines for the improvement of law compliance in the forest sector. He noted that the activity was provided for under the ITTO Biennial Work Programme 2004-2005. The activity called for cooperation with FAO to produce a handbook of Best Practices for Forest Law Compliance. Dr. Johnson reported that the first draft of the handbook had been produced by a consultant based on desk study and ten case studies in tropical and non-tropical countries. The first draft had been reviewed by an Expert Panel that met in Rome in November 2004. Based on inputs of the Expert Panel substantial revisions had been made to the draft. Dr. Johnson reported that the current working title of the handbook was "Improving Law Compliance in the Forest Sector – Best Practices and Strategies for Action".
115. Dr. Johnson informed the Council that a final draft of the handbook would be introduced at a side-event during the FAO Committee on Forest Meeting in March 2005 and also during the Thirty-eighth Session of the Council.
116. Mr. Hikojiro Katsuhisa (FAO) provided brief remarks on FAO's perspective on the cooperation with ITTO to produce the handbook. He noted the close cooperation between ITTO and FAO in the preparation of the handbook. He said that FAO was fully aware that the issue of forest law compliance and governance was complex and difficult and there was no quick solution. He hoped that the handbook would serve as a practical guide to policy makers, forest managers and NGO and looked forward to continued collaboration with ITTO. Mr. Katsuhisa also proposed that ITTO should work closely with other international organizations including the World Customs Organization and FAO on the production of reliable trade data. He noted that FAO had been producing the Forest Products Year Book based on the Joint Questionnaire and acknowledged that there was room for improvement and said that FAO would be ready to collaborate with ITTO on this important subject.

STRENGTHENING THE ASIA FOREST PARTNERSHIP – DECISION 3(XXXIV) (Agenda Item 15)

117. Mr. Bambang Mardiono (Indonesia) briefed the Council on progress being made in strengthening the Asia Forest Partnership. He thanked the ITTO for supporting the Asia Forest Partnership. He briefed the Council on the background for the establishment of the AFP. He noted that the partnership was established due to concerns over the spread of forest fires, the invasion of exotic pests, illegal logging and the need to restore degraded forest lands. The leading partners in AFP were Japan, Indonesia, CIFOR and the Nature Conservancy who launched the partnership in Johannesburg in 2002 during the World Summit on Sustainable Development (WSSD). The objectives of the partnership included the promotion of sustainable forest management in the Asean region. Mr. Mardiono reported that AFP had held four (4) meetings so far. To date, there were sixteen (16) governments, eight (8) international organizations and four (4) civil society organizations constituting the AFP.
118. Mr. Mardiono reported that pursuant to ITTC Decision 3(XXXIV) and a decision of the AFP in Kisarazu, a regional workshop on "Strengthening the AFP" was held from 30 August to 1 September 2004 in Yogyakarta, Indonesia. The workshop was: (1) to formulate and develop mechanism and structure of the partnership for the strengthening of the AFP; and (2) to discuss issues related to forest fires, forest rehabilitation and combating illegal logging and associated illegal trade. A total number of 160 participants and observers, representing governments of twelve (12) countries, seven (7) inter-governmental organizations, fourteen (14) private sector organizations, twenty-four (24) non-governmental organizations, eleven (11) universities and research institutions participated at the workshop. Fifty (50) participants of the workshop received financial assistance.
119. The workshop emphasized that the partnership was voluntary and that trust, knowledge sharing, and collaboration were central elements for effective inter-organizational partnership. Other lessons learned from the workshop included:
 - The need for commitment from all partners as well as funding resources;
 - AFP should collaborate closely with other regional organizations with similar objectives, such as ASEAN and APFC in order to avoid duplication, reduce costs and maximize impacts;

- AFP should put great attention on decision-making mechanism, information sharing activities, work plan mechanism and financial implications;
 - Actions of AFP should be harmonized with other initiatives;
 - A need for a secretariat for the AFP and that for the time being the "Secretariat-life" approach adopted from the Congo Basin Forest Partnership (CBFP) was appropriate. This should support partners by acting as an information clearing house and facilitator but should not make decisions on AFP affairs;
 - A need to develop a short/mid-term overall "Action Plan";
 - Establishment of AFP website as a repository/memory of the partnership with periodic "online update";
 - Two different types of funding sources: more permanent funding for the Secretariat and specific funding for activities; and
 - Other funding strategies were: private companies and foundations, voluntary contributions from partners.
120. Mr. Murdiono stated that six (6) papers relating to forest fires and forest rehabilitation were presented at the workshop. Participants agreed to improve common understanding and to formulate action oriented activities. Five (5) papers relating to combating illegal logging and its associated trade were also presented.
121. Mr. Murdiono presented the following as outcome of the regional workshop:
- Participants recommended to the 4th AFP meeting to start deliberating on concrete steps pertaining to the strengthening of AFP;
 - Formalize the structure of the partnership;
 - To establish world definition of legality of logging and timber trade;
 - To promote application of tools and standards for combating illegal logging and its associated trade;
 - To promote international trading on wood product based on legality, public transparency and good governance; and
 - To conduct workshop on forest governance and decentralization in the context of the priorities of AFP.
122. On priority actions related to forest fires and forest rehabilitation, the workshop highlighted the following:
- To approach the issues in a holistic manner;
 - To develop action plans based on scientific facts and data;
 - To implement the action plans in a collaborative manner at respective levels; and
 - The partnership should be based on trust, honesty and respect for one another.
123. Mr. Murdiono reported that the 4th AFP meeting convened from 8 to 10 December 2004 in Tokyo, Japan adopted an amended announcement proposed by the Government of Indonesia. The announcement contained among others that partners should agree:
- To establish an ad-hoc working group to study and explore (i) the need for creating standardized procedures for AFP work, including decision making procedures; and (ii) the need for and feasibility of establishing a secretariat, including any financial implications; and
 - The ad-hoc working group would submit its report and recommendations to AFP partners not later than July 2005 for consideration and adoption by the 5th AFP meeting in 2005.
124. Mr. Shigeki Sumi (Japan) on behalf of the Government of Japan expressed gratitude to the Government of Indonesia for hosting the regional workshop of the AFP. He stated that the uniqueness of AFP was the wide variety of partners, including civil society and academics. He noted, however, that because of the nature of AFP it took sometime before all the partners agreed on a common goal, including the structure of AFP. He commended the achievements of the Regional Workshop in Indonesia, in setting up a common goal for AFP which positively impacted on the 4th AFP meeting held in Tokyo in December 2004.
125. Mr. Christopher Ellis (U.S.A.) stated that the United States was proud to be a partner, together with Japan and Indonesia, in moving forward on the Asia Forest Partnership. The United States stood eagerly and willing to continue to participate and looked forward to further collaboration. He

noted that the 4th AFP meeting held in Tokyo had considered several work plans and indicated that the United States found those work plans interesting and worthy of additional consideration. He, however, indicated that the AFP should consider how to expand its attractiveness to industry to ensure industry's full representation. He encouraged the AFP to consider advancing, within ITTO, appropriate projects and activities. He noted that at the 4th AFP meeting in Tokyo, the Nature Conservancy had advanced a work plan for promoting cooperation among customs agencies similar to those advanced by the CSAG/TAG panel during the Thirty-sixth Session of the ITTC, in Interlaken, Switzerland. Mr. Ellis indicated that in the opinion of the United States that represented a golden opportunity to build synergies, share resources and advance stronger linkages between ITTO and AFP. He noted that the work plan was compatible with activities within the framework of FLEGT process and urged greater linkages between ITTO and the FLEGT process as well, and looked forward to engaging all the partners in AFP in further strengthening the AFP.

126. Mr. Frederick Vossenaar (Netherlands) expressed gratitude to the Council for giving the AFP the opportunity to brief Council on its activities. He informed the Council that the Netherlands announced its membership of the AFP during the 4th AFP meeting in Tokyo, in December 2004. He indicated that the Netherlands would definitely make the necessary financial contributions to the AFP and had already become one of the leading donors to the AFP. He pledged the Netherlands continued support to the AFP and hoped to sustain that role in the future.
127. Dato' Dr. B.C.Y. Freezailah (Malaysia) commended Mr. Murdiono for the presentation, and also commended the leadership role of Indonesia, Japan, CIFOR and the Nature Conservancy in the AFP. Dr. Freezailah mentioned that Malaysia had played an active role in the work and activities of all AFP meetings including the regional workshop held in Yogyakarta, Indonesia. He noted that AFP was developing into a partnership, on a voluntary basis, to develop and implement concrete actions on the ground in three very focused areas. Dr. Freezailah informed the Council that at the 4th AFP meeting in December 2004, in Tokyo, Japan, a decision was adopted that the Malaysian Timber Certification Council (MTCC) would host a consultation in Kuala Lumpur, Malaysia, in order to develop a simple and pragmatic certification scheme, the first stage of which would be to ensure legal compliance. He stressed that the system to be developed must be simple, pragmatic and implementable, particularly, taking into account the cost involved and also that a green premium was far from certain. He said that Malaysia would soon announce the date for the consultation and extended an invitation to as many stakeholders as possible so that all the minimum requirements would be taken into account in developing this system of certification or verification. Dr. Freezailah extended special invitation to Producing and Consuming Countries, particularly those currently implementing public procurement policies, civil society organizations, NGOs, and other processes involved in combating illegal logging, such as the FLEGT Process. He noted that there had been too much discussions and studies and indicated that the time for action was now.
128. Mr. Franz Perrez (Switzerland) welcomed the report and commended the partners in the AFP for the initiative. He mentioned that Switzerland was one of partners in AFP and considered the three core areas of AFP, namely governance, combating forest fires and rehabilitation of degraded lands as important elements in achieving sustainable forest management in ASEAN Countries. He noted the strong linkages between the work of AFP and ITTO and pledged Switzerland's support for the active participation of ITTO in AFP. He informed the Council that Switzerland together with Indonesia had submitted a work plan to AFP to promote the process of decentralization in the forest sector within the framework of the objectives of AFP. He indicated that the process would be jointly implemented by CIFOR, FAO and Intercooperation of Switzerland. He noted that the issues to be addressed should be of great interest to other ASEAN member countries of ITTO and informed the Council that Indonesia and Switzerland would submit a proposal for a decision for the consideration of the Thirty-eighth Session of ITTC in order to facilitate ITTO's participation in the AFP, the decentralization process and in particular, in the organization of a regional workshop to be held in September 2005 in either Indonesia or Philippines.

MEASURES TO PROMOTE THE EXPANSION AND DIVERSIFICATION OF INTERNATIONAL TRADE IN TROPICAL TIMBER – DECISION 12(XXXIV) (Agenda Item 16)

129. The report was presented by Mr. Russell Taylor (Consultant). He referred to document ITTC(XXXVII)/10 and provided a brief background to the study. He noted that Producing Member

Countries of ITTO had expressed concerns that evolving products standards and technical regulations in consuming markets were becoming technical barriers to trade (TBT) which were restricting the expansion and diversification of international trade in tropical timber. The study was carried out to identify and assess product standards, quality grading rules, building codes and other regulations affecting the utilization of wood products, particularly, tropical timber. The report also identified gaps between the markets' technical requirements and the ability of tropical timber producing countries to comply.

130. The report noted that in North America, most tropical lumber and panel products faced technical barriers to trade (TBTs) which included:

- Grade stamp certification required for any lumber or panel product to be used in structural applications;
- Phytosanitary measures (FAO's ISPM 15) required for all wood packaging and crating material;
- Government procurement policies (LEED standards) required for all non-residential buildings; and
- Homeland security measures leading to increased shipping delays and added costs to exporters.

Within the European Union, the report noted that the most significant technical barriers to trade (TBT) were related to panel products, particularly those intended for construction applications, including:

- CE Marking (panel products) – a requirement for construction products to meet a harmonized technical standard if they were to be put into the internal EU market;
- Formaldehyde Emission – likely to be considered by EU construction products directive and expected to include limits on formaldehyde emissions in future;
- Government procurement policies (FSC certification or equivalent or products from sustainably managed forests); and
- Eco-labeling of certified wood products.

The report further noted that in Japan, the most significant TBT for tropical timber products was the JAS standard for formaldehyde emissions. Products affected were plywood, particleboard, MDF, structural panels, overlaid panel-like products, flooring and stair treads.

131. The report further noted that there were other emerging issues which appeared to be serious potential threats to market access of tropical timber into Europe and the U.S., including illegal logging, market requirements for certified timber and wood products, mutual recognition between certification agencies and chain-of-custody. The report stated that as a result of the Uruguay Round, most tariffs on processed products were currently relatively negligible to small. Non-Tariff Barriers (NTBs) were being addressed through ongoing discussions pertaining to the Doha Development Agenda.

132. The report noted that the major difficulties or gaps for producing regions were:

- Lack of awareness or no information on new NTBs/TBTs until they took effect;
- Lack of sufficient infrastructure to cope with the new requirements (limited ability to meet or be forward looking); and
- Small scale operators and/or a smaller industry scale that lacked cohesiveness in monitoring NTBs/TBTs.

133. The study reviewed the challenges and gaps producing regions were currently facing with respect to TBTs. The report noted that the conditions varied significantly among the different countries in terms of the extent that the industry had been affected by building codes, standards and other factors affecting market access. It noted for example, that in Latin America, Bolivian producers had been little affected by building codes, standards and other market requirements. The most important factor affecting Bolivia forestry sector were phyto-sanitary requirements related to non-wood forest products. The perspective in Brazil was completely different. The timber industry had pointed out several TBTs and other market requirements and considered that they restrained market access. They cited building codes, variety of standards, compliance to formaldehyde emissions, homeland security measures and environmental related aspects as major problems.

The study noted, however, that the capacity of Brazil in meeting demands of TBTs and other market requirements were visibly higher than most other Latin American countries. Similar to Latin America, the conditions in Africa varied significantly among the different countries. It noted for example, that the timber industry in Cameroon had, so far, not been affected by TBTs and other market requirements most probably due to the fact that around 90% of the exports were logs and sawnwood. Other problems more relevant to the timber industry in Cameroon were related to sustainable forest management, certification and, most recently, the issue related to illegal logging and the FLEGT process. On the other hand, Ghana had a relatively high share of plywood exports and the main concern of the Ghana timber industry was, currently the CE marking. Since July 2004, CE marking requirement was affecting exports to Europe and companies were having problems in meeting the new technical demands as they were not prepared yet due to the general lack of adequate machinery and also not having in place a quality assurance and certification programme. In addition, the Ghanaian timber industry was also concerned with formaldehyde emissions requirements. There were also growing concerns related to growing market requirements, covering all technical, environment and social issues, this was particularly severe in countries that had large number of SMEs, such as Ghana. In this case, government intervention and international organizations' support were needed.

134. The report noted that Ghana was perhaps one of the most advanced countries within the Africa region in terms of standards development and product testing facilities. Ghana had also taken steps to minimize the impacts of TBTs and related market requirement through an agreement with BM TRADA, a multi-sector certification body accredited by UKAS (United Kingdom Accreditation Service) to conduct product/quality certification tests. This had facilitated the implementation of CE marking, putting Ghana in a better position than other African countries coping with this requirement.
135. The report stated that the general perception of the tropical timber industry in Gabon was that TBTs and related market requirements were not a major problem. This was largely due to the fact that around 80% of the country's exports were logs. Another factor was the market shift by Gabon in the last few years. China was the main market for Gabon's timber exports. TBTs were, however, likely to become a problem for Gabon as it moved towards further processing.
136. Among the Asian producing countries of Malaysia and Indonesia, the key TBT issues being faced involved plywood and obtaining product certification. The three most mentioned challenges were:
 - CE markings for structural plywood (EM13986);
 - British standards for structural plywood (BS5286-2); and
 - Japan Industrial Standards on formaldehyde emissions (F-star).

Although there was an added cost to meeting these market certification requirements, Malaysia had come up with industry solutions to address these technical requirements and Indonesia was not far behind.

137. The report noted that for Papua New Guinea, plywood was not a product being exported and as such product certification for plywood was not relevant. Other significant TBTs for Asian tropical timber producers were the European government procurement policies and the Forest Law Enforcement, Governance and Trade (FLEGT) process. Both linked market access to the requirement that tropical products should originate from sustainably managed sources. Increasingly, eco-labeling was being mentioned as a requirement for Chain of Custody documentation and producers were also very concerned with the prospect of FSC having a monopoly situation. In Malaysia, the MTCC programme was being promoted as an alternative means of complying with certification. Indonesia and PNG were considerably behind in this area and were struggling to find an effective solution. The report urged ITTO to provide assistance to those countries to formulate an effective response.
138. The report stated that discussions related to the Agenda set by the Doha Ministerial Declaration had broad scope and were still in the early stages. It noted that the Agenda included several issues with strong links to the tropical timber industry and trade and called on ITTO to follow the developments as many of the issues under discussion were within its mandate.
139. Dr. Petrus Gunarso (Indonesia) referred to page 51 of the report and pointed out an apparent contradictory information contained therein. He indicated that in Table 8 the exports of tropical

timber products from Indonesia in 2003 was indicated as "not available" whilst in Figure 16 data (percentage by volume) was provided for exports of tropical timber products from Indonesia. He particularly referred to the data that log exports constituted 69% of Indonesia's exports and disputed the data, stressing that such data had never appeared in Indonesia's export statistics or reports. He indicated further that since ITTO Secretariat had been cited as the source of the data, he had consulted with the relevant ITTO staff who had informed him that the volume of logs exported by Indonesia in 2003 was less than 4,000 m³. He indicated that 69% stated in Figure 16 was far too high.

140. Mr. John Bazill (European Community) welcomed the report and noted that the report had revealed how decisions taken at national and international levels on trade matters affected markets. He said that ITTO had an important role in showing awareness of these decisions and encouraging the engagement of the forestry sector in these discussions. He indicated that the European Community would provide more specific written comments on the report at a later date. Mr. Bazill indicated that the report mainly concerned the impact of non-tariff measures and technical standards in the market for tropical timber and did not correctly reflect the title of the report. He further cautioned the use of terminologies in matters related to trade and to distinguish clearly between formal trade measures and issues relating to market access more broadly. He cited the terminology TBT and indicated that it had been used rather loosely in the report and proposed that it would be better to use definitions as contained in the WTO-TBT agreement. He noted that generally, the product standards recognized in the report were of importance to consumers to ensure safety, quality and applicability of the products purchased. He indicated that the issue was not so much the existence of standards but whether they had a disproportionate or discriminatory effect. He said that the report clearly showed that in order to comply with standards producing countries needed to invest in testing facilities, which placed a burden on the producing countries. Mr. Bazill acknowledged that the report also contained interesting examples of collaborative actions between companies, through private sector associations which could help producers to develop such testing facilities. On the issue of timber certification, Mr. Bazill indicated that the tone of the report was rather unbalanced. He noted that forest certification as such was not a trade measure but a market-based labeling mechanism and might only constitute a constraint to market access to those who did not engage in them. He said that forest certification might also facilitate trade in environmentally sensitive markets and both arguments should have been presented in the report. Mr. Bazill also indicated that in some cases the FSC had been singled out as a trade impediment when the comment might be applicable to all forest certification schemes. He further noted that the report mentioned broadly two areas for action, notably improved information sharing between Consuming and Producing Countries and also within countries and secondly the need to enhance capacities of developing countries to meet the technical standards. Mr. Bazill stated that the recommendations in the report were of general nature and hoped that they would be further developed in the final report.
141. Mr. A.S.K. Boachie-Dapaah (Ghana) noted that the report provided a valuable source of information on developments in Member Countries. He indicated that although the study did not examine in detail forest and products certification due to the nature of the terms of reference, it was evident that timber certification was becoming a technical barrier to trade due to growing pressures from environmental NGOs. He called on ITTO to begin to explore opportunities of engaging the environmental NGOs in evolving a mutually acceptable framework to indicate progress towards sustainable forest management and market recognition. Mr. Boachie-Dapaah stated that this should be considered alongside recommendations being proposed under studies on certification. He shared the concerns of the consultants regarding the indifference in the attitude of exporters and agreed with the recommendation that trade associations should be strengthened to create awareness among their Members and proposed that through the Trade Advisory Group, ITTO should develop a network of trade associations to enhance the flow of information between producers and importers. He noted and commended the role being played by the IWPA of the United States in protecting the interest of overseas producer members and the provision of timely information, particularly regarding environmental policy updates. On the issue of transparency in procurement policies, Mr. Boachie-Dapaah shared the concern expressed in the report on the need for ITTO to be engaged in discussions on the Doha development agenda, particularly on issues relating to procurement policies.
142. Dr. David Brooks (U.S.A) welcomed the draft report and looked forward to the final report after revisions taking into account the comments from the Council. He stressed the position of the United States that issues relating to market access was a core area of ITTO's work, and noted that the report contained very useful information. He, however, expressed disappointment that

the report did not provide the relevant context, that in his opinion, was critically important. Specifically, Dr. Brooks indicated that the report did not identify the differential effects on tropical timber of some of the market conditions, including the structural aspects and some of the identified barriers to trade. He noted that the report described some market access problems and implied that they applied narrowly to tropical timber when in many cases they applied to much more broadly. He proposed that these aspects should be further elaborated in the final report. Dr. Brooks also noted that the report paid specific attention to traditional markets for tropical timber, namely Europe, North America and Japan, and did not do more to make the Member Countries understand the extent to which the emerged markets such as China had become relatively more important than some of the traditional markets. He stressed the issue of diversification of trade as contained in the title of the study but admitted that the terms of reference of the study might not have been elaborated enough. Dr. Brooks also shared the concerns expressed earlier about the manner in which WTO negotiations had been taken up in the report and indicated that while the report might be over-stating the importance of the ongoing negotiations it might also be under-stating the importance of existing WTO agreements for addressing some of these concerns of tropical timber producers and to some extent all timber producers and traders. He noted that the report identified some of the specific challenges facing tropical timber producers such as small scale of production, weak industry associations, weak market information and indicated that these were challenges that the Council could specifically address. Dr. Brooks mentioned that the United States would submit more detailed written comments to the Secretariat to be forwarded to the consultants.

143. Ms. Aimi Lee Abdullah (Malaysia) commended the consultants for the comprehensive report. She noted particularly that the report indicated that there was the possibility of perverse consequences of setting too high standards for forest certification that Producer Countries were unable to meet, and therefore, export to countries with lower standards or resort to exporting logs instead of processed wood products. She noted that it was important for tropical timber producing countries to stay abreast of developments in international technical requirements so as to be able to examine the impact of such requirements. Ms. Abdullah endorsed the proposal made by the delegation of Ghana for ITTO to support the Trade Advisory Group and IWPA to enhance the flow of trade information. She stated that capacity building had often been mentioned as a priority, during WTO meetings to facilitate trade for developing countries. She noted, however, that the focus of the capacity building had been to build capacity to negotiate. She called on consuming countries to provide capacity building to producing countries in terms of technical assistance in areas of research and infrastructure, including the establishment of national regulatory bodies, technical expertise and training so as to be able to adjust and comply with rising international standards and regulations. Ms. Abdullah echoed the sentiments made by the delegation of Papua New Guinea on how far the Council would want to drag the discussions on the issue of illegal logging, which as stated in the report, was assuming monstrous proportions and threatening to impede free and legal trade much more so than technical barriers to trade. She urged the Council to adopt the recommendations on the need to address transparency in government procurement in the ongoing Doha development agenda and to include it in future discussions of the Council.
144. Ms. Charlotte Cudby (New Zealand) welcomed the report as very useful and commended the consultants and ITTO for the study. She noted that none of the non-tariff barriers mentioned were specific to tropical timber products. She endorsed the remarks in the report that actions to address these non-tariff barriers would be more effective if they were undertaken with all types of timber producers. Ms. Cudby further noted that the decline in demand for tropical timber in Europe might stem from other reasons such as competition from alternative products like plastics. She called on the Council to address the issue of competition from alternative products and reiterated that such actions would be more effective if undertaken with all types of timber producers. Ms. Cudby noted that ITTO had been promoting sustainable forest management and wondered how sustainable forest management could be identified as a potential barrier to trade.

ITTO BIENNIAL WORK PROGRAMME FOR THE YEARS 2004-2005 – DECISION 4(XXXV) (Agenda Item 17)

145. The report was presented by Dr. Manoel Sobral Filho, the Executive Director. He referred to document ITTC(XXXVII)/11 containing the report of the implementation status of ITTO Biennial Work Programme approved in ITTC Decision 4(XXXV). He noted that the document contained a detailed list of ongoing activities that had been classified under the Council, the Committees and

the Secretariat. The activities had also been grouped under "administrative and strategic policies". Dr. Sobral reported that the implementation of the biennial work programme was on schedule.

PHASED APPROACHES TO CERTIFICATION – DECISION 10(XXXIV) (Agenda Item 18)

(a) Report on Procedures to Implement Phased Approaches to Certification in Tropical Timber Producing Countries

146. The report was presented by Dr. Markku Simula. He noted that by June 2004 a total of 183 million ha of forests had been certified in various parts of the world – Europe 43%; North America 50%; Latin America 3%; Asia Pacific 2% and Africa 2%. He regretted that the share of ITTO Producing Member Countries continued to be very low. He indicated that 10 years ago the share of ITTO Producing Member Countries of the world's certified forests was about 5-7% and had since not shown any increase. Dr. Simula mentioned that the supply potential of the world's certified forests was about 585 million m³ of which 35% was from plantations. ITTO Producing Countries accounted for 5% of the supply potential and 9% of the chain of custody certificates.
147. Dr. Simula noted that Phased Approaches to Certification was currently driven by buyers and the requirements depended upon the buyer's market situation. He indicated that there were only a handful of active buyers who were promoting phased approaches. The report identified three options for the implementation of phased approaches:
- Baseline and Action Plan – involved verified baseline requirements as the first step and verified implementation of the FMU's action plan to achieve full compliance;
 - Cumulative phases – involved compliance with preset degree of the full standard;
 - Predefined phases – the standard requirements divided into clearly defined phases establishing which requirements needed to be achieved in each specific phase.
148. The report made the following conclusions on the procedures to implement phased approaches to certification in tropical timber producing countries:
- Selection of option should be left to the certification system;
 - There was a clear preference for option 1 or 2 or their combination;
 - Flexibility to be allowed in phasing of standard elements;
 - Legality should be the baseline requirement, however, there was the need for further clarity;
 - Maximum time frame of 5 years to achieve full compliance;
 - Most of the communication on the progress should be business to business communication;
 - Implementation of phased approaches should be through existing certification systems;
 - Further consultations with buyers and stakeholders were necessary;
 - In view of the limited practical experience in implementing phased approaches, there was the need for ITTO to encourage and implement pilot projects with tropical timber producing Member Countries on practical modalities to implement phased approaches, including development of appropriate communication mechanisms within existing certification schemes;
 - ITTO should continue to periodically monitor and assess the development of forest certification and its phased approaches for exchange of experiences between producers and consumers and certification systems;
 - ITTO should carry out consultations with parties developing criteria for certification standards and systems at international level with a purpose to incorporate explicit provision for phased approaches in such criteria (including the World Business Council for Sustainable Development (WBCSD) and exploring the feasibility of the Legitimacy Thresholds Model;
 - ITTO together with other relevant parties (FAO) should convene a meeting of management representatives of international and national forest certification schemes to discuss modalities and share experiences on how phased approaches could be implemented within the existing certification schemes; and
 - Existing certification schemes were being encouraged to:
 - (i) analyze the feasibility of options for phased approaches within their systems;
 - (ii) develop necessary procedures for phased approaches within their own systems through participatory process involving all key stakeholder groups; and
 - (iii) arrange pilot testing of phased approaches to ensure their practical implementation

(b) Report on Study to Evaluate the Costs and Benefits of Certification in Selected ITTO Producing Member Countries

149. The report was presented by Dr. Markku Simula. The objectives of the study were to (i) elaborate on possible analytical models for assessing costs and benefits of forest certification and phased approaches; (ii) carry out voluntary field-level case studies on the costs and benefits of certifying FMUs in selected ITTO Producing Member Countries; (iii) identify under which conditions forest certification could be financially feasible, including through a phased approach and how to reduce costs and increase benefits due to certification in tropical forests.
150. Dr. Simula elaborated on the methodology for the study and noted the following limitations:
- Data availability difficulties: confidentiality and shortcomings in accounting systems of FMUs;
 - Different baseline levels between countries;
 - Representativeness of the case studies;
 - Time lags between costs and benefits and the lack of data on long-term benefits.
151. Dr. Simula reported that five case studies were carried out in three countries, i.e. Brazil, Indonesia and Malaysia. All the case studies had long-term tenurial rights to their lands. The FMUs were selected to represent different certification systems and they varied in size, type of forest, production level and ownership of their forest resource. Four of the case studies were natural forest management units and one was plantation. The study made the following observations:
- The total costs related to certification over a five-year period measured in hundreds of thousands or millions of dollars at the FMU level. The costs were relatively higher in natural forests than in plantations. The total annual costs ranged from about US\$50,000 to US\$575,000 and the variation was mainly due to indirect costs;
 - The direct cost represented from 8 to 41% of the total costs. The share was higher in plantation where indirect costs appeared to be limited if the FMU had already high management standards before certification;
 - Compliance costs were usually due to environmental and biodiversity surveys and monitoring socio-economic studies, detailed forest inventories, etc. Typical areas which caused additional costs in forest management practices included reduced impact logging, road building, biodiversity conservation, research and development, occupational safety and health, training, etc.
 - The unit area costs varied extensively from US\$3 to 32/ha of the FMU over a five-year period. There was a marked effect of economies of scale in both direct and indirect (compliance) costs;
 - The unit costs per log production in the certified natural forests also varied extensively, ranging from a fraction to US\$10/m³;
 - The first year costs tended to represent at least about 50% of the total costs related to certification;
 - Benefits derived from certification were generally more difficult to estimate than costs. Firstly, they came forward with a time lag and secondly many of them could not be quantified in monetary terms; and
 - Market benefits through increased or protected market share and price premium were perceived as the main motivation.
152. Dr. Simula reported that in three cases, the NPV estimates suggested forest certification to be an economically viable option for FMU. The cost-benefit analysis indicated that:
- (i) The NPV was not very sensitive to the choice of the discount rate due to the importance of the first-year costs in the cash flow;
 - (ii) The financial calculations were not very sensitive to small adjustments in additional costs occurring in years 2 to 5;
 - (iii) Even a minor loss in sales revenue due to lack of certification could make certification financially feasible in many instances; and
 - (iv) External assistance could make certification financially viable if it covered a significant part of the additional costs.

153. The study made the following conclusions:

- (a) At FMU level financial benefits appeared to exceed the costs only in special cases;
- (b) Market benefits were crucial for financial feasibility of certification;
- (c) Subsidies or other financial support to certification could be justified but they might need to be sustained for a sufficiently long period to build capacity and internalize additional costs;
- (d) If limiting market access, certification could lead to reduction of the resource value increasing the risk for conversion into other uses or unsustainable practices;
- (e) Without developing national certification standards and systems, progress in the tropics would continue to be slow;
- (f) The development of certification in tropical timber producing countries should be understood as a dynamic learning process where credibility could be built up over time in the same way as had happened in the developed world; and
- (g) Existing certification systems would need to incorporate phased approaches into their provisions.

154. Dr. Petrus Gunarso (Indonesia) noted with concern that less than 10% of the world's certified forests areas was found in ITTO Producing Member Countries. He indicated that the figures were slightly misleading because certification in planted forest could not be compared with certification in natural forests and proposed that certified natural forests should be separated from certified plantations. He endorsed the view that if the requirements for certification standards were set too high to be achievable in producing countries it would discourage countries from taking action in the field. Dr. Gunarso stated that developing countries like Indonesia were faced with the problem of capability of the forest management unit to meet the certification requirements such as uncertainty of tenure or other issues which were beyond the ability of the forest management unit to address.

155. Dr. B.C.Y. Freezailah (Malaysia) commended Dr. Simula for the comprehensive report and for his outstanding contributions to ITTO. He recalled Dr. Simula's chairmanship of the Council as well as his vision which gave birth to the ITTO Objective 2000. Dr. Freezailah underlined the fact that timber certification was the proof for sustainable forest management. He urged all countries to strive to achieve certification in a transparent manner and through independent auditing. Dr. Freezailah further underlined that certification should be country driven and not just market driven. He said that without national commitment no certification scheme would succeed. He indicated that Malaysia had taken timber certification from another perspective, because forest and forest resources were regarded as national heritage in Malaysia, with the Forestry Department as the custodian. He noted that an independent scheme was therefore necessary to audit the work of the Forestry Department. The Malaysian Government had consequently set up a fund to ensure that forest management auditing would be undertaken as a matter of routine. Dr. Freezailah noted that timber certification was costly on two counts: firstly to install and implement sustainable forest management and noted that the cost of implementing sustainable forest management had doubled the cost of forest management and secondly cost associated directly with timber certification. He reported that the MTCC was operating an endowment fund of about US\$80 million in order to implement timber certification. He stressed that many Producing Countries would not be able to afford this cost without assistance from donors. He also indicated regretfully, that the market was not willing to pay premium prize for certified timber. Dr. Freezailah underlined that national certification schemes were different from certification of small concessions. He endorsed the proposal for phased approaches to certification as recommended in the report and stated that the report would serve as a valuable input into the consultations to be convened by the Asia Forest Partnership in Kuala Lumpur and hoped that ITTO would also provide some assistance for the meeting. Dr. Freezailah stressed that if the criteria for certification was stringent and set too high, compliance by many developing countries would not be possible. On the other hand if the standards were set too low then they would not meet the requirements of consumer markets and called for judicious compromise between market requirements and the capacity and ability of producing countries to implement sustainable forest management, taking into account the cost involved and the fact that the market was not paying for certified timber.

156. Mr. Daniel Birchmeier (Switzerland) commended the consultants for the report. He noted that the information available to the Council clearly showed that certification should be done at reasonable costs and that the phased approaches system of certification could be the fastest path towards forest certification in tropical timber producing countries with the view to securing and increasing access to sensitive markets. He stated that it was important to intensify dialogue

between the private sector and environmental groups so that solutions that offered environmental, social and economic sustainability might be found. He expressed satisfaction with the clear identification of recommendations on further actions that ITTO might undertake for further progress. He endorsed all the recommendations, particularly those that needed immediate actions. He cited specifically the following two recommendations:

- Convening with relevant parties a meeting of management representatives of international and national forest certification schemes to discuss modalities and share experiences on how phased approaches could be implemented; and
- Implementing pilot projects with tropical timber producing member countries on practical modalities to implement phased approaches.

On the issue of awareness building among stakeholders in tropical timber consuming countries, Mr. Birchmeier announced that Switzerland had offered to host an international workshop where phased approaches and other matters on forest certification would be fully discussed. He mentioned that the proposed workshop would be held in Berne, Switzerland in April 2005 and looked forward to the outcome of the workshop. He underscored the importance of the work that had been done by ITTO in the area of forest certification and noted that ITTO had moved beyond the stage of recognition of the potential for forest certification and was currently at the stage of planning and implementing concrete practical solutions to accelerate progress in forest certification in producing member countries. He reiterated Switzerland's commitment to support Member Countries' efforts in implementing activities that would contribute to progress in forest certification.

157. Mr. A.S.K. Boachie-Dapaah (Ghana) endorsed the recommendations contained in the report, particularly on the need to convene a meeting of representatives of forest certification schemes and to monitor provisions related to phased approaches in procurement policies. He proposed that ITTO should seek broader stakeholders' consultations on the options and approach at the country level. Mr. Boachie-Dapaah reiterated Ghana's support for option 1 and proposed that consultations should be extended to consuming countries in an attempt to influence their requirements in procurement policies so as not to disadvantage tropical timber producing countries. He also proposed that ITTO should make a definitive statement on its support and encouragement for the phased approaches to forest certification.
158. Mr. John Bazill (European Community) commended the consultants for the reports. He noted that by the reports ITTO had placed itself at the forefront of policy development on the issue of forest certification. Mr. Bazill referred to the intervention by Malaysia on the role of markets and governments in certification schemes and indicated that there were different views on the subject and called for further discussions in order to increase mutual understanding. He noted that the reports had acknowledged that forest certification had not brought about much improvement in forest management in the tropics and underscored the fact that phased approaches to certification was, therefore, very crucial in providing the way to develop the capacity to move towards certification and to gain market access. Mr. Bazill noted that all the five case studies were very interesting and acknowledged the reasons why there were no case studies from Africa and hoped that some attention could be paid to an African case study in the future. Mr. Bazill highlighted the fact that apart from the financial cost-benefit analysis many forest managers considered the process of external review itself to be beneficial. He further acknowledged that there were still very serious challenges and issues, such as high start up costs for forest operators which constituted a hurdle in the short term. Mr. Bazill highlighted that the report pointed to challenges of achieving economies of scale in small forest management units, distribution of benefits within the value chain and the question of how legality could be brought into the phased approaches to certification. He noted that although there were different models for the phased approaches it would appear that compliance with basic legality consideration was an appropriate first step. He indicated that the recommendations in the report merited the Council's careful consideration.
159. Mr. Tasso Rezende de Azevedo (Brazil) said that the concept of phased approach should be looked at from the point of view of sustainable forest management and not from the point of view of certification. Mr. Azevedo noted that phased approach for SFM could be used for both certification and public policy. He indicated that normally systems designed for certification required legality as the minimum level of acceptance. He cited the case of Brazil where the legislation was very detailed and stated that in the phased approach system, there was bound to

be a certain level of informality in the first stages, which meant bringing people who were outside the system into the formal system.

160. Mr. Grégoire Nkeoua (Republic of Congo) commended the consultants for the reports. He endorsed the phased approaches system of certification and noted that up to date there were not many certified forests in the world. He noted that cooperation between producers and consumers was very necessary and called for consensus building between producers and consumers taking into account the realities on the ground in certain regions and countries. He also endorsed the recommendation for ITTO to convene a meeting of management representatives of international and national forest certification schemes to discuss modalities and share experiences. He indicated that the Republic of Congo would welcome an ITTO pilot project which could be replicated in other countries in Africa.

ITTO FELLOWSHIP PROGRAMME – DECISION 4(XXVII) (Agenda Item 19)

(a) Progress Report on the ITTO Fellowship Programme

161. The report was presented by Mr. E. Collins Ahadome (ITTO Secretariat). He referred to document ITTC(XXXVII)/14 and reported that two hundred and forty-four (244) fellowships amounting to US\$1,344,401 had so far been awarded under the Freezailah Fellowship Fund. Seventy-seven per cent (77%) of these awards were in the field of Reforestation and Forest Management, 16% in Forest Industry and 7% in Economic Information and Market Intelligence. In terms of geographical distribution of the awards, 28% were awarded to applicants from Africa, 32% from Asia-Pacific, 28% from Latin America, 10% from Developing Consumer Countries and 2% from Consuming Countries. Females accounted for 33% of the total awards.

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

162. The report was presented by Mr. Alhassan Attah (Ghana), Vice-chairperson of the Council. He referred to document ITTC(XXXVII)/15 and reported that the Fellowship Selection Panel comprising representatives of Ghana, Philippines, Venezuela, Netherlands, Switzerland and U.S.A, met twice during the Thirty-seventh Session of the ITTC. The Panel evaluated a total of 114 applications. Mr. Attah noted that while reviewing these applications, the Panel took into account balance among the three subject areas and regions as well as the opportunity to promote the participation of women. The Panel recommended to the Council for approval and award twenty-five (25) applications at a total cost of US\$150,500.00.
163. The Council unanimously approved the report of the Fellowship Selection Panel.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (Agenda Item 20)

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

164. 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

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

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

166. The report was presented by Mr. Christopher Ellis (U.S.A.), Chairperson of the Panel. The Panel was composed of representatives of Japan, Switzerland, U.S.A., Mexico, Ghana, India and the Executive Director. The report noted that as at the end of the Thirty-sixth Session of the Council, thirty-two activities, five pre-projects and five projects with a total budget 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\$2.28 million. The Panel noted that since the establishment of the Sub-Account B the total receipts amounted to US\$14.27 million of which US\$11.70 million was from interest earned and the balance of US\$2.57 million was from donors contributions. The Panel noted that the current funds available in the "Unearmarked Funds" amounted to US\$6.14 million. The Panel recommended to the

Council that the financing limit at the Thirty-seventh Session of the Council from the Sub-Account B and from the Unearmarked Funds should not exceed US\$2,250,000.00. 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 the Unearmarked Funds.

**CRITERIA AND INDICATORS FOR SUSTAINABLE FOREST MANAGEMENT – DÉCISION 4(XXXIV)
(Agenda Item 21)**

167. The report was presented by Dr. Jürgen Blaser (Switzerland), Chairperson of the Expert Panel which convened in Arbon, Switzerland from 5 to 7 November 2004. The other members of the Panel were Dr. Victor Agyemang (Ghana), Dr. Duncan Poore (U.K.), Dr. Argélia Silva (Venezuela) and Dr. Steven Johnson (ITTO Secretariat).
168. Dr. Blaser recalled that Decision 4(XXXIV) requested the Executive Director to convene an expert panel to:
- Review the outputs of C&I training workshops;
 - Assess quality of information from country reporting format;
 - Review output of C&I international harmonization process; and
 - Make recommendations to the Thirty-sixth Session of the Council.

He noted that at the Thirty-sixth Session the Council provided additional funds for the Expert Panel to re-convene and to propose a final draft document for the revision of the ITTO C&I. Dr. Blaser mentioned that the Expert Panel carried out substantial revision of the 1998 C&I document and also simplified and shortened the Reporting Format. He noted that the objective of the Panel was to enhance the effectiveness of the ITTO C&I as a tool for monitoring, assessing and reporting on tropical forest management.

169. Dr. Blaser reported that all the seven criteria were maintained with some changes in wording. The seven criteria had been harmonized with the common thematic areas of sustainable forest management as agreed upon in the international C&I initiatives convened by ITTO and FAO. The number of indicators had been reduced from 63 to 56. Dr. Blaser stated that the initial C&I document had been incorporated into the Reporting Format and had substantially reduced the reporting requirements from 89 items to 56 items. The reporting elements had been clarified by incorporating more tables, less descriptive elements and clearer instructions.
170. Mr. John Bazill (European Community) referred to indicator 7(2c) under Economic, Social and Cultural Aspects and noted that the category of use under this indicator was quite distinct and pointed out that illegal activities should not be confined to the informal or subsistence sector since they were different in nature and called for some differentiation in that indicator.
171. Mr. Grégoire Nkeoua (Republic of Congo) sought further clarification on the planning framework indicator that had been added to the first criteria.
172. Dr. Blaser indicated that there was a planning element under the institutional framework in the 1998 ITTO Criteria and Indicators which had been given more emphasis in the revised criteria and indicators as a means of stressing the importance of having a forest management plan as an enabling condition for sustainable forest management. Dr. Blaser noted that overlaps in indicators could not be avoided.
173. Mr. Christopher Ellis (U.S.A.) commended the Expert Panel for the comprehensive work done. He noted the Panel's work to refine the definitions related to the ITTO's Criteria and Indicators, harmonized with the common thematic areas of sustainable forest management as agreed upon at the international C&I initiative led by ITTO and FAO. He indicated that it would be beneficial to see the ITTO discussion on C&I related definitions expanded to include the two other C&I processes, namely the Montreal Process and the Pan European Process which included all the Consuming Members of ITTO. Mr. Ellis recalled that Member countries had called for the harmonization of key terms and definitions associated with C&I since 1997 in the Inter-governmental Panel on Forests (IPF). However, very little work had been undertaken to date and called for more action in order to accomplish this goal. Mr. Ellis stated that the United States recognized that while C&I must be adaptable to the conditions of individualized countries it was the firm belief of the United States that after over 10 years of experience there should be a move

towards harmonization to the extent practicable. He informed the Council that the U.S. as a Member of the Montreal Process and ITTO Member was pursuing the possibility of co-sponsoring a meeting in 2005 of key experts to recommend consistent definitions for C&I terms and concepts that cut across existing C&I processes. He indicated that it would be a small technical meeting that would include knowledgeable individuals from the Pan European Process, the Montreal Process and the ITTO Process as well as from the FAO and ECE Timber Committee. The recommendations of the expert consultations regarding definitions would then be taken back to the relevant governing bodies of the three processes for review and approval. Mr. Ellis indicated that the United States would be seeking co-sponsoring for this country-led meeting from the Pan European Process and would welcome the involvement of the ITTO secretariat and ITTO Producing Member Experts.

174. Mr. Franz Perrez (Switzerland) proposed a motion that after accommodating the concerns expressed by the European Union, the revised edition of the Criteria and Indicators should be published and the training programme with the revised edition should be pursued.
175. The Chairperson added that the Secretariat should distribute the revised edition of the ITTO Criteria and Indicators as widely as possible.
176. Dr. Steven Johnson (ITTO Secretariat) sought further directives on the funds to be used for the translation and publication of the revised Criteria and Indicators. He informed the Council that there were no more funds available under Decision 4(XXXIV) and requested the Council to approve additional US\$50,000 to cover translation and publication.
177. Mr. John Bazill (European Community) on behalf of the Secretariat of the Ministerial Conference for the Protection of Forests in Europe (MCPFE) endorsed the proposal made by the United States to convene an expert meeting to harmonize the terms and definitions associated with C&I. Mr. Bazill also noted that unlike the other C&I processes, the ITTO C&I had criteria and indicators at the FMU level and indicated that the aggregation of C&I from FMU to national level would merit further discussions.

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 22)

178. Prof. Yeo-Chang Youn (Republic of Korea), Chairperson of the Committee on Economic Information and Market Intelligence presented the report of the Committee. He referred to document CEM-CFI(XXXV)/8. He noted that the Committee on Economic Information and Market Intelligence and the Committee on Forest Industry met in joint session during the Thirty-fifth Sessions of the Committees. The Committees took note of the presentation made by the ITTO Secretariat on recent effort to improve the effectiveness and efficiency of ITTO project work including measures to improve project formulation and appraisal, particularly the setting up of the national clearing house mechanism, the conduct of national training courses, and the revision of ITTO Guidelines and Manuals related to projects. The Committee considered the completion report of one (1) project and noted that the completion report and the final audited financial statements of the project had been submitted in accordance with the project agreement and the project was duly declared complete. The Committee received the report of one (1) ex-post evaluation and commended the consultant for the report and presentation. The Committee selected one (1) new completed project for ex-post evaluation. The Committee reviewed the progress reports of nineteen (19) projects, four (4) pre-projects and one (1) activity which were under implementation as contained in document CEM-CFI(XXXV)/4. It also noted that one (1) project and two (2) pre-projects were pending agreement while seven (7) projects and two (2) pre-projects were pending financing.
179. 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 timber products; (iv) ITTO Annual Market Discussions – 2005; (v) review of the timber market in two significant tropical timber importing countries; (vi) studies on subsidies affecting tropical timber products; (vii) workshop on capacity building for the implementation of mahogany CITES listing; and (viii) auditing of existing tracking systems in tropical forest industries.
180. The Committee recommended to the Council the approval and funding of three (3) new projects and one (1) new pre-project. The Committee also recommended to the Council that funding be made available for five (5) projects and two (2) pre-projects approved at earlier Sessions. The

Committee also recommended to the Council to provide additional funds to one (1) project, one (1) pre-project and one (1) activity.

181. The Committee elected Ing. Renzo Silva (Venezuela) and Mr. James Gasana (Switzerland) as Chairperson and Vice-Chairperson respectively for 2005.
182. The report of the Committee was approved by the Council. The full report is contained in Annex IV.
183. The report of the Committee on Reforestation and Forest Management was presented by Mr. A.S.K. Boachie-Dapaah (Ghana), Chairperson of the Committee. He referred to document CRF(XXXV)/9. The Committee took note of the presentation made by the ITTO Secretariat on recent efforts to improve the effectiveness and efficiency of ITTO project work. The Committee reviewed the reports of four (4) completed projects and six (6) completed pre-projects where the field activities had been completed, and the final report and other technical documentation had been submitted to the Secretariat, including the audited financial reports of the project accounts and ten (10) completed projects and one (1) completed pre-project whose financial audit reports were still pending. The Committee received the reports on ex-post evaluation carried out on five (5) projects in Ghana, Indonesia, Togo, Egypt and Ecuador and selected four (4) completed projects for ex-post evaluation grouped under the theme of community participation in biodiversity conservation. The Committee also selected one (1) completed project "A Sustainable Management Model in the Iwokrama Rain Forest" which was carried out in different phases for ex-post evaluation. The Committee took note of the status report on seventy-eight (78) projects, in the field of Reforestation and Forest Management which were either in the process of implementation (63), awaiting the signing of an agreement (6), awaiting financing (7) or falling under the sunset provision (2). The Committee also held detailed discussions on the progress in implementation on nineteen (19) projects and four (4) pre-projects.
184. On policy work, the Committee on Reforestation and Forest Management considered the following issue:
 - Review and update of the ITTO Guidelines for the conservation of biodiversity in tropical timber producing forests, taking into account recent developments, including CBD's work programme on forest biodiversity and ITTO's renewed cooperation with IUCN.
185. The Committee recommended to the Council the approval and financing of fourteen (14) new projects and five (5) new pre-projects and requested the Council to provide additional funding for one (1) project.
186. The Committee elected Ms. Jennifer Conje (U.S.A.) and Dr. Petrus Gunarso (Indonesia) as Chairperson and Vice-Chairperson respectively for 2005.
187. Mr. Martin Alcade (Peru) expressed gratitude to ITTO for the financial and technical support it had provided to Peru to implement the Condor Range Conservation project between Peru and Ecuador. He, however, expressed concern about the selection of the project for ex-post evaluation. He indicated that the ex-post evaluation could lead to some limitations in the development of the second phase of the project which was approved by the Committee. He requested the Council to take into consideration these concerns in order not to hamper in any way the development of the second phase of the project, especially with respect to the expectations of the population in the Condor Range.
188. The Council unanimously approved the report of the Committee. The full report is contained in Annex IV.
189. The report of the Committee on Forest Industry was presented by Ms. Astrid Bergquist (Sweden), Chairperson of the Committee. She referred to document CEM-CFI(XXXV)/8. The Committee considered the reports of three (3) completed projects and one (1) completed pre-project and duly declared them complete. The Committee noted that the report of the ex-post evaluation of PD13/95 Rev.3 (I) "Capacity Building and Training in Planning and Management of Forest Industries in ITTO Producer Member Countries (Phase II) (Finland)" would be presented for the consideration of the Committee at its next Session. The Committee also noted that the Secretariat was in the process of identifying a consultant to conduct ex-post evaluation on two (2)

completed projects. The Committee selected one (1) completed project for ex-post evaluation. The Committee reviewed the progress reports on thirty-four (34) projects and nine (9) pre-projects which were under implementation. It also took note of two (2) projects and one (1) pre-project which were pending agreement and two (2) projects and three (3) pre-projects which were pending financing. The Committee held detailed discussions on five (5) projects in the field of forest industry which were under implementation.

190. On policy work, the Committee on Forest Industry considered the following issues:
 - (i) Monitoring the impact of technical and environmental standards on the efficiency of industrial operations;
 - (ii) Promoting the establishment of efficient and socially responsible community-based forest industries;
 - (iii) Developing, publishing and disseminating information on increasing timber processing and utilization efficiency and reducing waste;
 - (iv) Assessment of the multiple benefits of downstream processing of tropical timber in producing countries;
 - (v) Studying and promoting policies and other measures to increase tropical plywood industry competitiveness; and
 - (vi) Promoting private investment through facilitating information exchange on investment opportunities – organization/convening of investment promotion forum/seminar.
191. The Committee on Forest Industry recommended to the Council the approval and funding of nine (9) new projects and two (2) projects and three (3) pre-projects approved at earlier Sessions. The Committee also recommended to the Council to approve additional funding for two (2) projects.
192. The Committee elected Ms. Celestine Ntsame-Okwo (Gabon) and Dr. Jung-Hwan Park (Republic of Korea) as Chairperson and Vice-Chairperson respectively for 2005.
193. The Council unanimously approved the report of the Committee. The full report is contained in Annex IV.
194. The report of the Committee on Finance and Administration was presented by Mr. Christopher Ellis (U.S.A.), Chairperson of the Committee. He referred to document CFA(XVI)/6. The Committee recommended to the Council to approve the Administrative Budget for the Financial Year 2005 in the amount of US\$5,765,991. The Committee also recommended to the Council to authorize the Executive Director to utilize an amount not exceeding US\$600,000 from the Working Capital Account to support the negotiation process for a successor Agreement to the ITTA, 1994. The Committee took note of the Biennial Work Programme for the Years 2004-2005, including administrative activities, and strategic policy activities. The Committee discussed the resources of the Special Account and Bali Partnership Fund and noted that the available resources of the Sub-Account B of the BPF amounted to US\$2,289,783.31. The Committee further noted that the available resources of the "Unearmarked Funds" amounted to US\$6,146,414.95. The Committee reviewed the contributions to the Administrative Budget and several delegates noted with concern the arrearages in contributions by many Members which put at risk the sustainable operation of the Organization. The Committee noted that pursuant to Decision 7(XXXIII), the Secretariat would not process project and pre-project proposals submitted by Members with cumulative arrears to the Administrative Account beginning from 2002 which equaled to or in excess of three times the Member's annual assessed contribution in the year the proposals were being submitted. The Committee urged Members to meet their commitments to the Organization to avoid this penalty.
195. The Committee elected Mr. Shaharuddin Mohamad Ismail (Malaysia) and Ms. Sai Guohua (China) as Chairperson and Vice-Chairperson respectively for 2005.
196. Mr. Daniel Birchmeier (Switzerland) commended the Chairperson of the CFA for his report. He recalled that during the CFA Session, questions were raised concerning support to the process of negotiations for the successor Agreement to the ITTA, 1994. He indicated that, as presented by the Chairperson of the CFA, Members agreed to make funds available for this purpose in the order of up to US\$600,000. He also stated that Members were informed that the CFA was not the appropriate forum to discuss the procedures and contents of such a support. Mr. Birchmeier requested whether there was still the possibility for Members to discuss the procedures and content of the support, particularly in respect to the different elements listed in the proposal.

197. The Executive Director elaborated on the items covered by the assistance provided from the Working Capital Account to support the negotiation process for a successor Agreement to the ITTA, 1994. He referred to similar assistance provided for the First Session of the UN Conference for the Negotiations held from 26 to 30 July 2004 in Geneva, Switzerland. He said that the assistance covered: (1) the funding for representatives of developing Member Countries; (2) funding for the participation of a limited number of representatives of CSAG and TAG; (3) payments for extra interpretation costs; (4) funding for the participation of limited number of Secretariat Staff; and (5) Costs for other activities required to facilitate the negotiation process, including consultations that the Chair and Vice-Chair of the Negotiation Process found necessary. Dr. Sobral indicated that the CFA might have discussed the necessity or otherwise of further assistance beyond the Second Session of the UN Conference for the Negotiations of a Successor Agreement to the ITTA, 1994 to be held from 14 to 18 February 2005, in the event that the negotiations were not concluded during the Second Session Conference.
198. Mr. Daniel Birchmeier (Switzerland) indicated that he was seeking clarification as to whether the Council saw the need to provide guidance to the Secretariat on prioritization of the different elements that would be covered by the assistance to be provided from the Working Capital Account. He recalled that discussions on the issue were initiated in the CFA but the general opinion was that the CFA was not the appropriate place and therefore he wanted to know whether there was any possibility for the Council to look at these elements.
199. The Vice-Chairperson proposed that the delegate from Switzerland should informally consult with the Executive Director and the Chairperson of the Council on the issue and inform the Council at its next sitting.
200. The Council unanimously approved the report of the Committee on Finance and Administration. The full report is contained in Annex IV.

ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON OF THE COUNCIL FOR 2005 (Agenda Item 23)

201. Ms. Aulikki Kauppila (Finland) on behalf of the Consumer Group nominated Mr. Alhassan Attah (Ghana) as the Chairperson of the Council for 2005.
202. Mr. Luiz César Gasser (Brazil) on behalf of the Producer Group nominated Mr. Koichi Ito (Japan) as the Vice-Chairperson of the Council for 2005.
203. The Council unanimously approved both nominations.

DATES AND VENUES OF THE THIRTY-EIGHTH, THIRTY-NINTH AND FORTIETH SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 24)

204. The Chairperson recalled that the Thirty-eighth Session of the Council had been scheduled from 21 to 23 June 2005 in Brazzaville, Republic of Congo and the Thirty-ninth Session had been scheduled from 7 to 12 November 2005 in Yokohama, Japan. She noted that, in consultation with the Caucuses it had been suggested that the nominations for the Fortieth Session of the Council to be held in the spring of 2006 be deferred to a later date.
205. Mr. Luiz César Gasser (Brazil) recalled that the Producer Group had earlier requested the Council to consider the need to extend the duration of the Thirty-eighth Session to be held in Brazzaville, the Republic of Congo, by an extra day. He reiterated the proposal of the Producers Group for a 4-day duration and that substantive decisions should be taken at the Thirty-eighth Session.
206. Ms. Aulikki Kauppila (Finland) on behalf of the Consumer Group drew the attention of the Council to Decision 7(XXXIII) Annex II which stipulated the three-day duration for the Thirty-eighth Session of the Council. Although she recognized, it would be useful for the host country to organize a field visit during the Session, she indicated that the previous decision of the Council as well as the decision-making process should be respected. Ms. Kauppila stressed that the Council should not compromise on its previous decision. However, the Consumer Group would be ready to discuss the proposed changes if they would be reflected in the report of the Council.

207. Mr. Luiz César Gasser (Brazil) proposed that the Thirty-eighth Session of the Council should be held from 21 to 24 June 2005, in Brazzaville, Republic of Congo. Mr. Gasser also noted that the issue had been a subject of consideration and concern for sometime and recalled the statement he made at the Thirty-sixth Session of the Council which stated inter-alia that "the shorter duration as proposed was not conducive for the work of the Organization and urged the Council to extend the duration of the Thirty-eighth Session to the normal six-day Session". Mr. Gasser further recalled the response of the Chairperson to the request by the Producer Group to quote inter-alia "the three-day duration of the Thirty-eighth Session was adopted through Decision 7(XXXIII) Annex II and it would take another Decision of the Council to overturn its earlier Decision". He underlined that it was right in terms of procedure that only one Decision should overrule the previous Decision. Consequently, the Producer Group had prepared a draft Decision for the consideration of the Council at its current Session and the Producer Group had been in consultation with the Consumer Group in order that the Council could take a Decision at its current Session regarding the extension of the duration of the Thirty-eighth Session. Mr. Gasser noted the current proposal of the Consumer Group that the report of Council should include a definitive statement on the issue, instead of a Council Decision. He welcomed the Decision to extend the duration of the Thirty-eighth Session to four days but noted that the Council would be setting a bad precedence where the report of the Council would be dealing with a matter which was the object of a previous Decision. He reiterated that substantive decisions should be adopted by the Council during the Thirty-eighth Session and that the Producer Group was not willing to set a precedence that only one Session of the Council would be necessary per year. Mr. Gasser noted for the records that the Producer Group would accept, with reluctance, the proposal to include in the report of the Council a statement that would reflect the need to extend the duration of the Thirty-eighth Session to a four-day Session.
208. Ms. Aulikki Kauppila (Finland) concurred with the statement by the Producer Spokesperson that it would be a bad precedence to use the report of the Council to change crucial issues that had been taken as Decisions of the Council. However, she recognized that the current decision-making process would require ample time for the Council's consideration of any proposed decisions as well as the implications of such proposed decisions, including financial. She mentioned that the proposed draft decision by the Producer Group had not been discussed in the Consumer Caucus and indicated further that the City of Yokohama had already prepared a budget for a three-day meeting and might not be in the position to make additional provision on an ad hoc basis. However, in the spirit of compromise, Ms. Kauppila endorsed a proposal by the Chairperson for one day Council meeting, two days meeting of the Committees and a field trip on the fourth day.
209. Mr. Luiz César Gasser (Brazil) on behalf of the Producer Group reiterated that the Thirty-eighth Session should be a productive meeting with substantive discussions and welcomed the proposal for a field trip. However, the Council should make room for substantive discussions during the Session.
210. The Chairperson reiterated the proposal by the Consumer Spokesperson that there would be only one day of substantive Council discussions and there would be only one decision at the Thirty-eighth Session. She wanted to know whether the Producer Group had accepted the Consumer Group proposal.
211. Mr. Luiz César Gasser (Brazil) indicated that in accepting the proposal to include in the report of the Council the extension of the duration of the Thirty-eighth Session to four days, the Producer Group was of the opinion that there would be two days of Council deliberations and two days for the Committees.
212. The Chairperson noted that this was the first time that the Producer Group had requested for two days of Council Session and that there were financial implications, among other things. She invited comments from the Consumer Spokesperson.
213. Ms. Aulikki Kauppila (Finland) reiterated that the proposal by the Producer Spokesperson had not been discussed by the Consumer Caucus and would certainly have financial implications. She called for an adjournment of the Council for informal consultations between the Caucuses.
214. The Chairperson adjourned the Council and urged the two Spokespersons to reach a compromise acceptable to both Caucuses.

215. On resumption of the Council the Chairperson reported that an agreement had been reached between the two Caucuses and announced that the Thirty-eighth Session of the Council and related events would be from 21 to 24 June 2005. The Council would be held on 21 June 2005 while 22-23 June 2005 would be for Committees meetings and 24 June 2005 would be a special event in co-sponsorship with COMIFAC and the Government of Republic of Congo. The subject of the Council event would be the "Congo Basin Forest Partnership". The Chairperson indicated that the United States would pledge financial support to this event. She also reported that there would be one Decision of the Council at the Thirty-eighth Session and that would be Decision 1(XXXVIII) on Projects, Pre-projects and Activities.
216. Mr. Luiz César Gasser (Brazil) endorsed the compromised position as reported by the Chairperson. He noted that it was not the ideal solution and reminded the Council that the decision to hold only one Session of Council per year with substantive decisions was taken because of the renegotiation process and that it was a temporary measure, and therefore should not be used as precedence.
217. Ms. Aulikki Kauppila (Finland) noted that it was important that the decisions of the Council be adhered to and that if it became necessary to amend previous decisions of the Council, the Consumer Group would be prepared to hold discussions provided they were given ample notice in advance. She endorsed the compromised position as reported by the Chairperson of the Council. She noted with appreciation the opportunity offered by the compromised position to learn more about forestry in the Republic of Congo.

OTHER BUSINESS (Agenda Item 25)

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

218. The statement was presented by Mr. Hikojiro Katsuhisa, Chief of Forest Products and Economics Division. He applauded ITTO for its arduous work and for having made remarkable strides in addressing the numerous issues surrounding the world's tropical forests. Mr. Katsuhisa noted that the contribution of forests and forestry was of vital importance in an effort to attain the millennium development goals and that ITTO and FAO were being confronted with issues that required concerted and complementary approaches by the two Organizations. He expressed his deep appreciation for the excellent working relationship between ITTO and FAO, both bilaterally and at the multi-lateral level under the umbrella of the Collaborative Partnership on Forests (CPF) in support of the UNFF.
219. Mr. Katsuhisa highlighted some of the collaborative activities being undertaken by ITTO and FAO. He cited the joint activities being carried out to analyze best practices in an attempt to provide guidance to countries for policy, legal and institutional reforms aimed at improving law compliance in the forest sector. He noted that the "best practices" document would not only serve as a practical tool for government policy makers but also be of assistance to regional initiatives such as the Asia Forest Partnership and the Congo Basin Forest Partnership. Mr. Katsuhisa stated that assessing and monitoring the world's forest resources, including supporting national efforts, had been core FAO activities since 1946. He noted that ITTO had been one of FAO's partners in this exercise and informed the Council that the next global Forest Resources Assessment report would be published in 2005. Mr. Katsuhisa also highlighted ITTO's outstanding contributions to the work on streamlining forest-related reporting and thanked ITTO for its assistance and contributions to the "Third Expert Meeting on Harmonizing Forest-related Definitions".
220. Mr. Katsuhisa underlined the pioneering work of ITTO on Criteria and Indicators for Sustainable Forest Management and underscored the collaboration between the two Organizations in the area of Criteria and Indicators. Other areas in which ITTO and FAO had been collaborating included "restoration, management and rehabilitation of degraded and secondary tropical forests; a global conference on plywood to be held in 2005; preparation of guidelines on best practices for planted forests, and a potential joint work related to the subject of wood energy. Mr. Katsuhisa was pleased to note that there was the possibility for ITTO and FAO to align their programme of work for the 2006-2007 biennium in order to generate more synergy. He informed the Council that the 17th Session of the FAO Committee on Forestry and the Ministerial meeting proceeding it

would be convened in March 2005. The Session would focus on forest fires and the role of forests in contributing to the MDGs.

Statement by the Representative of the United Nations Forum on Forests (UNFF)

221. The statement was presented by Mr. Mahendra Joshi, Programme Officer. He expressed appreciation to the Council for ITTO's continued support to UNFF and its Secretariat. He said that as an active member of the CPF, ITTO had been providing substantial support to the work of UNFF. Mr. Joshi briefed the Council on UNFF-related activities in 2005. He noted that the 5th Session of the UNFF would be held in New York, from 16 to 27 May 2005 and noted the importance of UNFF5 to the international community, as it would review the effectiveness of the international arrangement on forests and make decisions on future actions. The fifth Session would also consider with a view to recommending the parameters of a mandate for developing a legal framework on all types of forests. Mr. Joshi mentioned that UNFF's ad hoc expert group met in New York from 7 to 10 September 2004 and identified a balanced range of options for the future international arrangements on forests which would be presented at UNFF5. He indicated that a further follow-up on the results of the expert group by a Mexico-U.S. country-led initiative in support of UNFF would be held from 25 to 28 January 2005 in Guadalajara, Mexico.
222. Mr. Joshi informed the Council that for the review of the international arrangements on forests, Member States of the UNFF, CPF Members and other relevant organizations and processes had been invited to submit responses to a questionnaire. Based on these responses, Member States would assess the international arrangement on forests against a set of criteria that were decided upon by UNFF at its second session in 2002.
223. Mr. Joshi indicated that the fifth session of the UNFF would feature a high level ministerial segment that would include a dialogue with heads of CPF Member Organizations. The high level segment would be held from 25 to 26 May 2005 and would focus on two major issues: firstly, it would address the UNFF's contribution to the high-level plenary meeting of the United Nations General Assembly on the review of the implementation of the Millennium Development Declaration, looking specifically at the role of forests in meeting internationally agreed development goals, including those contained in the Millennium Declaration. Secondly, the ministers would also review and decide on future actions regarding the international arrangement on forests.

Statement by the Trade Advisory Group

224. The statement was presented by Mr. Barney Chan, General Manager, Sarawak Timber Association. He noted with pleasure the participation of ITTO in a number of international events which were of importance to the trade. He cited the two recent meetings in Bangkok, Thailand convened by CITES and IUCN; a Mahogany Workshop in Pucallpa, Peru; and two Asia Forest Partnership events in Yogyakarta, Indonesia and Tokyo, Japan. Mr. Chan reiterated the desire of the Trade Advisory Group to work closely with CSAG and to find ways to strengthen their partnership. He highlighted the importance of legal compliance in achieving sustainable forest management and pledged that Members of the trade would continue to provide every possible support for such initiatives as they ultimately would assist in marketing of their products. TAG noted that the most pressing current problem was that many countries were setting their own procurement rules and these rules varied from country to country. TAG further noted that such rules were becoming increasingly difficult and expensive to comply with and were becoming disincentives to trade in tropical timber and could undermine efforts towards SFM. Mr. Chan stated that Producers respected the rights of countries to set such procurement policies, however, well-intentioned national procurement initiatives by importing countries could have unintended consequences on trade and development and result in increasing costs for legitimate producers. He said that members of the trade sensed that the reason behind many of the procurement initiatives was a presumption of guilt, with trade in tropical timber being viewed as "illegal until proven otherwise" and the TAG found this increasingly disturbing. He reiterated that there was growing concern that certain unilateral procedures on procurement might result in a technical barrier to tropical timber in the international market and this would have grave consequences. He stressed that addressing existing trade discrepancies was an example of an area where Consumers and Producers could work together on practical solutions. The statement noted that sovereign governments of Producer Countries had rules and regulations governing forestry and trade which should form the foundation of defining legality. Mr. Chan said that with mutual respect, it was possible for Consumers and Producers to work together to tackle the complex issue of

assessing the legality of timber. He urged the Council to consider ways towards rebuilding confidence in the international tropical timber market by demonstrating that there were adequate processes to verify legality in Producing Member Countries.

Statement by the Representative of Plant Resources of Tropical Africa (PROTA)

225. The statement was presented by Dr. Joseph Cobbinah, Vice-Chairman, PROTA Board of Trustees. He noted with pleasure the great deal of excellent work being carried out by ITTO. He also expressed gratitude to the Council for approving a project proposal submitted by PROTA on "Timbers of Tropical Africa" and hoped that in due time the proposal would attract funding by the Council. Dr. Cobbinah noted that PROTA was convinced of the importance of a comprehensive knowledge synthesis on the 7,000 useful plants of tropical Africa, including 900 timber tree species and several thousands of NTFPs. He indicated that a specialized agency like ITTO should have the complete overview of the timbers of tropical Africa, not only the 50-60 internationally traded ones, but also the hundreds of species playing various roles in the local economies.
226. Dr. Cobbinah mentioned that the mechanism for submitting regional projects to ITTO needed further elaboration and consideration by the Council. He noted that the submission of a regional project through a Member Country appeared to flag a project proposal as a national project and hoped that the ongoing discussions on improving the ITTO Project Cycle would improve on this aspect. He expressed PROTA Foundation's gratitude to the Government of Ghana for submitting the PROTA project proposal and also for putting it high on the government's priority list. He thanked the Government of Ghana for her strong commitment to this international understanding.
227. Dr. Cobbinah presented to the Executive Director the first Commodity Group overview of the PROTA programme on "Vegetables".

Statement by the Representative of the Civil Society Advisory Group (CSAG)

228. The statement was presented by Mr. Cleto Ndikumagenge, IUCN-The World Conservation Union. He expressed gratitude to the Council for the support and participation of CSAG in the Thirty-seventh Session of the Council. The CSAG was reassured by the Council's warm reception of the recommendations of the workshop organized by TAG and CSAG. The CSAG noted and agreed with many Council Members that the workshop produced a strong framework for action which if implemented would enable ITTO to take significant steps to address the problem of illegal logging and illegal trade. The CSAG expressed its appreciation to the Council for supporting many of the recommendations as well as steps taken by the IAG and the Council at the Thirty-seventh Session to support the proposed workshop on transport as well as the proposed conference on community forest management and enterprises. The CSAG recognized the importance of streamlining the ITTO project development and evaluation process and the need for training in project preparation. Mr. Ndikumagenge indicated that the CSAG was particularly interested in ensuring that indigenous and other community organizations had fair and easy access to the proposed trainings and to the ITTO funding opportunities, and looked forward to working with the Council to facilitate community access to project support, including more flexible support for the preparation of projects conceived, designed and implemented by community support organizations. The CSAG proposed that the Council should develop new standards for reviewing projects aiming at benefiting communities.
229. CSAG expressed appreciation for the support provided by Council to ensure regular participation of TAG and CSAG representatives from Producing Member Countries in Sessions of the Council, as well as during the negotiations of a successor Agreement to the ITTA, 1994. Mr. Ndikumagenge recalled that CSAG had recommended the incorporation of five principles into objectives of the successor Agreement.

DECISIONS AND REPORT OF THE SESSION (Agenda Item 26)

230. The Chairperson referred to documents ITTC(XXXVII)/18 to ITTC(XXXVII)/20 comprising three (3) Decisions for consideration and adoption by the Council at its Thirty-seventh Session. The Council approved all the three (3) Decisions. Amendments and editorial corrections were noted. Rule 33 of the Rules of Procedures was to be applied to the circulation of the Decisions and the report of the Council to Members.

CLOSING OF THE SESSION (Agenda Item 27)

Statements by Delegations

231. Mr. A.S.K. Boachie-Dapaah (Ghana) on behalf of the Government of Ghana expressed gratitude to the Council for the honour bestowed on Ghana and the confidence reposed in its citizens by electing Mr. Alhassan Attah as Chairperson of the Council for 2005. He noted that this was the second time that ITTO had given Ghana the opportunity to serve in this capacity. Mr. Boachie-Dapaah acknowledged the challenges ahead as the Council embarked on the re-negotiation of a successor Agreement to the ITTA, 1994, taking into account the current global issues of environment, poverty and sustainable development, as well as the achievement of the Millennium Development Goals. He expressed confidence in the choice of Mr. Attah as Chairperson of the Council and sincerely believed that his immense experiences and deep knowledge of forestry and timber issues would be brought to bear in his leadership of the Council, and appealed to Members of Council for their cooperation.
232. Mr. Luiz César Gasser (Brazil) referred to the Council Decision 3(XXXVII) on "Measures to Improve and Strengthen the ITTO Project Cycle" and noted that it represented a landmark decision by the Council. He indicated that there were certain elements of that decision that deserved the Council's attention and cited the following:
- Setting up a national clearing house mechanism for screening project proposals;
 - The development of qualitative criteria to assess project proposals under the Expert Panel; and
 - Strengthening the role of Committees regarding the analysis of terms of reference for consultants who would prepare the revision of the ITTO manuals.
- Mr. Gasser noted that Decision 3(XXXVII) pointed to a more programmatic way of work for ITTO as well as the consolidation of the project work within ITTO.
233. Mr. Gregoire Nkeoua (Republic of Congo) expressed gratitude to the Council for accepting the invitation of the Government of the Republic of Congo to host the Thirty-eighth Session of the Council in Brazzaville, Republic of Congo. He also thanked the Council for extending the duration of the Thirty-eighth Session of the Council by one day and thanked the Government of the United States for pledging financial support for the Congo Basin Forest Partnership event that would be held on the 24 June 2005. Mr. Nkeoua reported that the ITTO Secretariat undertook a reconnaissance mission to the Republic of Congo from 29 October to 5 November 2005 to assess the situation and conditions for the Thirty-eighth Session of the Council. He also informed the Council that the President of the Republic of Congo had given directives that every effort should be undertaken to ensure a complete success of the Thirty-eighth Session. Mr. Nkeoua informed the Council that delegates from countries where the Republic of Congo had no Embassies or Consulates would be given visas upon arrival in Brazzaville. He also mentioned that the Republic of Congo would be hosting a meeting of the Heads of States of Central African Countries from 4 to 5 February 2005 to examine the issue of sustainable forest management in Africa. Mr. Nkeoua congratulated the chairperson-elect and the vice-chairperson elect and extended a cordial invitation to all delegates to attend the Thirty-eighth Session of the Council in Brazzaville.
234. H.E. Mr. Mbella Mbella (Cameroon) on behalf of the African Members of the Council expressed gratitude to the Council for electing Mr. Alhassan Attah as Chairperson of the Council. He expressed confidence in the choice of Mr. Attah as Chairperson of the Council. Mr. Mbella also commended the able leadership of the Chairperson, Ms. Jan McALpine. He welcomed the election of Mr. Koichi Ito as Vice-Chairperson of the Council and praised Japan's financial contribution to ITTO which had enabled the Organization to achieve tremendous results.

Statement by the Producer Spokesperson

235. Dr. B.C.Y. Freezailah (Malaysia) on behalf of the Producer Group expressed gratitude to the Government of Japan and the City of Yokohama for their outstanding and exemplary support to ITTO. He appealed to the Council not to take such hospitality, kindness and generosity for granted. Dr. Freezailah also commended the able leadership of the Chairperson and Vice-Chairperson of the Council as well as the hard work and professionalism of the Chairs and Vice-

Chairs of the Committees. He praised the cooperative spirit of the Consumer Spokesperson, Ms. Aulikki Kaupila.

236. Dr. Freezailah reiterated the statement made by the Hon. Minister of Forests Economy and Environment of Gabon at the opening of the Thirty-seventh Session of the Council that when the post of Executive Director fell vacant, the principle of rotation should be observed, and Africa stood ready to nominate a candidate with the necessary experience and capability for the position and appealed to the Consumer Group for their support.
237. Dr. Freezailah mentioned that ITTO had come a long way. He recounted some of the milestones of ITTO since its inception under the ITTA, 1983 and under the current agreement, ITTA, 1994 and noted that there had been a number of decisions urging producers to implement SFM and indicated that achieving sustainable forest management and ITTO Objective 2000 was no longer voluntary for producers, if indeed they wished to remain in the timber trade. He noted that tropical deforestation was continuing at some 15 million hectares annually and in spite of their commitment and best efforts, progress in implementing SFM by Producer Countries had been insignificant and attributed this to the complex and costly nature of SFM. Dr. Freezailah mentioned that certification had come to add to the cost of SFM and green premium was seldom paid. He noted that within the framework of the ITTA, 1994, the resources in the Bali Partnership Fund were less than adequate and appeals by producers for more financial support had continued to fall on deaf ears in the last two decades, with the exception of very few consumer countries who were also beginning to suffer from donor fatigue. Dr. Freezailah indicated that if the trend continued, producers would come to the sad conclusion that consumers were not willing to contribute to the Bali Partnership Fund and under that circumstance the ITTO Objective 2000 would be unattainable under ITTA, 1994. He was, however, optimistic that that would not be the end of tropical forests because producers would continue to manage their forests as best as they could, but in their own way and at their own pace. Dr. Freezailah stressed that these perspectives must therefore inform and guide the Council during the negotiations of a successor Agreement to the ITTA, 1994. "The options are ours as sovereign nations we are free to decide accordingly. But the bottom line is clear and compelling", Dr. Freezailah said.
238. Dr. Freezailah stated that although the current situation was bleak producers continued to hope and pray that a new era of understanding would emerge in the negotiations for a successor Agreement to the ITTA, 1994. He noted with hope the Council's decision at the Thirty-seventh Session to implement projects valued at more than US\$10 million, including about US\$2 million from unearmarked funds. Dr. Freezailah said that this level of project funding had been made possible because apart from the three traditional donor countries, Japan, Switzerland and United States, producers were happy to note that the Netherlands, Finland, Norway, the Republic of Korea, and New Zealand had joined or rejoined the ITTO donor club.
239. Dr. Freezailah noted with delight the growing partnerships being forged. He cited the Asian Forest Partnership led by Japan, Indonesia, CIFOR and the Nature Conservancy as well as the Congo Basin Forest Partnership which was launched by the U.S. Secretary of State. He expressed producers' gratitude to the United States for the generous contribution of US\$38 million towards the Congo Basin Forest Partnership. Dr. Freezailah stressed that the issue of finance was fundamental in the negotiations of a successor Agreement to the ITTA, 1994. He said that once there was more clarity and commitment in real terms on the issue of finance, producers believed that other issues would fall into place.
240. On the issue of certification, Dr. Freezailah indicated that producers had no choice but to implement it, and in view of the various constraints, the way forward was implementation by phases, the first stage of which must be legal compliance within the context of sustainable forest management. He appealed to consumers to work with producers to develop a scheme which was simple, pragmatic and implementable. He also called upon both the CSAG and TAG to assist the Council to make progress in timber certification by phases.
241. Dr. Freezailah welcomed Council Decision 3(XXXVII) on "Measures to Improve and Strengthen the ITTO Project Cycle". He noted that with the adoption of this decision, the Organization would be empowered to expedite projects targeted at achieving SFM and hoped that Consumers would make full commitment in terms of new funding in order that the ITTO Objective 2000 would be achieved.

242. Dr. Freezailah welcomed the decision of the Council to extend the duration of Thirty-eighth Session by one day. He stated that all Council Sessions should be of equal status and importance, including the ability to take substantive decisions. He stressed that the current frequency and duration of Council Session was appropriate. On the renegotiation of a successor Agreement to the ITTA, 1994, Dr. Freezailah pledged that producers would work hard and cooperate with consumers to conclude the negotiations and adopt a new ITTA by 18 February 2005. He hoped that the Council would be able to adopt a new ITTA in which the ITTO would reinvent itself, avoiding current problems. Producers believed that ITTO Objective 2000 was attainable under a successor Agreement, if more resources could be mobilized.

Statement by the Consumer Spokesperson

243. Ms. Aulikki Kauppila (Finland) on behalf of the Consumer Group noted that the Thirty-seventh Session of the Council had been very fruitful and expressed appreciation for the outcome of the Session. She indicated that there were several important and interesting items on the agenda of the Council and hoped that studies and the reports presented at the Session would be useful for both Producers and Consumers. Ms. Kauppila mentioned that the exchange of experiences on diagnostic missions had been very fruitful and considered it as part of the added value that an international organization like ITTO was expected to provide to its Members. She welcomed the decisions adopted by the Council at the Session and indicated that Council Decision 2(XXXVII) on "Enhanced Cooperation between ITTO and CITES for Ramin and Mahogany" was a natural field of ITTO and looked forward to the implementation of the decision. Ms. Kauppila further indicated that Decision 3(XXXVII) on "Measures to Improve and Strengthen the ITTO Project Cycle" was very important. She noted that traditional donors continued to support ITTO's work and expressed gratitude to the new donor countries from the EU and other regions who had joined the donors club. She indicated that it was crucial for ITTO to maintain good reputation with regards to the quality of its project work in order to be able to attract new donors and was pleased that the Council had adopted a decision to improve the project cycle.
244. Ms. Kauppila emphasized that proper preparation of Council decisions was very important. She noted that whenever draft decisions were prepared in accordance with the decision-making process and the text circulated before the session, Members had enough time to consider those draft decisions before the Session. She urged the Council to adhere to this decision-making procedure at every Session of the Council. Ms. Kauppila expressed satisfaction with the level of voluntary contributions of US\$15 million per year that ITTO continued to receive. She indicated that it reflected the level of confidence and good reputation of the Organization among donors and shared the same optimistic view as expressed by the Producer Spokesperson.
245. Ms. Kauppila noted with appreciation the briefings from the Chair and Vice-Chair of renegotiation process and indicated that the briefings would help the caucuses in reaching agreement during the upcoming UN Conference on the Negotiation of a successor Agreement to the ITTA, 1994 to be held in Geneva from 14 to 18 February 2005.
246. Ms. Kauppila commended the able leadership of the Chairperson of the Council, Ms. Jan McAlpine and welcomed the election of Mr. Alhassan Attah as the new Chairperson of the Council for 2005. She also welcomed the election of Mr. Koichi Ito as the Vice-Chairperson of the Council for 2005. Ms. Kauppila expressed her personal gratitude to the Producer Spokespersons for their spirit of cooperation and collaboration and looked forward to further collaboration in future. She commended the Executive Director and staff of the Secretariat for their dedicated support. Ms. Kauppila expressed her gratitude to the Government of Japan and the City of Yokohama for their continued support to ITTO.
247. The Executive Director, Dr. Manoel Sobral Filho informed the Council that under the able leadership of the Chairperson of the Council, Ms. Jan McAlpine, the financing of projects, pre-projects and activities in 2004 had been very satisfactory. He reported that the Thirty-seventh Session of the Council had approved and financed over US\$10 million of projects, pre-projects and activities while at the Thirty-sixth Session the Council approved and financed US\$5.8 million of projects, pre-projects and activities, bringing the total financing for 2004 to about US\$16 million. He noted that this figure represented the average financing per year throughout the implementation of the ITTA, 1994.

Statement by the Vice-Chairperson-Elect

248. Mr. Koichi Ito, Vice-Chairperson of the Council for 2005 noted that sustainable forest management and sound trade in tropical timber were among the top priority issues in the environment and trade policy of Japan and ITTO was a unique and important international organization for these purposes. He stated that the Government of Japan together with other Member States had been making every effort for the sound development of ITTO and its activities. Mr. Ito noted that ITTO was at a crossroad and negotiations for a successor Agreement must be concluded by 2005. He underlined that the strengthening of ITTO would depend upon the outcome of the negotiations and he noted that the joint wisdom of the Member States was very important in the negotiations of a successor Agreement.
249. Mr. Ito expressed his deep gratitude to the Council for electing him as Vice-Chair of the Council for 2005. He indicated that although he was not a scientific expert in forest management he had many years of experience in multilateral negotiations on behalf of the Government of Japan and had been personally associated with trade and environment issues for many years. He pledged to support the Chairperson and work under the guidance of the Council.
250. On the issue of the European Union's commitment to the strengthening of ITTO, Mr. Ito stated that Japan would welcome and respect initiatives shown by the EU Members. He cited the financial contributions by the Netherlands to enhance the activities of ITTO as well as EU's willingness to make further commitment to ITTO and pledged Japan's renewed commitment to ITTO.

Statement by the Chairperson-Elect

251. Mr. Alhassan Attah (Chairperson-elect) in accepting his nomination as Chairperson, thanked the Council for the honour conferred on him and his country. He thanked both the Producer and Consumer Caucuses for their support. Mr. Attah quoted the late President J.F. Kennedy of United States who once said "Every man for himself, but all for a common cause". He noted that the common cause for Council Members was the ability to sustainably manage tropical forests to ensure sustainable trade in tropical timber and the flow of benefits to all segments of society. He indicated that the success of Member Countries had been based on the role the private sectors had been playing in national development endeavours. He noted that his predecessor, Ms. Jan McAlpine had emphasized the need for cooperation between civil society and trade groups which had served to contribute to the work of ITTO, and indicated his intention to consolidate the achievements made during his tenure as Chairperson of the Council. Mr. Attah also noted the concerns of Member Countries with regard to the efficiency and effectiveness of the ITTO Project Cycle to ensure the achievement of the objectives of the ITTA, 1994 and the Yokohama Action Plan.
252. On the issue of funding, Mr. Attah stated that as the Council embarked on the renegotiation of the successor Agreement to the ITTA, 1994, it was important to re-examine the mechanisms for sourcing additional funds to ensure the long term financial security of ITTO without unduly burdening members.
253. Mr. Attah commended the leadership of the outgoing Chairperson, Ms. Jan McAlpine. He expressed his gratitude to the Government of Japan and the City of Yokohama for their generous support and hospitality. He also commended the Executive Director and staff of the Secretariat for their dedicated support.

Closing Statement by the Chairperson

254. In her concluding remarks, the Chairperson, Ms. Jan McAlpine noted that the atmosphere of mutual respect, of willingness to compromise and to work together for the good of ITTO had prevailed throughout the Thirty-seventh Session of the Council. She underlined the astonishing range of issues that the Council addressed during the Session, including trade and market related matters, criteria and indicators, ongoing work of the Organization in projects and pre-projects and building a strong foundation for the renegotiation of the ITTA. Ms. McAlpine recalled that when she first began to attend ITTC Sessions, ITTO was a relatively unrecognized

international organization, except among a few elite. Since then, she was proud to have been part of a revolution in the visibility and recognition of ITTO around the world. She cited Prof. Duncan Poore's book, "Changing Landscapes" and indicated that it had been one of the most important products of ITTO which had contributed significantly to ITTO's public education and outreach work. Ms. McAlpine also praised ITTO's contribution to the Collaborative Partnership on Forests in support of the international arrangement on forests. She also commended the collaboration between ITTO and FAO that had supported the Organization's interests internationally. Ms. McAlpine also recalled that not long ago there was conflict about CITES and its impact on Members and noted with delight the adoption of Council Decision 2(XXXVII) on "Enhanced Cooperation between ITTO and CITES for Ramin and Mahogany" to help Member Countries to build capacity to meet the requirements of CITES.

255. The Chairperson expressed her delight at the level of cooperation between CSAG and TAG and their contributions to the work of ITTO.
256. Ms. McAlpine praised the outstanding contributions of Ms. Stephanie Caswell, first woman Chairperson of ITTC. She mentioned that Ms. Caswell continued to be a passionate advocate for ITTO and had helped her to understand ITTO's significance and potential. She also thanked Members of the U.S. delegation who had been supporting her work. She underlined the commitment of the United States to the work of ITTO. Ms. McAlpine commended the hard work and dedication of the Executive Director, Dr. Manoel Sobral Filho. She also acknowledged with gratitude the tireless support of the staff of the Secretariat .
257. The Chairperson announced that after 10 years of service as the Swedish representative on the EU delegation to the Council, Ms. Astrid Bergquist would be retiring from her position. The Council applauded Ms. Astrid Bergquist's immense contributions to ITTO.
258. Ms. McAlpine mentioned that no other organization apart from ITTO, brought together representatives of trade, governments and actual forestry practitioners to discuss policies and programmes which addressed the objectives of the Organization. She noted that ITTO had the right representatives to address issues of tropical timber trade from sustainably managed sources, including economic, environmental and social aspects of tropical forests management. She pledged her personal commitment to supporting ITTO to realize its full potential, including attracting additional financial and human resources.
259. The Chairperson noted that the upcoming renegotiations of a successor Agreement to the ITTA, 1994, offered Members of the Council an opportunity to reinforce and refresh the International Tropical Timber Agreement. She said the renegotiation was an opportunity to look into the future and see what could be done to improve upon an already strong Agreement and Organization.
260. Ms. McAlpine expressed her sincere gratitude to the spokespersons for their support and their spirit of cooperation and mutual respect. She expressed her gratitude to the Government of Japan and the City of Yokohama for their continued support to ITTO. She also thanked the Vice-Chairperson of the Council for his support and thoughtful approach to ITTO matters. The Chairperson commended the skills and dedication of the interpreters, translators and local support staff.
261. The Chairperson officially closed the Thirty-seventh Session of the ITTC.

ANNEX I

LIST OF PARTICIPANTS

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

LIST OF PARTICIPANTS

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ANNEX II

AGENDA

DOCUMENT: ITTC(XXXVII)/1

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8 November 2004

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

AGENDA

1. Opening of the Session
2. Ascertainment of the Quorum
3. Adoption of Agenda and Organization of Work
4. Report on Membership of the Council
5. Report of the Credentials Committee
6. Distribution of Votes for 2004
7. Admission of Observers
8. Statement by the Executive Director
9. Report of the Informal Advisory Group (IAG) – Decision 5(XXVI)
10. CITES Listing Proposals by Members – Decision 3(XVI)
11. Annual Review and Assessment of the International Timber Situation
12. Negotiating a Successor Agreement to the ITTA, 1994 – Decisions 4(XXXII), 8(XXXIII) and 6(XXXIV)
13. ITTO Objective 2000 – Decisions 2(XXIX) and 9(XXX)
 - (a) Report on Assistance Provided to Producer Countries to Identify Factors Limiting Progress Towards Achieving Objective 2000
 - (b) Report on Progress in the Implementation of National Training Workshops on the Use of ITTO Formats for Reporting on Sustainable Forest Management
 - (c) Report on Progress in the Preparation of a "Status of Tropical Forest Management Report"
14. Forest Law Enforcement in the Context of Sustainable Timber Production and Trade – Decision 6(XXXI)
 - (a) Report on Study on Export and Import Data on Tropical Timber Products
 - (b) Report on Studies to Enhance Forest Law Enforcement in Producing Member Countries
 - (c) Cooperation with FAO

15. Strengthening the Asia Forest Partnership – Decision 3(XXXIV)
16. Measures to Promote the Expansion and Diversification of International Trade in Tropical Timber – Decision 12(XXXIV)
17. ITTO Biennial Work Programme for the Years 2004-2005 – Decision 4(XXXV)
18. Phased Approaches to Certification – Decision 10 (XXXIV)
 - (a) Report on Procedures to Implement Phased Approaches to Certification in Tropical Timber Producing Countries
 - (b) Report on Study to Evaluate the Costs and Benefits of Certification in Selected ITTO Producing Member Countries
19. ITTO Fellowship Programme – Decision 4(XXVII)
 - (a) Progress Report on the ITTO Fellowship Programme
 - (b) Report of the Fellowship Selection Panel
20. 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)
21. Criteria and Indicators for Sustainable Forest Management – Decision 4(XXXIV)
22. Reports of the Associated Sessions of the Committees
23. Election of Chairperson and Vice-Chairperson of the Council for 2005
24. Dates and Venues of the Thirty-eighth, Thirty-ninth and Fortieth Sessions of the Council and the Associated Sessions of the Committees
25. Other Business
26. Decisions and Report of the Session
27. Closing of the Session

ANNOTATIONS TO THE AGENDA

Item 1 - Opening of the Session

The Thirty-Seventh Session of the Council will be opened by the Chairperson of the Council, Ms. Jan McAlpine (U.S.A.).

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(XXXVII)/1]

The Council may decide to consider and adopt its Agenda. On the schedule of meetings, the Council may consider the draft schedule distributed under Decision 5(XXII), and the advice of the Informal Advisory Group (IAG) and undertake due consultations in the Chairperson's Coordinating Bureau, issuing the 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(XXXVII)/3]

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

Item 6 - Distribution of Votes for 2004 [Document ITTC(XXXVII)/1 Annex]

The distribution of votes for the year 2004 which was adopted by the Council, in accordance with Article 10(6) of the ITTA, 1994, at its Thirty-sixth Session, is shown in the Annex to these Annotations. In accordance with Article 19(4) of the ITTA, 1994, the approved distribution of votes will be used for the assessment of the contribution of each Member to the Administrative Budget for 2005.

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

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

Item 8 - Statement by the Executive Director

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

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

Pursuant to Decision 5(XXVI), and in order to organize its work for the Session, the Council may consider the report of the Fifteenth Meeting of the Informal Advisory Group (IAG), to be convened on Sunday, 12 December 2004.

The report of the Fifteenth Meeting of the IAG will be presented by the Chairperson, Ms. Jan McAlpine (U.S.A.).

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

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

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

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

(i) Elements for the 2004 Annual Review and Assessment of the International Timber Situation

This is prepared by the Secretariat and comprises statistics and available data on production, imports and exports of timber products, emphasizing tropical timber products, and an analysis of economic and market developments. The Elements for the 2004 Annual Review will be partly based on information extracted from national responses to the ITTO/UNECE/ FAO/EUROSTAT Joint Forest Sector Questionnaire and partly from other sources.

(ii) A General Introductory Statement by the Secretariat

Using various sources of information including the Elements for the 2004 Annual Review, the Statement will give an overview of the world timber situation, focusing on tropical timber, including recent developments and the short-term outlook based on available forecasts.

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

Item 12 - Negotiating a Successor Agreement to the ITTA, 1994 – Decisions 4(XXXII), 8(XXXIII) and 6(XXXIV)

The Council will be updated on the progress in the negotiations of a successor Agreement to the ITTA, 1994.

Item 13 - ITTO Objective 2000 – Decisions 2(XXIX) and 9(XXX)
[Documents ITTC(XXXVII)/5, ITTC(XXXVII)/6 and ITTC(XXXVII)/7]

- (a) Pursuant to its Decision 2(XXIX), which requested the Executive Director to render assistance, on request, to producer countries to identify, in each country, those factors which most severely limit progress towards achieving Objective 2000 and sustainable forest management and to formulate an action plan to overcome these, the Council will receive the reports on the assistance provided to the Governments of Cambodia, Fiji and Panama;
- (b) The Council will also be updated on progress towards implementation of national workshops to train officials, forest managers and forest concessionaires on the effective use of ITTO formats for reporting on forest management;
- (c) Pursuant to its Decision 9(XXX), the Council will be updated on progress in the preparation of a "Status of Tropical Forest Management Report".

Item 14 - Forest Law Enforcement in the Context of Sustainable Timber Production and Trade – Decision 6(XXXI)
[Documents ITTC(XXXVII)/8, ITTC(XXXVII)/9 and ITTC(XXXVI)/9]

- (a) Pursuant to its Decision 6(XXXI), the Council will receive the final report on the study on Export and Import Data on Tropical Timber Products;

- (b) Pursuant to its Decision 6(XXXI), which authorized the Executive Director, upon request by Producing Countries, to conduct studies and to assist those countries in devising ways to enhance forest law enforcement, taking into account, when necessary, illegal timber trade and its impacts, the Council will receive the final report on the assistance provided to the Government of Honduras and the Government of Malaysia.
- (c) The Council will be updated on the progress of cooperation with FAO on the development and application of Guidelines for the Improvement of Law Compliance in the Forest Sector

Item 15 - Strengthening the Asia Forest Partnership – Decision 3(XXXIV)

Pursuant to its Decision 3(XXXIV), the Council will receive information on progress being made in strengthening the Asia Forest Partnership

Item 16 - Measures to Promote the Expansion and Diversification of International Trade in Tropical Timber – Decision 12(XXXIV)
[Document ITTC(XXXVII)/10]

The Council will receive a report on the study to promote the expansion and diversification of international trade in tropical timber.

Item 17 - ITTO Biennial Work Programme for the Years 2004-2005–Decision 4(XXXV)
[Document ITTC(XXXVII)/11]

The Council will receive the progress report on the Implementation of the Biennial Work Programme for 2004-2005.

Item 18 - Phased Approaches to Certification – Decision 10(XXXIV)
[Documents ITTC(XXXVII)/12 & ITTC(XXXVII)/13]

- (a) The Council will receive the final report on procedures on how to implement phased approaches to certification in tropical timber producing countries;
- (b) Pursuant to its Decision 10(XXXIV) the Council will receive the final report on a study to evaluate the costs and benefits of certification in selected ITTO Producing Member Countries.

Item 19 - ITTO Fellowship Programme – Decision 4(XXVII)
[Documents ITTC(XXXVII)/14 & ITTC(XXXVII)/15]

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(XXXVII)/14]; and (b) the report of the Fellowship Selection Panel to be presented by its Chairperson [Document ITTC(XXXVII)/15]. The Council will announce the final selection of awards based on the Chairperson's report.

Item 20 - Special Account and Bali Partnership Fund
[Document ITTC(XXXVII)/16]

- (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(XVI)/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(XXXVII)/16].

Item 21 - Criteria and Indicators for Sustainable Forest Management – Decision 4(XXXIV)
[Document ITTC(XXXVII)/17]

The Council may consider the report of the Expert Panel convened in Arbon, Switzerland from 5-7 November 2004 to consider and make recommendations for the revision of the ITTO Criteria and Indicators and Reporting Formats.

Item 22 - 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 23 - Election of Chairperson and Vice-Chairperson of the Council for 2005

The Council may decide after due consultations, to elect a Chairperson and Vice-Chairperson for 2005. Under Article 8 of the ITTA, 1994, the Council is required to elect a Chairperson and Vice-Chairperson for each calendar year. Under Article 8, paragraph 2, the Chairperson and the Vice-Chairperson, one from among the representatives of producing countries, and the other from among the representatives of the consuming countries, are required to alternate each year between the two categories of Members, provided, however, that this shall not prohibit the re-election to either or both under exceptional circumstances by Special Vote of the Council.

Item 24 - Dates and Venues of the Thirty-eighth, Thirty-ninth and Fortieth Sessions of the Council and the Associated Sessions of the Committees

The Council has already approved the dates and venues of the Thirty-eighth Session to be held in Brazzaville, Republic of Congo, from 21 to 23 June 2005 and the Thirty-ninth Session to be held in Yokohama, Japan from 7 to 12 November 2005. The Council may wish to confirm the dates and venues of these two Sessions.

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 venue of the Fortieth Session in the spring of 2006.

Item 25 - Other Business

The Council may consider any matters raised under this item.

Item 26 - Decisions and Report of the Session

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

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

- (a) The Council will give guidance to the Executive Director through the Council Chairperson on routine or non-controversial matters not having financial implications. This guidance will be included in the Report of the Session, not reflected as decisions of Council;
- (b) In order for draft decisions by Members to be considered by Council, the following procedures will be adopted:

- In relation to the Provisional Agenda, Members submit proposals for Council decisions to the Executive Director for circulation to all Members not less than two weeks prior to Council. Each proposal contains three elements: the subject, the purpose of the decision, and the proposed action, including any financial implications. The Executive Director will not circulate incomplete proposals.
- Minus Day 1: The IAG considers the proposals for Council decisions from Members, as well as proposals from the Executive Director.
- Council Day 1: The Chairperson presents the proposals to Council as part of the IAG report and identifies which, if any, can be handled per 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 above procedures were adopted for a six-day Council Session. The Council may wish to review its decision-making procedures.

Item 27 - Closing of the Session

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

Annex

DISTRIBUTION OF VOTES FOR 2004

	<u>No. of Votes</u>	
	2003	2004
<u>PRODUCING MEMBERS</u>		
Africa		
Cameroon.....	24	25
Central African Republic.....	24	24
Congo.....	24	24
Côte d'Ivoire	24	24
Democratic Republic of the Congo	24	25
Gabon.....	24	25
Ghana.....	24	24
Liberia.....	24	24
Nigeria.....	24	24
Togo.....	24	24
Asia & Pacific		
Cambodia.....	16	15
Fiji.....	14	14
India.....	22	22
Indonesia	142	146
Malaysia	112	103
Myanmar.....	29	29
Papua New Guinea	29	27
Philippines	15	15
Thailand	16	16
Vanuatu.....	13	13
Latin America/Caribbean		
Bolivia	23	22
Brazil	162	159
Colombia.....	23	22
Ecuador	15	15
Guatemala	12	11
Guyana.....	16	15
Honduras.....	12	11
Mexico.....	-	18
Panama	12	11
Peru	28	27
Suriname	15	14
Trinidad and Tobago.....	11	10
Venezuela	23	22
Total:	1,000	1,000

	<u>No. of Votes</u>	
	2003	2004
<u>CONSUMING MEMBERS</u>		
Australia.....	13	12
Canada	16	16
China	207	226
Egypt	15	16
European Community		
Austria	10	11
Belgium/Luxembourg	17	17
Denmark	14	14
Finland	10	10
France	33	33
Germany	23	23
Greece	12	12
Ireland	14	14
Italy	27	27
Netherlands	30	29
Portugal	21	24
Spain	29	26
Sweden	11	11
United Kingdom	37	34
Japan	265	254
Nepal	10	10
New Zealand	10	10
Norway	11	11
Republic of Korea	73	80
Switzerland	11	11
United States of America	81	69
Total:	<u>1,000</u>	<u>1,000</u>

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ANNEX III

TEXT OF THE MAIN DECISIONS

ADOPTED BY THE COUNCIL AT ITS THIRTY-SEVENTH SESSION

Documents: **DECISION 1(XXXVII) ITTC(XXXVII)/18**
 DECISION 2(XXXVII) ITTC(XXXVII)/19
 DECISION 3(XXXVII) ITTC(XXXVI)/20

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ITTC(XXXVII)/18
18 December 2004

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

DECISION 1(XXXVII)

PROJECTS, PRE-PROJECTS AND ACTIVITIES

The International Tropical Timber Council,

Having considered at its Thirty-seventh Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(XXXV)/8, and CRF(XXXV)/9; and the report of the Seventh Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTC(XXXVII)/16;

1. Decides:

(i) to approve the following Projects:

PD 182/03 Rev.2 (M)	Enhancement of the Forest Statistics Information & Management System (STATFOR) through the Integration of a Computer Module for Processed Log Management (Gabon) ITTO Budget: \$285,768.00
PD 264/04 Rev.2 (M,I)	Timber of Tropical Africa Part 1: Group 7(1) within the PROTA Programme (Ghana) ITTO Budget: \$1,201,424.00
PD 298/04 Rev.1 (M)	Strengthening the Capacity to Effectively Market Exports of Forest Products from Guyana (Guyana) ITTO Budget: \$130,896.00
PD 200/03 Rev.4 (F)	The Establishment of Seed Orchards for Selected Indigenous Tree Species in Sabah, Malaysia (Malaysia) ITTO Budget: \$367 632.00
PD 201/03 Rev.3 (F)	Sustainable Management of 50,000 HA of Tropical Forests in the Municipality of Santa Rosa Del Sur, Department of Bolívar Colombia (Colombia) ITTO Budget: \$409,039.00
PD 220/03 Rev.2 (F)	Integrated Conservation and Management of Malaysian Mangrove Forests (Malaysia) ITTO Budget: \$951,480.00
PD 228/03 Rev.2 (F)	Tropical Forest Fire Monitoring and Management System Based on Satellite Sensing Data in China (China) ITTO Budget: \$395,028.00

PD 237/03 Rev.3 (F)	Binational Conservation and Peace in the Condor Range Region, Ecuador-Peru: Phase II (Peruvian Component) (Peru) ITTO Budget: \$644,393.00
PD 238/03 Rev.3 (F)	Binational Conservation and Peace in the Condor Range Region, Ecuador-Peru: Phase II. (Ecuadorian Component) (Ecuador) ITTO Budget: \$775,980.00
PD 270/04 Rev.2 (F)	Ex-situ and In-situ Conservation of Teak (<i>Tectona grandis</i> L.F.) to Support Sustainable Forest Management (Myanmar) ITTO Budget: \$474,941.00
PD 272/04 Rev.2 (F)	Development of National Principles, Criteria and Indicators for the Sustainable Management of Congo Forest Based on ITTO Criteria and Indicators for SFM (Republic of Congo) ITTO Budget: \$447,702.00
PD 276/04 Rev.2 (F)	Revised World Atlas of Mangrove for Conservation and Restoration of Mangrove Ecosystems (Global-Japan) ITTO Budget: \$430,920.00
PD 284/04 Rev.2 (F)	Fire-Management and Post-Fire Restoration with Local Community Collaboration in Ghana (Ghana) ITTO Budget: \$585,894.00
PD 289/04 Rev.1 (F)	Management of the Emerald Triangle Protected Forests Complex to Promote Cooperation for Transboundary Biodiversity Conservation between Thailand, Cambodia and Laos (Phase II) (Thailand and Cambodia) ITTO Budget: \$688,208.00
PD 300/04 Rev.1 (F)	Restoration and Sustainable Use of Forest Resources in Ghana: State-of-the-art Conference (Ghana) ITTO Budget: \$69,449.00
PD 301/04 Rev.1 (F)	The Eighth Round-Table Conference on Dipterocarp (Malaysia) ITTO Budget: \$94,932.00
PD 177/02 Rev.3 (I)	Establishment of the Kinshasa National Saw Doctoring Center in the Democratic Republic of the Congo (Democratic Republic of the Congo) ITTO Budget: \$637,838.00
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 the Congo) ITTO Budget: \$625,320.00
PD 268/04 Rev.2 (I)	The International Conference on Innovation in the Forest and Wood Products Industries (Innovations '06) (Australia) ITTO Budget: \$147,960.00
PD 275/04 Rev.3 (I)	Improvement of the Sustainable Management and Utilization of Non-Timber Forest Products (NTFP's) in Cambodia (Cambodia) ITTO Budget: \$440,312.00
PD 277/04 Rev.3 (I)	Promoting Selected Non-Timber Forest Products Based on Community Participation Approach to Support Sustainable Forest Management in East Kalimantan (Indonesia) ITTO Budget: \$401,937.00

PD 285/04 Rev.2 (I)	Introduction of a Village Industry in the Community around an Industrial Forest Plantation in Sumatra, Indonesia (Indonesia) ITTO Budget: \$319,221.00
PD 306/04 Rev.1 (I)	Improving Utilization and Value Adding of Plantation Timbers from Sustainable Sources in Malaysia (Malaysia) ITTO Budget: \$499,867.00
PD 318/04 Rev.2 (I)	Quality Control and Standardization of Ghanaian Wood Products (Ghana) ITTO Budget: \$197,424.00
PD 325/04 (I)	Capacity Strengthening of Forestry Stakeholders to Support the Implementation of the National Code of Practice for the Forest Harvesting (China) ITTO Budget: \$143,284.00

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

PD 182/03 Rev.2 (M)	\$285,768.00
PD 200/03 Rev.4 (F)	\$367,632.00
PD 272/04 Rev.2 (F)	\$447,702.00
PD 276/04 Rev.2 (F)	\$430,920.00
PD 284/04 Rev.2 (F)	\$585,894.00
PD 289/04 Rev.1 (F)	\$688,208.00
PD 268/04 Rev.2 (I)	\$147,960.00
PD 275/04 Rev.3 (I)	\$440,312.00
PD 277/04 Rev.3 (I)	\$401,937.00
PD 306/04 Rev.1 (I)	\$499,867.00
PD 318/04 Rev.2 (I)	\$197,424.00
PD 325/04 (I)	\$143,284.00

- (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 earmarked funds are available in the Special Account of the following Projects approved at this Session:

PD 264/04 Rev.2 (M,I)	\$1,201,424.00
PD 298/04 Rev.1 (M)	\$130,896.00
PD 201/03 Rev.3 (F)	\$409,039.00
PD 220/03 Rev.2 (F)	\$951,480.00
PD 228/03 Rev.2 (F)	\$395,028.00
PD 237/03 Rev.3 (F)	\$644,393.00
PD 238/03 Rev.3 (F)	\$775,980.00
PD 270/04 Rev.2 (F)	\$474,941.00
PD 300/04 Rev.1 (F)	\$69,449.00
PD 301/04 Rev.1 (F)	\$94,932.00
PD 177/02 Rev.3 (I)	\$637,838.00
PD 227/03 Rev.4 (I)	\$625,320.00
PD 285/04 Rev.2 (I)	\$319,221.00

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

PD 73/01 Rev.5 (I,M)	\$286,677.00
PD 210/03 Rev.3 (F)	\$588,835.00
PD 217/03 Rev.2 (F)	\$139,898.00
PD 248/03 Rev.4 (F)	\$577,800.00

- (vi) to authorize the release of additional funding for the continued implementation of the following Project approved at an earlier Session:

PD 49/99 Rev.2 (F) – additional funds \$84,240.00

- (vii) to authorize the release of additional funding for the continued implementation as soon as earmarked funds are available in the Special Account of the following Project approved at an earlier Session:

PD 68/01 Rev.2 (I) – additional funds \$64,800.00

2. Decides:

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

PPD 101/04 Rev.1 (M) Development and Promotion Program for Financial Compensation of Environmental Services Derived from Tropical Forest Ecosystems in Guatemala (Guatemala)
ITTO Budget: \$46,440.00

PPD 98/04 Rev.1 (F) Towards the Municipal Decentralization of Forest Management in the Chaco and Yungas Eco-Regions of Bolivia (Bolivia)
ITTO Budget: \$94,500

PPD 104/04 Rev.1 (F) Development of a Project Proposal to Support the Implementation of the National Forest Strategy in Peru (Peru)
ITTO Budget: \$48,854.00

PPD 105/04 Rev.1 (F) Feasibility Study for the Development of a Transboundary Elephant Conservation Corridor between Côte d'Ivoire and Ghana (Côte d'Ivoire)
ITTO Budget: \$98,090.00

PPD 108/04 Rev.1 (F) Sustainable Community Management, Utilization and Conservation of Mangrove Ecosystems in Ghana (Ghana)
ITTO Budget: \$75,578.00

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

PPD 101/04 Rev.1 (M) \$46,440.00
PPD 98/04 Rev.1 (F) \$94,500.00
PPD 104/01 Rev.1 (F) \$48,854.00

- (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 105/04 Rev.1 (F) \$98,090.00
PPD 108/04 Rev.1 (F) \$75,578.00

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

PPD 61/02 Rev.2 (M) \$62,555.00

- (v) to authorize the release of additional funding for the continued implementation of the following Pre-Project approved at an earlier Session, as soon as earmarked funds are available in the Special Account:

PPD 14/00 (M) – additional funds \$30,000.00

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

PP-A/33-125 [Decision 4(XXXIII)]	\$40,000.00
PP-A/34-131 [Decision 4(XXXIV)]	\$50,000.00

- (vii) to the authorize financing for the continued implementation as soon as earmarked funds are available in the Special Account of the following Activity approved at an earlier Session:

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 Activity from the resources of the Working Capital Account of the Administrative Account:

PP-A/34-132[Decision 6(XXXIV)]	\$600,000.00
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4. Decides to authorize the release of additional funds for the continued implementation of the following Activities from the resources obtained through voluntary contributions, and/or of the Unearmarked Funds in the Special Account:

PP-A/23-63	\$28,250.00
PP-A/36-151B [Decision 4(XXXV) para.2 item (viii)]	\$400,000.00

5. Decides to authorize financing for immediate implementation of the following Activities from resources obtained through voluntary contributions, and/or of the Sub-Account B of the Bali Partnership Fund, and/or Unearmarked Funds in the Special Account:

Expert panel for Technical Appraisal of Project Proposals, Twenty-ninth Meeting PP-A/37-153	\$93,500.00
Enhanced Cooperation between ITTO and CITES for Ramin and Mahogany [Decision 2(XXXVII)] PP-A/37-157	\$282,500.00

6. Decides to authorize financing for immediate or continued implementation of the following Activities and Projects which were approved at earlier Sessions, from resources of the Sub-Account B of the Bali Partnership Fund, and/or Unearmarked Funds in the Special Account:

PD 16/93 Rev. 4 (M) Phase IV - Year 2005	\$300,000.00
PD 13/99 Rev.2 (M,F,I) Phase II - Year 2005	\$530,000.00
PD 124/01 Rev.2 (M) Phase I Stage 2	\$634,982.00

**ITTO Biennial Work Programme for the years 2004-2005
Decision 4(XXXV)**

Item 2 (iii) PP-A/37-154 Study on Subsidies Affecting Tropical Timber products – Phase I [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 2]	\$ 20,000.00
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Item 2 (vii) PP-A/37-155 Review and update the ITTO Guidelines for the Conservation of	\$185,000.00
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Biodiversity in Tropical Timber Producing Forests, taking into account recent developments, including CBD's work programme on forest biodiversity and ITTO's renewed cooperation with IUCN [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action1]

Item 2 (ix) PP-A/37-156

Audit of Existing Tracking Systems in Tropical Forest Industries \$136,000.00
[ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 1]

7. Urges Members to consider financing those approved Projects, Pre-Projects and Activities for which funds are not immediately available,
8. 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,
9. 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,
10. 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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18 December 2004

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

DECISION 2(XXXVII)

ENHANCED COOPERATION BETWEEN ITTO AND CITES FOR RAMIN AND MAHOGANY

The International Tropical Timber Council,

Recalling Decisions 6(XII), 3(XVI), 5(XVIII), 7(XX) and 7(XXXIV) on measures to improve cooperation between ITTO and CITES, and relevant aspects of the ITTO Yokohama Action Plan, the Biennial Work Programme for the Years 2004-2005, and recommendations made by the Civil Society Advisory Group and the Trade Advisory Group at the Thirty-sixth Session of the Council;

Welcoming the strong synergies that have developed between ITTO and CITES, including in facilitating implementation of the listing of mahogany (*Swietenia macrophylla*) on Appendix II of CITES;

Noting the decision at the 13th Conference of the Parties to CITES to list ramin (*Gonystylus* spp.) on Appendix II of CITES, including all manufactured products;

Welcoming the cooperation demonstrated by Indonesia, Malaysia and Singapore in establishing the Tri-National Ramin Task Force to improve trade control systems and enhance enforcement of ramin trade;

Recognizing the challenge faced by exporters and importers of ramin resulting from the decision to list it on Appendix II, as a consequence of the wide scope, large volume and considerable variety of products covered by the listing;

Decides to:

1. Request the Executive Director to provide support to organize, in cooperation with the CITES Secretariat, a meeting under the auspices of the Tri-National Ramin Task Force to bring together ramin range states, exporters, importers, CITES experts and other interested parties to assist in the effective implementation of the CITES decision to list ramin (*Gonystylus* spp.) on CITES Appendix II;
2. Request the Executive Director to provide support, on request, in cooperation with the CITES Secretariat, to member countries requiring technical assistance in implementing the Appendix II listing of ramin (*Gonystylus* spp.), including, *inter alia*:
 - Developing training curricula and materials on enforcement, identification of ramin (*Gonystylus* spp.) and CITES procedures;
 - Facilitating meetings of the Tri-National Ramin Task Force; and
 - Developing project proposals to assist CITES authorities in carrying out their Non Detriment Findings for ramin in key producing countries, where appropriate and identify potential donors to support these projects.

3. Request the Executive Director, in cooperation with the CITES Secretariat, to undertake further activities to assist range countries and major trading partners in building their capacity to implement the CITES listings of ramin and mahogany, including *inter alia*:
 - Strengthening capacity of customs authorities and enforcement agencies at national and regional levels to effectively implement the CITES Appendix II listing;
 - Enhancing information and knowledge exchange on CITES procedures with regard to trade and implementation of the CITES Appendix II listing among producer and consumer countries; and
 - Enhancing cooperation and networking amongst producer and consumer countries, including civil society and the private sector, to improve mechanisms for CITES implementation and enforcement at both national and regional levels.
4. Authorize the Executive Director to seek voluntary contributions from Member countries to meet the financial requirements of this decision, not exceeding US\$282,500. If sufficient contributions are not received by 31 July 2005, the Executive Director is requested to use funds from Sub-Account B of the Bali Partnership Fund.

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

DECISION 3(XXXVII)

MEASURES TO IMPROVE AND STRENGTHEN THE ITTO PROJECT CYCLE

The International Tropical Timber Council,

Recalling Decision 7(XXXIII) that adopted measures to improve efficiency and effectiveness of the Organization which included, inter alia, measures related to project formulation, monitoring and evaluation; and Decision 11(XXXIV) on Measures to Improve Project Formulation and Appraisal;

Taking note of the Report of the Expert Panel on Measures to Improve Project Formulation and Appraisal ITTC(XXXVI)/5 and Report of the Working Group on Improving Effectiveness and Efficiency of Project Work CEM,CRF,CFI,CFA(XXXIV)/2, and the recommendations thereof;

Also taking note of Decision 7(XXII) on the Expert Panel for the Technical Appraisal of Pre-Project and Project Proposals, Decision 8(XXII) on "Revision of Project Related Guidelines and Manuals", report of the "25th Expert Panel on Measures to Improve ITTO Project Formulation and Appraisal" [ITTC(XXXIV)/6], and on-going Project on "Assistance for Project Identification and Formulation" PD 73/89 (M,F,I);

Recognizing the importance of the effective measures to improve the different phases of the Project Cycle, namely: (a) Identification; (b) Formulation; (c) Appraisal; (d) Decision/Financing; (e) Implementation; (f) Evaluations (Mid-term, Terminal, Ex-post); and (g) Completion;

Further taking note of the work done by the Executive Director in requesting the ITTO Members to take actions to improve the ITTO Project Cycle, and of actions being implemented by the ITTO Secretariat, pursuant to the deliberations at the Thirty-sixth Session of the Council and the Joint Session of the Committees, held in Interlaken, Switzerland, from 20-23 July 2004;

Recognizing the further potential positive impacts of implementing the recommendations of the 27th Expert Panel and of the Working Group on Improving Effectiveness and Efficiency of Project Work CEM,CRF,CFI,CFA(XXXIV)/2,

Stressing that projects and pre-projects need to be developed, approved, implemented and evaluated in an efficient and transparent manner;

Underscoring the roles of the technical committees and their responsibilities to ensure that projects and pre-projects submitted to Council, including their subsequent effective implementation, conform to the criteria set forth in this Decision;

Decides to:

1. Strongly encourage Member Countries to act on the recommendations detailed in the Annex of this Decision, noting in particular the desirability of:
 - (i) establishing national clearing-houses for screening project and pre-project proposals, taking into account national priorities and their relevance to ITTO goals and adherence to the ITTO Manual for Project Formulation and other ITTO rules

/ ...

- and procedures, prior to submission; undertaking an assessment of training needs in project formulation and the appraisal process;
- (ii) limiting submission of new project proposals to no more than three per Expert Panel meeting, and ranking them in order of priority; and
 - (iii) providing the name and curriculum vitae of the local experts on project formulation, for inclusion in the database of the ITTO Secretariat.
2. Request the Executive Director to make available the services of local experts in project formulation, to conduct training workshops in or for producer and developing consumer countries eligible in compliance with Decision 7(XXXIII) Annex I, Part C, to submit project proposals, with the participation of the focal point, future trainers and members of the national clearing house, as an extension of activities under the Project "Assistance for Project Identification and Formulation" PD 73/89 (M,F,I), based on the outcome of the assessment of training needs in Member Countries.
 3. Request the Executive Director to organize, based on nominations from Member Governments and international organizations, a database of experts to assist eligible Member Countries (in compliance with Decision 7(XXXIII) Annex I, Part C), to develop project proposals.
 4. Request the Executive Director to:
 - (i) Engage two consultants, one from a producer member country and one from a consumer member country, to develop a qualifying method using qualitative award criteria and weighted scores to assess proposals;
 - (ii) Extend by two days the duration of the 29th Expert Panel for the Technical Appraisal of Project Proposals to update the terms of reference for the expert panel and to review the consultants' proposals on qualitative award criteria and weighted scores for consideration by Council; and
 - (iii) Limit the number of appraisals of project and pre-project proposals to three (original appraisal plus two).
 5. Request the Executive Director:
 - a. 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;
 - b. 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
 - c. Subsequently to develop computerized tools to facilitate project proposal and budget preparation via the ITTO website.
 6. Request the Executive Director to implement as appropriate the recommendations that are listed in the Annex of this Decision, and to engage the Secretariat staff actively in the various phases of the project cycle.
 7. Authorize the Executive Director to seek voluntary contributions from Member Countries to meet the financial requirements of this Decision, not exceeding US\$497,000.00. If sufficient contributions are not received by 24 June 2005, the Executive Director is requested to use funds from the Sub-Account B of the Bali Partnership Fund.
 8. Review, after two years, this Decision with a particular focus on the limitation in submission of proposals with a view to assessing its effectiveness and impact on improving the Project Cycle and the delivery of quality projects

ANNEX

Measures for Improving the Effectiveness and Efficiency of Project Work

Phase of Project Cycle	Problems and Implications	Remedial Measures	Responsible Party(ies)
1. Identification	<p>Limited guidance by ITTO in project identification</p> <p>Lack of an effective process to identify and prioritize projects and activities of ITTO that are relevant to countries, beneficiaries, and ITTO</p>	<p>Develop a set of criteria which define the characteristics (e.g. relevance, wider value) of an ITTO project, to assist countries in project identification</p> <p>Establish an in-country diagnostic process</p> <p>Establish a clearing house of national experts to process proposals taking into account national priorities and those of ITTO (to assist focal point in screening projects)</p> <p>Consider organizing national calls for proposals which match national and ITTO priority areas</p> <p>To work at early stage with countries considering developing projects & potential donors</p>	<p>Council</p> <p>Member Countries</p> <p>Member Countries</p> <p>Focal Points</p> <p>ITTO</p>
2. Formulation	<p>Limited expertise in formulating projects</p> <p>Lack of understanding as regards the role and responsibilities of focal points</p>	<p>Pursue assistance for project formulation focusing on country needs based upon their request</p> <p>Develop consultant guidelines on assistance for projects formulation, and appropriate terms of reference that ensure institutional capacity building for the requesting member country.</p> <p>Identify need for financial support for focal points in project formulation process</p> <p>Ensure dissemination of project results to improve future project design</p> <p>Ensure focal points have sufficient in-house staff or other human resources that are familiar with ITTO's Manuals, Guidelines and Procedures, and have the time, experience and motivation to appraise new projects, and monitor projects under implementation</p>	<p>ITTO and Member Countries</p> <p>Member Countries</p> <p>ITTO and Member Countries</p> <p>Member Countries</p>

Phase of Project Cycle	Problems and Implications	Remedial Measures	Responsible Party(ies)
		Link focal points with relevant bodies, such as Objective 2000 Boards	Member Countries
		Require focal points to provide evidence of compliance (through a checklist) with ITTO's Manuals, Guidelines and Procedures, and countries' priorities as a condition for submission of projects	ITTO
		Develop a checklist for demonstrating compliance with ITTO's Manuals, Guidelines, and Procedures, and countries' priorities.	ITTO
		Inform ITTO on the assignment of a new focal point and/or focal person and if necessary any need for training	Member Countries
	Manuals, Guidelines, and Procedures are perceived as incomplete, overly complicated, and, in some cases, inadequate	Revise Manuals Guidelines, and Procedures, in consultation with members, to make them easier to understand and use, and eliminate unnecessary requirements, taking into consideration poverty issues and gender aspects	ITTO
		Clarify the role of focal points and focal persons with respect to project formulation, monitoring and evaluation, in ITTO's review of the Manuals, Guidelines and Procedures	ITTO
	Tools available for project formulation insufficient	Provide web-based tools for development of logical framework, budget, and other aspects of project design, formulation and implementation	ITTO
		Make resources available for development of project ideas into projects, and the use of pre-projects in formulating projects	ITTO and Member Countries
	Project design not coherent	Elaborate on the strategic value and project proposal development process	Executing Agency
		Demonstrate how projects relate to national policies on poverty reduction, sustainable forest management and the National Forest Programme	
		Document project formulation process in the project proposal, necessary to establish ownership of project and ensuring proper dissemination of results	Executing Agency
		Build time into project proposal and work plan for consummating agreement, submission of Yearly Plan of Operation, and preparation of updated financial and cash flow statement; and bringing on project management team	Executing Agency

Phase of Project Cycle	Problems and Implications	Remedial Measures	Responsible Party(ies)
	Lack of sufficient experience and/or poor past performance on the part of some executing agencies/cooperating agencies	Recommend actions as necessary to build institutional capacity to address perceived problems	Secretariat
	Weak application of logical framework	Improve application of logical framework and ensure participatory process in its development	Executing Agency
	Weak ownership and commitment by cooperating agencies, cooperating governments, and stakeholders impedes smooth project implementation and limits the impact of project	Develop a process and methodology to assist in formulation of logical framework and assessment of project impact; ensure the participation of beneficiaries and/or stakeholders, taking into account gender aspects	ITTO and Member Countries
	Risks and assumptions not adequately accounted for in projects	Seek early and firm commitment and input from cooperating agencies, cooperating governments, and stakeholders	Member Countries
		Document the involvement (or planned involvement), input and commitment of cooperating agencies, cooperating governments, and stakeholders in the project proposal	Executing Agency
		Develop guidelines (formulation and for implementation) of multi-national projects	ITTO
		Evaluate risks and assumptions associated with project design, particularly as it regards the ability of project to contribute to national development objectives	Executing Agency
	Monitoring/evaluation procedures in project proposals not well defined	Develop guideline or checklist to assist in the evaluation of risks and assumptions	ITTO
	Projects often are not sustainable	Define monitoring/evaluation systems in project proposals	Executing Agency
		Require and identify the elements of an exit strategy including transitional needs (the incorporation of exit strategy, i.e., post-project operation and maintenance,) into project proposal to ensure sustainability of project based upon anticipated outcome	ITTO and Member Countries

Phase of Project Cycle	Problems and Implications	Remedial Measures	Responsible Party(ies)
	Poor dissemination and use of project results	Require projects to have a capacity and extension component, and dissemination strategy, identifying target groups and purpose and type of messages	ITTO
3. Appraisal	Appraisal process poorly defined	Appraisal process must be more rigorously defined and applied, including institutional capacity and needs, and gender aspects	ITTO and Member Countries
		Review terms of reference of Expert Panel on the Technical Appraisal of Pre-Project and Project Proposals	ITTO
		Develop and adopt a qualifying method using qualitative award criteria and weighted scores to structure the discussions of the Expert Panel on the Technical Appraisal of Pre-Project and Project Proposals, and clarify the recommendations of the Expert Panel	ITTO
		Reduce number of project proposals and/or make more resources available to assist in appraisal	ITTO and Member Countries
	Time and resources available to the Expert Panel on the Technical Appraisal of Pre-Project and Project Proposals are not commensurate with the number of project proposals	Develop an objective and verifiable methodology for assessing project structure, executing agency and institutional arrangements that support project implementation	ITTO
		Limit the appraisal to new projects and projects that have been revised one time	ITTO
	Lack of information on the experience and/or performance of executing agencies/cooperating agencies	Provide information, as available, on the experience and past performance of the executing agency/cooperating agencies, to assist the Expert Panel on the Technical Appraisal of Pre-Project and Project Proposals in assessing project proposals	Secretariat

4. Decision/Funding	Lack of effective involvement of technical committees in project approval process	Undertake an analysis to identify significance of the problem and draw conclusions	ITTO
	Lack of transparency regarding criteria for support and funding of projects	Improve process for funding of projects	ITTO
	Imbalance between available and required funds for projects	Diversify donor base	ITTO and Member Countries
		To find modalities to increase potential donors to channel funds through ITTO thereby enhancing the long-term stability of ITTO	ITTO
		Review imbalance and take actions to address the current imbalance in the number of projects and available resources	Council
	Long period between funding commitment and start of project	Review sunset provisions	ITTO
5. Implementation	Implementation often exceeds anticipated duration	Ensure anticipated durations are reasonable	Executing Agency
		Establish and implement monitoring and evaluation systems	Member Countries and Executing Agency
		Establish good lines of communications to facilitate needed changes in project implementation, e.g. changes of executing agency	ITTO, Member Countries and Executing Agency
	Lack of understanding by project personnel of ITTO Manuals, Guidelines and Procedures	Make allowances in project proposals for a start-up workshop	ITTO and Executing agency
		Provide training for project implementation	ITTO
	Importance of monitoring/evaluation not always fully recognized	Improve current monitoring and evaluation process and methodology, taking into account the project reporting process	Member Countries

		Provide assistance to countries in developing procedures for monitoring/evaluation	ITTO
		Strengthen linkages between executing agency, focal points, Secretariat, regional officers, particularly in area of monitoring and evaluation	ITTO, Member Countries, Focal Points, and Executing Agency
		Require joint monitoring and evaluation of projects (ITTO, focal points and executing agency)	ITTO
		Consider options to strengthen project monitoring and evaluation processes within Member Countries and ITTO, including regional levels	ITTO
	Lack of capacity	Incorporate needed capacity building into project, to capacitate institutions (e.g. beneficiaries, stakeholders), not individuals	Executing Agency ITTO
	Problems with the selection and commissioning of project personnel, lack of continuity of project personnel, etc.	Institute transparent and objective process for selection of project personnel and equipment	ITTO and Member Countries
		Develop a pool of experts	ITTO and Member Countries
	Ineffective use of steering committee	Make more effective use of steering committees, including in monitoring/decision making	ITTO and Executing Agency
		Strengthen the role of steering committee and reconsider composition and procedures of the steering committees	ITTO
		Provide input regarding need for changes in budget, within ITTO Guidelines and Procedures	Steering Committee
		Define role of steering committee in approving remedial changes	ITTO
	Deficiencies in project design that come to light in implementation bring into question the sustainability of project	Provide process to allow for sufficient flexibility and/or tools to correct deficiencies in project designs during implementation, as long as nature and/or overall objectives of projects are not changed	ITTO

6. Evaluations (Mid-Term, Terminal, Ex-post)	No consistent systematic evaluation of projects	Review current evaluation process and develop systematic evaluation process, taking into consideration monitoring and reporting processes, incorporating mid-term and terminal evaluations	ITTO and Executing Agency
		Make use of progress reporting and monitoring system as an evaluation tool	ITTO and Executing Agency
		Require terminal evaluation of a phase before the submission of subsequent phases	ITTO
		Conduct ex-post evaluations in cooperation with countries and focus on carefully selected issues, paying attention to gender aspects	ITTO
		Make adequate provisions in the budget of the projects for evaluations	Executing Agency
	Financial aspects not sufficiently analyzed in evaluations	Include financial expertise on evaluation team	ITTO
7. Completion	No clear significance attached to completion of project	Review the terms and process for declaring projects completed	ITTO
		Require assessment of project objective(s) as part of project completion process, making effective use of completion report	ITTO
	Projects not attaining objectives and outputs	Implement the remedial measures recommended by WG to improve projects and project cycle	ITTO

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ANNEX IV

REPORTS OF THE ASSOCIATED SESSIONS OF THE FOUR COMMITTEES

Documents: CEM-CFI(XXXV)/8

CRF(XXXV)/9

CFA(XVI)/6

Distr.
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THIRTY-FIFTH SESSION
13 – 18 December 2004
Yokohama, Japan

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

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

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

Appendix B: **Draft Terms of Reference**

REPORT

1. Opening of the Session

The Thirty-fifth Session of the Committees was opened on 13 December 2004 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. Astrid Bergquist (Sweden), Chairperson of CFI. The subsequent meetings of the CEM and CFI were conducted in joint sessions by Prof. Yeo-Chang Youn (Republic of Korea), Chairperson of CEM and Ms. Astrid Bergquist (Sweden), Chairperson of CFI. The list of participants is presented in document ITTC(XXXVII)/Info. 2.

2. Adoption of Agenda and Organization of Work

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

3. Admission of Observers

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

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

The Committees noted the presentation made by Dr. Ricardo Umali (Philippines), Chairman of the Expert Panel for Technical Appraisal of Project Proposals on the Report of the Panel at its Twenty-eighth Meeting held on 23-27 August 2004 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXV)/1. Problems and issues identified by the Panel included the large number of proposals – 78 comprising 66 project and 12 pre-project proposals; lack of clear and comprehensive problem analysis; weak logical framework; incomplete information on background, risks and assumptions, institutional frameworks and terms of reference for personnel and budgets; insufficient consideration of the future sustainability of projects; weak elaboration on costs and benefits; and inadequate attention to ITTO's wider goals.

The Panel further noted that apart from the need to limit the number of revisions for each proposal, there was also the necessity for a more streamlined, objective and systematic method of assessment. A Council decision would be required to improve the terms of reference of the Expert Panel particularly its procedures for rating and assessment.

The Committees took note of the process of national evaluation of proposals prior to submission to ITTO being implemented in Brazil. The delegate of Brazil pointed out that there was inconsistency in the work of the Expert Panel and there was a need for a better mechanism governing proposals for which proposers were not able to agree with the recommendations of the Expert Panel. The delegates of the EC and the Netherlands provided suggestions for enhancing the efficiency and transparency of the project formulation process.

5. Improving Effectiveness and Efficiency of Project Work

The Committees took note of the presentation made by the ITTO Secretariat on recent effort to improve the effectiveness and efficiency of ITTO project work based on the Report of the Expert Panel on Measures to Improve Project Formulation and Appraisal [ITTC(XXXVI)/5] and the Report of the Working Group on Improving Effectiveness and Efficiency of Project Work [CEM,CRF,CFI,CFA(XXXIV)/2]. These reports were presented to the Council and the Committees respectively at their previous Sessions. The highlights of the Secretariat's presentation included the draft Council decision on measures to improve project formulation and appraisal particularly the setting up of the national clearing house mechanism; the conduct of national training courses; the revision of ITTO Guidelines and Manuals related to projects; and the expansion of the ITTO Website. The Committees were also informed of the various recommendations made by the Working Group on actions to be taken by Members and the ITTO Secretariat to improve the ITTO project cycle covering

the aspects of project identification, formulation, appraisal, implementation, evaluation and completion.

The Committees noted that the Informal Advisory Group (IAG) at its Fifteenth Meeting recommended that a small group be set up to initiate early consultations for a Council decision on these matters. The Committees agreed to the establishment of the small group to be chaired by the Chairman of the CFA and open to the participation of the interested Members, the Chairman of the Expert Panel and the Chairman of the Working Group. The Committees considered the draft Council decision submitted by the small group and agreed to submit it for the consideration of the Council at its current Session.

6. Report on Completed Projects and Pre-projects

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

Committee on Economic Information and Market Intelligence

PD 34/00 Rev.2 (M)	Extension and Consolidation of the National Statistical Information System (Bolivia)
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The Committees noted that the project was a follow-up to PD 1/97 Rev.1 (M) "Implementation of a National Forest Statistical Information System" (Sifor/Bol). The project expanded the Sifor/Bol to the Forest Operative Units (FOU) where primary information sources were located. The Committees further noted that SIFOR/BOL had been placed under the responsibility of the "Superintendencia Forestal" (Forestry Commission) thereby enhancing the sustainability of the project. The project had officially established the Bolivian Forestry Website (BFW) (www.siforbol.gov.bo) from which comprehensive information on forest statistics and forest institutions could be accessed. 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.

Committee on Forest Industry

PD 46/99 Rev.3 (I)	Pre-feasibility Study for the Utilization of Rubberwood (<i>Hevea brasiliensis</i>) Including the Formulation of a Pilot Case Study for Implementation in a Specific Area of Colombia (Colombia)
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The Committees noted that the project assisted in the assessment of the viability of rubberwood processing and marketing in Colombia, in particular, the potential of one pilot rubberwood plantation. The Committees also noted that the Secretariat received the completion report and the technical report, including a pre-feasibility study for the industrial utilization of rubberwood in Colombia. The Committees duly declared the project complete.

PD 58/99 Rev.1 (I)	Introduction of a Village Industry in the Community Around an Industrial Forest Plantation in Indonesia (Indonesia)
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The delegate of Indonesia presented to the Committees the main activities implemented under the project, including a simple method to produce tannin from the bark of *Acacia mangium*; production of organic fertilizers from the bark of *A. mangium*; a method to produce charcoal and animal feed from the bark of *A. mangium*; production of nursery blocks; and training courses on production of organic fertilizers, charcoal, handicrafts and nursery blocks for the local communities in East Kalimantan. 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 51/02 Rev.2 (I)	Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (Philippines)
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The delegate of the Philippines presented to the Committees the main outputs of the pre-project, which included proceedings of the Regional Conference on Sustainable Development of Rattan Sector in ASEAN that took place on 22-23 January 2004 with the participation of nine countries and

a project proposal to follow-up on the results of the pre-project. The project proposal, entitled "Demonstration and Application of Production and Utilization Technologies for Rattan Sustainable Development in ASEAN Member Countries" had been submitted to the ITTO Secretariat and would be considered by the Twenty-ninth Expert Panel. The Committees duly declared the pre-project complete.

PPD 66/02 (I) Develop, Publish and Disseminate Information on Increasing Timber Processing and Utilization Efficiency and Reducing Waste (Global)

The Committees recalled that the final draft report of this study was considered by the Committees at their Thirty-fourth Session. The Committees noted that the report had been refined based on comments and recommendations received from members and had been included in the ITTO publications list as PPR 69/04 (I) "Increasing Timber Utilization Efficiency and Reducing Waste". The Committees duly declared the pre-project complete.

7. Ex-post Evaluation

(A) Ex-post Evaluation Missions/Report

Committee on Economic Information and Market Intelligence

PD 1/95 Rev.4 (M) Training Development on the Assessment of Sustainable Forest Management

The Committees considered the executive summary of the ex-post evaluation report on the project as contained in document CEM-CFI(XXXV)/3. A presentation before the Committees was made by the consultant, Dr. Chamniern Paul Vorratnchaipan (Thailand), in respect of his ex-post evaluation report on this project. The Committees commended the consultant for his report and presentation.

Committee on Forest Industry

The Committees were informed by the Secretariat regarding the engagement of Dr. Florentino Tesoro (Philippines) as the consultant to undertake the ex-post evaluation of 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)". The report of the ex-post evaluation of PD 13/95 Rev. 3 (I) would be presented for the consideration of the Committees at the next Session.

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

PD 47/94 Rev.3 (I) Industrial Utilization of Lesser-known Forest Species in Sustainably Managed Forests (Honduras)

PD 7/94 Rev.3 (M,I) Information and Technical Assistance for Production and Trade on Tropical Timber (Brazil)

(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 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 Committees agreed that the ex-post evaluation of this project be undertaken after the Executing Agency had met the conditions for it to be declared complete.

Committee on Forest Industry

PD 58/99 Rev.1 (I)

Introduction of a Village Industry in the Community Around an Industrial Forest Plantation in Indonesia (Indonesia)

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

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

(A) Projects, Pre-Projects and Activity under implementation**Committee on Economic Information and Market Intelligence**

1. PD 16/93 Rev.4 (M) Market Information Service for Tropical Timber and Timber Products, Phase IV, 2004 (Global)
2. PD 25/95 Rev.1 (M) Training Workshops on Tropical Forestry and Timber Trade Statistics (Global)
3. PD 27/95 Rev.3 (M) Establishment and Operation of a Forest Strategic Information Center (CIEF), Phase II, Stage 2 (Peru)
4. PD 40/96 Rev.5 (M) The Establishment of a National Statistical System for Imported Timber and Timber Products (Egypt)
5. PD 39/98 Rev.2 (M) Research on Value Accounting of Tropical Forest Environmental Resources and Bringing of it in Line with the National Economic Accounting in China (China)
6. PD 47/98 Rev.2 (M) Establishing a Data Collection and Dissemination System on a Sustainable Basis for Timber Marketing Statistics in Cameroon (Cameroon)
7. PD 41/99 Rev.4 (M) Development and Implementation of the Pilot Project of the Forestry Statistics Information System (FSIS) (Philippines)
8. PD 48/99 Rev.1 (M,F) Sharing of Information and Experiences on Private Sector Success Stories in Sustainable Forest Management (Malaysia)
9. 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)
10. PD 74/01 Rev.1 (M) Development and Implementation of Guidelines to Control Illegal Logging for Sustainable Forest Management in Indonesia (Indonesia)
11. PD 80/01 Rev.6 (M) Consolidating Sustainable Forest Management Certification System in Indonesia (Indonesia)
12. PD 124/01 Rev.2 (M) Promotion of Sustainable Management of African Forests (Africa)
Phase I Stage 1
13. 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* (Colombia)
14. PD 133/02 Rev.3 (M) Timber and Timber Products Trade Flow Study in the Philippines (Philippines)

15. PD 140/02 Rev.2 (M) Development of Criteria and Indicators for Sustainable Management Appropriated to Brazilian Tropical Forests (Brazil)
16. PD 168/02 Rev.1 (M) Establishment of a National System of Collection, Entry, Processing and Dissemination of Forestry and Timber Statistical Data in Togo (Togo)
17. PD 171/02 Rev.4 (M) Transparency in Trade Flows and Distribution of Tropical Wood Products in China (China)
18. PD 194/03 Rev.2 (M) Expanding and Improving Global Mangrove Database and Information System (GLOMIS) and its Networking (Japan/Global)
19. PD 196/03 Rev.1 (M) Upgrading and Strengthening of the National Forest Statistical Information System in Venezuela (Venezuela)
20. PPD 8/98 Rev.1 (M) Establishment of a National Forest and Timber Marketing Statistics System (Ecuador)
21. PPD 14/00 (M) Strengthening the Market Discussion (Global)
22. PPD 64/02 Rev.1 (M) Promotion of Guatemalan Certified Timber and Timber Products Trade (Guatemala)
23. PPD 74/03 Rev.1 (M) Development of the National Forest Information System of Guatemala (Guatemala)
24. PP-A/23-63 Activity to Facilitate Development of a Joint ITTO/ECE-FAO/EUROSTAT Forest Statistics Questionnaire (Global)

Committee on Forest Industry

1. PD 73/89 (M,F,I) Assistance for Project Identification and Formulation (Global)
2. PD 94/90 Rev.3 (I) Integration of Forest-Based Development in the Western Amazon – Phase II – Technology for Sustainable Utilization of Raw Forest Materials (Brazil)
3. PD 209/91 Rev.2 (I) Study of Zairian Timber with a View to Promoting Certain Species (Democratic Republic of Congo)
4. PD 39/93 Rev.4 (I) Project for the Development, Application and Evaluation of Biomass Energy Technologies through Briquetting, Gasification and Direct Combustion of (Wood and Agricultural) Wastes (Malaysia and Cameroon)
5. PD 37/94 Rev.3 (I) Strengthening of the Forest Products Laboratory of IBAMA (Brazil)
6. PD 46/96 Rev.2 (I) Establishment of a Wood Workers and Craftsmanship Village (Ghana)
7. PD 46/97 Rev.3 (I) Community Forest Products Processing in the Puerto Dias Extractive Reserve (Brazil)
8. PD 58/97 Rev.1 (I) The Establishment of the Database of Tropical Industrial Lesser-used Wood Species (Japan/Global)
9. PD 12/98 Rev.2 (I) Technical Manpower Development for the Ghana Wood Industry Training Center (WITC) (Ghana)

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| 10. PD 44/98 Rev.2 (I) | Handbook on Tree and Wood Identification of 100 Lesser-used and Lesser-known Timber Species from Tropical Africa with Notes on Ethnography, Silviculture and Uses (Ghana) |
| 11. PD 13/99 Rev.2 (M,F,I) | ITTO Information Network and Project Support (Phase II) (Global) |
| 12. PD 31/99 Rev.3 (I) | Non-timber Production and Sustainable Development in the Amazon (Brazil) |
| 13. PD 34/99 Rev.2 (I) | Development and Implementation of Stress Grading Rules for Tropical Timber in the Philippines (Philippines) |
| 14. PD 35/99 Rev.4 (I) | Performance Evaluation of Export Wood Furniture in Relation to Strength and End-use Applications Using Established Test Standard (Philippines) |
| 15. PD 36/99 Rev.4 (I) | Processing and Utilization of Almaciga (<i>Agathis philippinensis</i> Warb.) Resin as Source of Industrial Chemicals (Philippines) |
| 16. PD 56/99 Rev.1 (I) | Promotion of the Utilization of Bamboo from Sustainable Sources in Thailand (Thailand) |
| 17. PD 61/99 Rev.2 (I) | Increasing the Efficiency in the Tropical Timber Conversion and Utilization of Residues from Sustainable Sources (Brazil) |
| 18. PD 10/00 Rev.2 (F,I) | Sustainable Management and Utilization of Sympodial Bamboos in South China (China) |
| 19. PD 24/00 Rev.1 (I) | Promotion of Sustainable Utilization of Rattan from Plantation in Thailand (Thailand) |
| 20. PD 51/00 Rev.2 (I,M) | Improvement of Rubberwood Utilization and Marketing in Thailand (Thailand) |
| 21. PD 65/01 Rev.2 (I) | Training in Reduced Impact Logging in Cambodia (Cambodia) |
| 22. PD 68/01 Rev.2 (I) | Training in Reduced Impact Logging in Guyana (Guyana) |
| 23. PD 69/01 Rev.1 (I) | Improved and Diversified Use of Tropical Plantation Timbers in China to Supplement Diminishing Supplies from Natural Forests (China) |
| 24. PD 77/01 Rev.2 (I,F) | Contribution to the Development of Skills and Technical Training Structures at the Mbalmayo National School of Forestry (Cameroon) |
| 25. PD 85/01 Rev.2 (I) | Strategies for the Development of Sustainable Wood-based Industries in Indonesia (Indonesia) |
| 26. PD 100/01 Rev.3 (I) | Capacity Building for the Development of a Sustainable Rattan Sector in China Based on Plantation Sources (China) |
| 27. PD 108/01 Rev.3 (I) | Development of Sustainable Rattan Production and Utilization through Participation of Rattan Small Holders and Industry in Indonesia (Indonesia) |
| 28. PD 110/01 Rev.4 (I) | Program to Facilitate and Promote Adoption of Reduced Impact Logging (RIL) in Indonesia and the Asia Pacific Region (Indonesia) |
| 29. PD 131/02 Rev.4 (I) | Training of Forest Practitioners for the Improvement of Forest Industry in Cambodia (Cambodia) |

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| 30. PD 146/02 Rev.1 (I) | Promoting Sustainable Utilization of Bamboo through Community Participation in Sustainable Forest Management (Myanmar) |
| 31. PD 151/02 (I) | International Conference on Quality Timber Products of Teak from Sustainable Forest Management (India) |
| 32. PD 174/02 Rev.1 (I) | International Workshop on Clean Development Mechanism – Opportunities for the Forest Industry Sector in the Asia-Pacific Region (Korea/Asia-Pacific) |
| 33. PD 189/03 Rev.1 (I) | Support Project for the Updating of Training in Forest Management and Forest Concession Management in Central African Forestry Schools (Gabon) |
| 34. PD 233/03 Rev.2 (I) | Application of Intermediate Technologies for Sustainable Forest Harvesting (Peru) |
| 35. PPD 6/99 Rev.3 (M,F,I) | Promotion of Non-Timber Forest Products in Terai Region of Nepal (Nepal) |
| 36. PPD 1/00 Rev.1 (I) | Improvement of Sustainable Management and Utilization of Tropical Non-timber Forest Products (NTFPs) in Cambodia (Cambodia) |
| 37. PPD 5/00 Rev.1 (I) | Sustainable Management of Non-timber Forest Produce (NTFP) in Maharashtra State of India (India) |
| 38. PPD 16/01 Rev.1 (I) | Timber Enhancement through Mechanical Processing (Congo) |
| 39. PPD 35/01 (I) | Assessment of the Multiple Benefits of Downstream Processing of Tropical Timber in Producer Countries (Global) |
| 40. PPD 39/02 Rev.1 (I) | Processing and Utilization of Logging Residues through Collaboration with Local Communities and Forest Industries (Ghana) |
| 41. PPD 53/02 Rev.1 (I) | Development of Energy Alternatives for the Efficient Utilization of Wood Processing Residue: Co-generation and Briquette Production (Ghana) |
| 42. PPD 58/02 Rev.2 (I) | Improving the Utilization Efficiency in Wood Industries in the South Pacific Region (PNG/Vanuatu) |
| 43. PPD 63/02 (I) | Investment Promotion and Enterprise Development of the Timber Industry in Ghana (Ghana) |
| 44. PPD 80/03 Rev.2 (I) | Promoting the Utilization of Rubberwood from Sustainable Sources in Indonesia (Indonesia) |

(B) Projects and Pre-Projects pending Agreement

Committee on Economic Information and Market Intelligence

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| 1. PD 203/03 Rev.3 (M) | Systematisation and Modelling of Economic and Technical Information to Train Professionals Related to the Production, Processing and Marketing of Timber Products (Colombia) |
| 2. PPD 62/02 Rev.1 (M) | Establishing a Forest Statistics Management System in the Democratic Republic of Congo (Democratic Republic of Congo) |

3. PPD 93/04 (M) Analysis of the Current Status and Development of a Project Proposal for the Strengthening of the Forest Statistical Information Centre in Honduras (Honduras)

Committee on Forest Industry

1. PD 103/01 Rev.4 (I) Demonstration of Rubberwood Processing Technology and Promotion of Sustainable Development in China and other Asian Countries (China)
2. PD 286/04 Rev.1 (I) Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia (Indonesia)
3. PPD 97/04 Rev.1 (I) Improve Strategies and Assess Training Needs to Achieve SFM in Suriname (Suriname)

(C) Projects and Pre-Projects pending financing

Committee on Economic Information and Market Intelligence

1. PD 16/93 Rev.4 (M) Phase IV, 2005 Market Information Service for Tropical Timber and Timber Products, Phase IV, 2005 (ITTO)
2. 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 All ITTO Member Countries, Phase II (Ghana)
3. PD 124/01 Rev.2 (M) Phases I Stage 2, II, III Promotion of Sustainable Management of African Forests (ITTO/ATO)
4. PD 102/01 Rev.4 (M) Economic Database on Bamboo and Rattan (China/Global)
5. PD 191/03 Rev.3 (M) Information System for the Support and Implementation of National/Regional Forest Policies (Malaysia)
6. PD 192/03 Rev.3 (M) A Comprehensive Information System for Sustainability of the Wooden Furniture Industry in Malaysia (Malaysia)
7. PD 221/03 Rev.3 (M) Phase I A Consumer Awareness Programme to Address Market Failures for Tropical Hardwoods (Global)
8. 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
9. PPD 61/02 Rev.2 (M) Review of the Present Situation and Development of a Strategy and Project for Enhancing the National Forestry Statistics Management System (Côte d'Ivoire)

Committee on Forest Industry

1. PD 73/01 Rev.5 (I,M) Promotion of Tropical Non-wood Forest Products (NWFPs) in Guangxi Autonomous Region, China Based on Sustainable Community Development (China)
2. 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)
3. PPD 68/03 Rev.1 (I) Study on the Utilization of Plantation Teak (Myanmar)
4. PPD 81/03 (I) Training Needs Analysis for the Furniture and Lumber Industries in the Philippines (Philippines)

5. PPD 88/03 Rev.3 (I) Strategy for Sustainable Utilization of Non-Timber Forest Products (NTFP) Involving Local Communities in West Sumatra (Indonesia)

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

Committee on Economic Information and Market Intelligence

- PD 16/93 Rev.4 (M) Market Information Service for Tropical Timber and Timber Products (MIS) – Phase IV, 2003/2004 (Global)**
Phase IV, 2003/2004

The Committees noted the satisfactory progress in the implementation of the project by the ITTO Secretariat. The Committees further noted the current Phase IV 2003/2004 would be completed by the end of December 2004.

The Committees agreed to recommend to Council the continuation of the project for 2005/2006 and it further agreed to recommend to Council the provision of funds in the amount of US\$300,000 for the continuation of the Market Information Service (MIS) in 2005.

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

The Committees noted that the 12-month extension to this project, granted at the Thirty-first Session of the CEM in November 2002 had ended. The Committees further noted the late submission of the progress report by the executing agency and the need for clarification by the implementing agency on some aspects of project implementation. In the absence of the delegation of Egypt at the current Session of the Council, the Committees requested the Secretariat to secure from the executing agency the required clarification, including on the timing for the completion of the remaining project activities.

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

The Committees noted that the implementation of the remaining project activities including the release and dissemination of a statistical report on timber marketing and the convening of a seminar to present the project outputs, was at a standstill as the Government of Cameroon had yet to allocate the remaining national counterpart funds amounting to \$10,600. The Committees requested the Government of Cameroon to release the remaining national counterpart funds to the project in order to facilitate the full implementation of the project activities.

- 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 Committees noted the report on progress since February 2004 provided by the Secretariat and the delegate of Gabon, indicating the project was nearly complete. The Committees further noted the proposed follow-up project [PD 182/03 Rev.2 (M)] submitted by Gabon and encouraged the submission of the completion report of PD 56/00 Rev.3 (M) so that the evaluation of the suite of statistical development projects in Gabon called for by the ITTO Expert Panel for the Technical Appraisal of Project Proposals could be carried out prior to implementation of the follow-up project. The Committees noted that the final report had been received by the Secretariat during this Session.

- PD 124/01 Rev.2 (M) Promotion of Sustainable Management of African Forests (Africa)**
Phase I Stage 1

The Committees noted the progress report contained in document CEM-CFI(XXXV)/4. The Committees endorsed the extension of the project duration to June 2005 with no increase in the ITTO budget.

PPD 14/00 (M)**Strengthening the Market Discussion (Global)**

The Committees noted that this pre-project was funded in the amount US\$41,500 in 2001 and that the participation of expert guest speakers at the ITTO Annual Market Discussion in 2002, 2003 and 2004 was made possible through the pre-project.

The Committees were informed that a total of 7 guest speakers were provided with financial support for travel and DSA to make presentations and that on only two occasions were fees paid for specialist presentations. The funds remaining in the pre-project amounted to about US\$7,000. To ensure continued support for the pre-project, the Committees agreed to recommend to the Council the provision of US\$30,000 to facilitate the ITTO Annual Market Discussion.

PP-A/23-63**Activity to Facilitate Development of a Joint ITTO/ECE-FAO/EUROSTAT Forest Statistics Questionnaire Phase II (Global)**

The Committees noted the progress report contained in document CEM-CFI(XXXV)/4. The Committees recommended that an additional sum of US\$28,250 be approved by the Council to allow the continuation of this activity in 2005.

PD 102/01 Rev.4 (M)**Economic Database on Bamboo and Rattan (China/Global)**

The Committees noted that this project would lose its status as an approved project as of January 2005 in accordance with paragraph 2, Annex 2 of Decision 2(X) related to the sunset provision.

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

The Secretariat informed the Committees that most of the project activities had been completed in Malaysia but serious delays were encountered in the implementation of the project activities related to briquetting, gasification and direct combustion in Cameroon. The Secretariat also informed the Committees that consultations between the Common Fund for Commodities and ITTO were undertaken to engage a new executing agency in Cameroon to speed up the implementation of the Cameroonian components of the project. The Committees urged the new executing agency in Cameroon to facilitate the implementation of the remaining project activities without further delay.

PD 13/99 Rev.2 (M,F,I)**ITTO Information Network [Phase I and Phase II] (Global)**

The Secretariat informed the Committees that under this project, 19 editions of the ITTO newsletter, the ITTO Tropical Forest Update (TFU) had been produced in English, French and Spanish. The hardcopy mailing list for the newsletter continued to grow and was over 12,500 in the three languages. The TFU was also available on the ITTO's website. The Committees recommended to the Council the provision of funds in the amount of US\$530,000 to continue the TFU in 2005.

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

The Committees were briefed by Mr. Floriano Pastore Jr., the Project Coordinator, on the implementation of the main project activities covering the development of a databank of non-timber forest products in the Amazon region (second edition - in Portuguese and English); production of eight documentary videos on the collection and utilization of non-wood forest products and cultural aspects of the local communities engaged in the promotion of NWFPs in the Amazon region; and Amazonian Flora for cosmetic production. The delegate of Brazil expressed the view that there was a need to extend the project duration for an additional year in order to improve the quality of the project outcomes being finalized. The Committees were also informed that the meeting of the Project

Steering Committee planned in February 2005 would review the financial aspects of the extended project activities.

The Committees expressed satisfaction with the implementation of the project work and recommended that the project duration be extended for an additional year. The Committees further recommended that a proposal for additional funds, if needed, should be presented at the next Session of the Committees.

PD 68/01 Rev.2 (I)

Training in Reduced Impact Logging in Guyana (Guyana)

The delegate of Guyana informed the Committees that the project had successfully provided the foundation for establishing a national forestry training centre in Georgetown and that four training courses to promote RIL had been organized with the participation of key stakeholders in Guyana, Suriname, French Guiana and Belize. He also indicated that there was a need to extend the project duration by six months till July 2005 in order to continue the RIL training programme and to establish a RIL system for community forestry/small-scale operations with implementation of training programmes for these groups. The representative of the Tropical Forest Foundation (TFF) supported the proposed extension. The Committees recommended that the project duration be extended to July 2005 and that additional funds amounting to US\$64,800 be provided for this purpose.

PD 174/02 Rev.1 (I)

International Workshop on Clean Development Mechanism Opportunities for the Forest Industry Sector in the Asia-Pacific Region (Korea/Asia-Pacific)

The delegate of the Republic of Korea informed the Committees of the main outcomes of the International Workshop on Climate Change and Forest Sector: Clean Development Mechanism (CDM) in Tropical Countries held in Seoul, Korea from 21-23 September 2004 in cooperation with the Korea Forest Research Institute, Northeast Asian Forest Forum, CIFOR and Intercooperation. The Committees noted that the workshop enhanced the understanding of the specifics of afforestation and reforestation projects under the CDM and identified the related opportunities for the tropical forestry sector and rural communities in tropical countries. The Committees expressed satisfaction with the results of this workshop and recommended the extension of the project duration until the end of June 2005 without additional funds.

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 Expert Panel for the Technical Appraisal of Project Proposals as contained in document CEM-CFI(XXXV)/5:

Committee on Economic Information and Market Intelligence

PD 182/03 Rev.2 (M)	Enhancement of the Forest Statistics Information and Management System (STATFOR) through the Integration of a Computer Module for Processed Log Management (Gabon)
PD 264/04 Rev.2 (M,I)	Timbers of Tropical Africa Part 1: Group 7(1) within the PROTA Programme (Ghana)
PD 298/04 Rev.1 (M)	Strengthen the Capacity to Effectively Market Exports of Forest Products from Guyana (Guyana)
PPD 101/04 Rev.1 (M)	Development and Promotion Program for Financial Compensation of Environmental Services Derived from Tropical Forest Ecosystems in Guatemala (Guatemala)

Committee on Forest Industry

PD 177/02 Rev.3 (I)	Establishment of the Kinshasa National Saw Doctoring Center in the Democratic Republic of the Congo (Democratic Republic of Congo)
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PD 227/03 Rev.3 (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)
PD 268/04 Rev.1 (I)	The International Conference on Innovation in the Forest and Wood Products Industries (Innovations'06) (Australia)
PD 275/04 Rev.2 (I)	Improvement of the Sustainable Management and Utilization of Non-Timber Forest Products (NTFPs) in Cambodia (Cambodia)
PD 277/04 Rev.2 (I)	Promoting Selected Non-Timber Forest Products Based on Community Participation Approach to Support Sustainable Forest Management in East Kalimantan (Indonesia)
PD 285/04 Rev.2 (I)	Introduction of a Village Industry in the Community around an Industrial Forest Plantation in Sumatra, Indonesia (Indonesia)
PD 306/04 Rev.1 (I)	Improving Utilization and Value Adding of Plantation Timbers from Sustainable Sources in Malaysia (Malaysia)
PD 318/04 Rev.1 (I)	Quality Control and Standardization of Ghanaian Wood Products (Ghana)
PD 325/04 (I)	Capacity Strengthening of Forestry Stakeholders to Support the Implementation of the National Code for Practice for Forest Harvesting (China)

The Committees considered in detail the comments and recommendations of the Twenty-eighth 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. The final versions of all proposals were duly evaluated by the Committees. The detailed results of the Committees' evaluation and appraisal of these proposals are presented in Appendix A.

10. Policy Work

Eight issues under the CEM and six issues under the CFI were discussed by the Committees.

Committee on Economic Information and Market Intelligence

(i) **Market Access**

The Committees were briefed of the progress of on-going ITTO work related to market access pursuant to ITTC Decision 12(XXXIV). In this connection, the Committees noted the draft Report on Measures to Promote the Expansion and Diversification of International Trade in Tropical Timber as contained in document ITTC(XXXVII)/10 and presented to the Council at its current Session. While its focus was on product standards, quality or grading requirements, building codes and technical regulations and their relationship with trade in tropical timber, the draft report also provided information on tariffs, negotiations and the negotiating process as related to tropical timber products within the context of the WTO Doha Development Agenda.

The Committees were informed by the observer from the International Wood Products Association (IWPA) on new standards for packaging materials under the International Standards for Phytosanitary Measures (ISPM) 15 which would become effective in the USA in September 2005. Packaging materials not meeting the new standards would need to be re-exported or disposed of. The IWPA requested ITTO to inform members of this development.

(ii) Forest and Timber Certification

The Committees were briefed of 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 final Report on Procedures to Implement Phased Approaches to Certification in Tropical Timber Producing Countries as contained in document ITTC(XXXVII)/12 and the final Report on the Study to Evaluate the Costs and Benefits of Certification in Selected ITTO Producing Countries as contained in document ITTC(XXXVII)/13 which were presented to the Council at its current Session.

The Committees further noted that the ITTO International Workshop on Phased Approaches to Certification would be convened in Switzerland in April 2005. The delegate of Cameroon welcomed the convening of the workshop which he considered important and timely in relation to the assessment of forest management to be carried out in Cameroon in due course. The delegate of Switzerland also underlined the importance of the workshop and indicated that Switzerland was looking forward to hosting the event.

(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 short list was being developed.

(iv) ITTO Annual Market Discussion – 2005

The Coordinator of the Trade Advisory Group (TAG) advised that the theme for the ITTO Annual Market Discussion – 2005 to be held in Brazzaville, Republic of Congo would be "Advancing the Markets for African Wood Products"

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

The Committees were informed that the implementation of the review of the Italian timber market had commenced following the engagement of the consultant.

The Committees were further informed that arrangements were being made for the review of the French timber market to be implemented under this activity.

(vi) Studies on Subsidies Affecting Tropical Timber Products

Following the recommendations made by an open-ended working group comprising delegates from New Zealand, USA, Switzerland, Korea, Malaysia and the European Community, the Committees adopted the terms of reference for an initial consultant study as contained in Appendix B-1. The initial study would require the provision of US\$20,000 of the original US\$150,000 identified for implementing this Activity.

The Committees agreed to recommend to the Council the provision of US\$20,000 for the implementation of this activity.

(vii) Workshop on Capacity Building for the Implementation of Mahogany CITES Listing

The Secretariat informed the Committees of the publication on the results of the workshop which was held in Pucallpa, Peru from 17 to 21 May 2004 as ITTO Technical Series 22. Similar work was envisaged for *Gonystylus* spp. (ramin) if a draft decision on facilitating the implementation of the listing of that species in Appendix II was adopted by the Council at its current Session.

(viii) Auditing of Existing Tracking Systems in Tropical Forest Industries

Following the recommendations made by an open-ended working group comprising delegates from New Zealand, USA, Switzerland, Korea, Malaysia and the European Community, the Committees duly adopted the terms of reference for this study as contained in Appendix B-2. The delegates from Indonesia, Malaysia, Guyana and Brazil expressed interest to participate in this activity.

The Committees agreed to recommend to the Council the provision of US\$136,000 for the implementation of this activity.

Committee on Forest Industry

(i) Monitor the Impact of Technical and Environmental Standards on the Efficiency of Industrial Operations

The Committees noted that the Council, at its current Session, would review the draft report on the study to promote the expansion and diversification of international trade in tropical timber pursuant to Decision 12(XXXIV). This included an assessment of the possible impacts of product standards, quality or grading requirements, building codes, and technical regulations, on trade in tropical timber, and particularly with respect to panel products. In this connection, the Committees further noted that there was a need to identify issues requiring further policy work in this area.

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

The Secretariat briefed the Committees on the arrangements in place for this study. The Committees noted that the study would contribute to an international conference on community forestry and forest industries scheduled for 2005, based on the recommendations of the ITTO CSAG-TAG Joint Workshop on Illegal Logging and Illegal Trade held at Interlaken, Switzerland in July 2004. An interim report would be presented at the next Session of the Committees.

(iii) Develop, Publish and Disseminate Information on Increasing Timber Processing and Utilization Efficiency and Reducing Waste [PPD 66/02 (I)]

The Secretariat briefed the Committees on the main recommendations of the study conducted under pre-project PPD 66/02 (I), particularly with regard to policy development, market development and investment promotion and financing in order to enhance more efficient timber processing and utilization of waste in tropical countries. The consultant (Dr. Markku Simula) suggested that as a follow-up to the recommendations of the study, future activities of the CFI should include (i) organization of an international conference on wood-based bioenergy in close collaboration with other agencies such as FAO, UNIDO and CIFOR and (ii) capacity building in tropical countries regarding the formulation and implementation of bioenergy projects in line with the Kyoto Protocol. The delegates of Sweden, the Republic of Korea and the USA stressed the importance of taking into account this challenging area in the future policy work of the CFI.

(iv) 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 undertaken field visits to Brazil, Honduras, Ghana and Cameroon in May 2004. The Committees further noted that a review on various potential benefits of downstream processing of the four countries was underway. A final report would be tabled for discussions at the next Session of the Committees.

(v) Study and Promote Policies and Other Measures to Increase Tropical Plywood Industry Competitiveness

The Committees noted that the necessary arrangements for the organization of an international conference on tropical plywood were being made with China which would be hosting this conference in 2005. The delegate of China confirmed that China would be hosting the conference and that efficient coordination between China and the ITTO Secretariat would be undertaken. The Committees were also informed by the Secretariat that an organizing meeting would be held during the current Session of the Committees to review the venue, dates and other related matters concerning the

conference. The delegate of Malaysia stressed the importance of holding this conference and recommended that topics to be discussed at the conference should include the issue of price fluctuations in the tropical plywood market.

- (vi) Promote Private Investment Through Facilitating Information Exchange on Investment Opportunities – Organization/Convening of Investment Promotion Forum/Seminar

The Committees took note that Forest Trends had been engaged to assist ITTO in the implementation of this activity, 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 scheduled in 2005.

With regard to the future work programme for the CFI, the Secretariat expressed the view that due weight be given to (i) the review of the rubber wood industry development in selected major countries to increase south-south cooperation, (ii) the promotion of wood-based bioenergy in tropical countries to capture new financing opportunities and (iii) the promotion of reduced impact logging (RIL) through the sharing of experiences made in several countries in the tropics and the development of a RIL system for local communities/indigenous groups.

11. Election of Chairpersons and Vice-Chairpersons for 2005

Following the usual consultations undertaken by the producer and consumer groups, Ing. Renzo Silva (Venezuela) was elected Chair of the CEM and Mr. James Gasana (Switzerland) was elected Vice-chair for 2005. Ms. Celestine Ntsame-Okwo (Gabon) was elected Chair of the CFI and Dr. Jung-Hwan Park (Republic of Korea) was elected Vice-chair for the year 2005.

12. Dates and Venues of the Thirty-sixth, Thirty-seventh and Thirty-eighth Sessions of the Committees

The Thirty-sixth Session of the Committees would be held in conjunction with the Thirty-eighth Session of the International Tropical Timber Council in Brazzaville, Republic of Congo on 21-23 June 2005.

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.

13. Other Business

No other business was considered by the Committees.

14. Recommendations to the International Tropical Timber Council

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

Committee on Economic Information and Market Intelligence

PD 182/03 Rev.2 (M)	Enhancement of the Forest Statistics Information and Management System (STATFOR) Through the Integration of a Computer Module for Processed Log Management (Gabon) [US\$285,768]
PD 264/04 Rev.2 (M,I)	Timbers of Tropical Africa Part 1: Group 7(1) within the PROTA Programme (Ghana) [US\$1,201,424]
PD 298/04 Rev.1 (M)	Strengthen the Capacity to Effectively Market Exports of Forest Products from Guyana (Guyana) [US\$130,896]

- PPD 101/04 Rev.1 (M) Development and Promotion Program for Financial Compensation and Environmental Services Derived from Tropical Forest Ecosystems in Guatemala (Guatemala) [US\$46,440]

Committee on Forest Industry

- PD 177/02 Rev.3 (I) Establishment of the Kinshasa National Saw Doctoring Center in the Democratic Republic of Congo (Democratic Republic of Congo) [US\$637,838]
- PD 227/03 Rev.4 (I) Action Research and Systems Analysis: Capacity Building in Central Africa and Analysis of the Social and Environmental Sustainability of Forest Logging Concessions in the Subregion (Democratic Republic of Congo) [US\$625,320]
- PD 268/04 Rev.2 (I) The International Conference on Innovation in the Forest and Wood Products Industries (Innovations'06) (Australia) [US\$147,960]
- PD 275/04 Rev.3 (I) Improvement of the Sustainable Management and Utilization of Non-Timber Forest Products (NTFPs) in Cambodia (Cambodia) [US\$440,312]
- PD 277/04 Rev.3 (I) Promoting Selected Non-Timber Forest Products Based on Community Participation Approach to Support Sustainable Forest Management in East Kalimantan (Indonesia) [US\$401,937]
- PD 285/04 Rev.2 (I) Introduction of a Village Industry in the Community around an Industrial Forest Plantation in Sumatra, Indonesia (Indonesia) [US\$319,221]
- PD 306/04 Rev.1 (I) Improving Utilization and Value Adding of Plantation Timbers from Sustainable Sources in Malaysia (Malaysia) [US\$499,867]
- PD 318/04 Rev.2 (I) Quality Control and Standardization of Ghanaian Wood Products (Ghana) [US\$197,424]
- PD 325/04 (I) Capacity Strengthening of Forestry Stakeholders to Support the Implementation of the National Code for Practice for Forest Harvesting (China) [US\$143,284]

- (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 I Stage 2,
Phase II, Phase III Promotion of Sustainable Management of African Forests (ITTO/ATO) [Phase I Stage 2 - US\$634,982, 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 (Malaysia) [US\$121,072]

PD 221/03 Rev.3 (M) Phase I	A Consumer Awareness Programme to Address Market Failures for Tropical Hardwoods (Global) [US\$352,850]
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]
PPD 61/02 Rev.2 (M)	Review of the Present Situation and Development of a Strategy and Project for Enhancing the National Forestry Statistics Management System (Côte d'Ivoire) [US\$62,555]

Committee on Forest Industry

PD 73/01 Rev.5 (I,M)	Promotion of Tropical Non-wood Forest Products (NWFPs) in Guangxi Autonomous Region, China Based on Sustainable Community Development [US\$286,677]
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]
PPD 68/03 Rev.1 (I)	Study on the Utilization of Plantation Teak (Myanmar) [US\$39,722]
PPD 81/03 (I)	Training Needs Analysis for the Furniture and Lumber Industries in the Philippines [US\$65,733]
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]

Committee on Economic Information and Market Intelligence

- (iii) The Committees recommended that the Council provide additional funds of US\$300,000 to PD 16/93 Rev.4 (M).
- (iv) The Committees recommended that the Council provide additional funds of US\$30,000 to PPD 14/00 (M).
- (v) The Committees recommended that the Council provide additional funds of US\$28,250 to PP-A/23-63.

Committee on Forest Industry

- (vi) The Committees recommended that the Council provide additional funds of US\$530,000 to PD 13/99 Rev.2 (M,F,I).
- (vii) The Committees recommended that the Council provide additional funds of US\$64,800 to PD 68/01 Rev.2 (I).

15. Report of the Session

The Committees adopted this report for submission to the Council.

APPENDIX A

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

Committee on Economic Information and Market Intelligence

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

The Committees noted that the final report of the previous phase of this project [PD 56/00 Rev.3 (M)] had just been received by the Secretariat during this Session. The Committees recommended this proposal for approval and immediate financing by the Council, subject to the evaluation of all statistical development work in Gabon referred to under project PD 56/00 Rev.3 (M) in agenda item 8.

- (ii) PD 264/04 Rev.2 (M,I) Timbers of Tropical Africa Part 1: Group 7(1) within the PROTA Programme (Ghana)

The Committees noted that the recommendations and comments made by the Twenty-eighth 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 298/04 Rev.1 (M) Strengthen the Capacity to Effectively Market Exports of Forest Products from Guyana (Guyana)

The delegate of Guyana presented the revised proposal to the Committees. The delegate provided some clarifications about the composition of the Forest Products Marketing Council that would be established under the project. The Council would comprise members from the government, the industry and NGOs, including the Forest Products Association and the Guyana Manufacturers Association. The Committees noted that the recommendations and comments made by the Twenty-eighth 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) PPD 101/04 Rev.1 (M) Development and Promotion Program for Financial Compensation of Environmental Services Derived from Tropical Forest Ecosystems in Guatemala (Guatemala)

The Committees noted the presentation made by the delegate of Guatemala. The Committees further noted that the recommendations and comments made by the Twenty-eighth 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 177/02 Rev.3 (I) Establishment of the Kinshasa National Saw Doctoring Center in the Democratic Republic of Congo (Democratic Republic of Congo)

The Committees noted that the recommendations and comments made by the Twenty-eighth 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.

- (ii) PD 227/03 Rev.3 (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)

The Committees noted that the recommendations and comments made by the Twenty-eighth 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 227/03 Rev.4 (I) which incorporated a minor modification of the budget to include the ITTO Monitoring Costs (US\$20,000) and the ITTO Programme Support Costs (8%).

- (iii) PD 268/04 Rev.1 (I) The International Conference on Innovation in the Forest and Wood Products Industries (Innovations'06) (Australia)

The Committees noted that the project aimed at organizing an international conference on innovation in the forest and wood products industries in order to assess the current state of R&D in the global forest and wood product industries and to improve the competitiveness of the tropical forest and wood products industries. The Committees further noted that the conference would also provide the opportunity for building on new collaborative arrangements in support of knowledge, skill and technology transfer. The Committees recommended to the Council the approval and implementation of PD 268/04 Rev.2 (I) which incorporated a minor modification of the budget to appropriately account for the ITTO Programme Support Costs (8%).

- (iv) PD 275/04 Rev.2 (I) Improvement of the Sustainable Management and Utilization of Non-Timber Forest Products (NTFPs) in Cambodia (Cambodia)

The delegate of Cambodia introduced the main objectives of the project and the modifications made in the revised proposal. The Committees noted that the recommendations and comments made by the Twenty-eighth 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 275/04 Rev.3 (I) which incorporated a minor modification of the budget to include the refund of the pre-project costs.

- (v) PD 277/04 Rev.2 (I) Promoting Selected Non-Timber Forest Products Based on Community Participation Approach to Support Sustainable Forest Management in East Kalimantan (Indonesia)

The delegate of Indonesia introduced the proposal which was developed based on the results of PPD 55/02 Rev.1 (I) "Assessing the Contribution of Selected Non-Timber Forest Products Based on Community Participation Approach to Support SFM". The Committees noted that the recommendations and comments made by the Twenty-eighth 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 277/04 Rev.3 (I) which incorporated a minor modification of the budget to include the refund of the full costs of the pre-project.

- (vi) PD 285/04 Rev.2 (I) Introduction of a Village Industry in the Community around an Industrial Forest Plantation in Sumatra, Indonesia (Indonesia)

The delegate of Indonesia introduced the project aims of disseminating the knowledge and technology of waste bark utilization as a follow-up to PD 58/99 Rev.1 (I), which was reported as complete at the current Session of the Committees. The Committees noted that the recommendations and comments made by

the Twenty-eighth 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 306/04 Rev.1 (I) Improving Utilization and Value Adding of Plantation Timbers from Sustainable Sources in Malaysia (Malaysia)

The Committees were briefed by the delegate of Malaysia on the main elements of the proposal. The Committees noted that the recommendations and comments made by the Twenty-eighth Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees further noted that the project would contribute to the improvement of value-adding of Malaysian forest plantation resources through a systematic evaluation of their properties and the development of suitable processing and manufacturing technologies. The Committees recommended that the proposal be approved for immediate funding and implementation.

- (viii) PD 318/04 Rev.1 (I) Quality Control and Standardization of Ghanaian Wood Products (Ghana)

The delegate of Ghana introduced the main objectives of the project and the modifications made in the revised proposal. The Committees noted that the recommendations and comments made by the Twenty-eighth 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 318/04 Rev.2 (I) which incorporated a minor modification of the budget to adequately include the ITTO Monitoring, Review and Evaluation Costs (US\$30,000) and to appropriately account for the ITTO Programme Support Costs (8%).

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

The delegate of China introduced the background information on tropical forest resources in South China and the main components of the project. The Committees noted that the recommendations and comments made by the Twenty-eighth Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The delegate of the Netherlands welcomed the national initiative to improve forest harvesting and confirmed that the necessary assistance to implement this project would be provided, where appropriate. The Committees recommended that the proposal be approved for immediate funding and implementation.

APPENDIX B-1

STUDY ON SUBSIDIES AFFECTING TROPICAL TIMBER PRODUCTS [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 2]

1. Preamble

Support measures, in particular subsidies, either direct or indirect, are used across a wide range of sectors by almost all governments as a tool to implement policy. There are many examples of direct or indirect support measures, in particular subsidies, in the agricultural, forestry and fisheries sectors, amongst others, that are used to pursue economic, social and environmental objectives.

Studies have suggested that support measures, in particular subsidies, may be useful as temporary measures for facilitating sectors to adjust to changing circumstances but may not be so effective in the longer term. In the forestry sector, studies have found that some support measures, in particular subsidies, can be beneficial in promoting the achievement of SFM; conversely other studies have found that some support measures, in particular subsidies, can promote inefficiency, distort markets and impede progress towards SFM.

The purpose of this initial study is to identify and report the range of support measures, in particular subsidies, that impact the trade in tropical timber products to facilitate further consideration of the issue by the Committee for Economic Information and Market Intelligence.

2. Terms of reference

The study will:

- identify the main products whose end-uses compete with tropical timber in the international markets
- based on available literature, research and report on support measures, in particular subsidies, which may be provided to the products identified above
- report on how WTO and other relevant organisations view and/or define subsidies and
- identify and report on the work undertaken and ongoing by relevant international bodies on support measures, in particular subsidies, in the forestry and timber sectors

3. Budget: US\$20,000

APPENDIX B-2

AUDITING OF EXISTING TRACKING SYSTEMS IN TROPICAL FOREST INDUSTRIES [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 1]

1. Preamble

Systems to provide information on the flow of products from tropical forests to processing mills and to the end user are becoming key features of the tropical forest sector in the 21st century. Such systems can, inter-alia,

- provide assurances to consumers of the origin of tropical forest products from forests that are managed sustainably or where harvesting follows national legislation
- assist governments with control of illegal logging
- be used by industry for supply chain management
- facilitate the compilation of information on harvesting levels and sector statistics

A number of ITTO producer member countries have established, or are developing, timber tracking systems.

This study aims to review experiences gained in tracking systems to date in case study countries willing to participate in the study and more broadly in tropical and non-tropical countries in the government and private sector, to facilitate lesson learning. The study will also demonstrate the efforts being made by producer member countries to implement traceability and enhance the confidence in tropical timber products in the market place.

2. Terms of Reference

In order to provide a comprehensive background on the issue the consultant/s shall report on available literature on timber tracking systems and the various international, national and private sector initiatives on chain of custody.

The consultant/s shall, in up to three producer member countries (representative of the three geographic regions of Latin America, Asia/Pacific and Africa) requesting participation in the study, review and report on examples of systems used in forestry and wood processing sectors to document and track of the movement of wood products.

The consultant/s will analyse and report on the process of record keeping at the various stages in the procurement/harvesting of logs, transportation, processing, warehousing and distribution/export.

This review will involve examination of the systems in place in state and private forests and in integrated and non-integrated manufacturing operations.

In analysing the systems in the public and private sector operations the consultants shall describe in detail the documentation created and the data retrieval and verification systems in place.

The consultant/s will provide recommendations on possible further initiatives by ITTO in the area of wood product tracking in order to facilitate further capacity building in member countries.

3. Budget: US\$136,000

* * *

SUMMARY TABLE

TECHNICAL EVALUATION OF PROJECTS AND PRE-PROJECTS

PROJECT DOCUMENT	ITTA OBJECTIVES Article 1	ITTO BUDGET US\$	DURATION (MONTHS)	GEOGRAPHIC COVERAGE	RECOMMENDATION(*)
Committee on Economic Information and Market Intelligence					
PD 182/03 Rev.2 (M)	c, d, h, i, k, m, n	285,768	11	Gabon	1
PD 264/04 Rev.2 (M,I)	c, f, g	1,201,424	36	Ghana	1
PD 298/04 Rev.1 (M)	d, h, k, n	130,896	12	Guyana	1
PPD 101/04 Rev.1 (M)	c, f, g, j	46,440	5	Guatemala	1
Committee on Forest Industry					
PD 177/02 Rev.3 (I)	c, g, i, m	637,838	24	Dem. Rep. Congo	1
PD 227/03 Rev.4 (I)	c, d, f, g, i	625,320	24	Dem. Rep. Congo	1
PD 268/04 Rev.2 (I)	b, c, f, k, m	147,960	36	Australia	1
PD 275/04 Rev.3 (I)	a, c, f, g, j	440,312	36	Cambodia	1
PD 277/04 Rev.3 (I)	f, i, l	401,937	36	Indonesia	1
PD 285/04 Rev.2 (I)	d, e, i	319,221	36	Indonesia	1
PD 306/04 Rev.1 (I)	c, d, f, i	499,867	36	Malaysia	1
PD 318/04 Rev.2 (I)	c, f, i, l, n	197,424	36	Ghana	1
PD 325/04 (I)	c, d, e, f, j, l	143,284	12	China	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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THIRTY-FIFTH SESSION
13 – 18 December 2004
Yokohama, Japan

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

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Biodiversity in Tropical Timber Producing Forests"
- 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-fifth Session of the Committees was opened on 13 December 2004 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. Astrid Bergquist (Sweden), Chairperson of CFI. The subsequent meetings of the CRF were conducted by Mr. A.S.K. Boachie-Dapaah (Ghana) as Chairperson and Ms. Jennifer Conje (USA) as Vice-Chairperson. The list of participants is presented in document ITTC(XXXVII)/Info. 2.

Item 2 - Adoption of Agenda and Organization of Work

At its first meeting in a joint session on 13 December 2004, the Committees formally adopted the Agenda of its Thirty-fifth Session as contained in document CRF(XXXV)/1.

Item 3 - Admission of Observers

A list of observers admitted by the Committee in a joint session to attend its Thirty-third Session is contained in document ITTC(XXXVII)/Info.3.

Item 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 for Technical Appraisal of Project Proposals on the Report of the Panel at its Twenty-eighth Meeting held on 23-27 August 2004 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXV)/1. Problems and issues identified by the Panel included the large number of proposals – 78 comprising 66 project and 12 pre-project proposals; lack of clear and comprehensive problem analysis; weak logical framework; incomplete information on background, risks and assumptions, institutional frameworks and terms of reference for personnel and budgets; insufficient consideration of the future sustainability of projects; weak elaboration on costs and benefits; and inadequate attention to ITTO's wider goals.

The Panel further noted that apart from the need to limit the number of revisions for each proposal, there was also the necessity for a more streamlined, objective and systematic method of assessment. A Council decision would be required to improve the terms of reference of the Expert Panel particularly its procedures for rating and assessment.

The Committees took note of the process of national evaluation of proposals prior to submission to ITTO being implemented in Brazil. The delegate of Brazil pointed out that there was inconsistency in the work of the Expert Panel and there was a need for a better mechanism governing proposals for which proposers were not able to agree with the recommendations of the Expert Panel. The delegates of the EC and the Netherlands provided suggestions for enhancing the efficiency and transparency of the project formulation process.

Item 5 - Improving Effectiveness and Efficiency of Project Work

The Committees took note of the presentation made by the ITTO Secretariat on recent efforts to improve the effectiveness and efficiency of ITTO project work based on the Report of the Expert Panel on Measures to Improve Project Formulation and Appraisal [ITTC(XXXVI)/5] and the Report of the Working Group on Improving Effectiveness and Efficiency of Project Work [CEM,CRF,CFI,CFA(XXXIV)/2]. These reports were presented to the Council and the Committees respectively at their previous Sessions. The highlights of the Secretariat's presentation included the draft Council decision on measures to improve project formulation and appraisal particularly the setting up of the national clearing house mechanism; the conduct of national training courses; the revision of ITTO Guidelines and Manuals related to projects; and the expansion of the ITTO Website. The Committees were also informed of the various recommendations made by the Working Group on actions to be taken by Members and the ITTO Secretariat to improve the ITTO project cycle covering the aspects of project identification, formulation, appraisal, implementation, evaluation and completion.

The Committees noted that the Informal Advisory Group (IAG) at its Fifteenth Meeting recommended that a small group be set up to initiate early consultations for a Council decision on these matters. The Committees agreed to the establishment of the small group to be chaired by the Chairman of the CFA and open to the participation of the interested Members, the Chairman of the Expert Panel and the Chairman of the Working Group. The Committees considered the draft Council decision submitted by the small group and agreed to submit it for the consideration of the Council at its current Session.

Item 6 - Report on Completed Projects and Pre-Projects

6.1 Completed Projects

The Secretariat informed the Committee that the completed projects are listed in document CRF(XXXV)/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 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 accounts.

Group (B) lists the 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 accounts is still pending.

The Committee then proceeded to review the following completed projects:

(A) Completed Projects, Including Financial Audit

1) *PD 99/90 Rev.1 (F) Establishment of Rio Preto's National Forest (Brazil)

The Committee recalled that this project was reported as completed, pending the Final Financial Audit Report, at its XXV Session. Moreover, it noted that Final Financial Audit Report had recently been submitted to the Secretariat. The Committee therefore decided to consider the project as completed.

2) PD 16/97 Rev.3 (F) Integrated Buffer Zone Development for Sustainable Management of Tropical Forest Resources in Thailand (Thailand)

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

3) PD 51/99 Rev.2 (F) Support to Grassroot Forestry Promotion Initiatives in the Yoto Area (Togo)

The Committee took note that the Executing Agency has submitted the project Completion Report and Final Financial Audit Report. The Committee therefore decided to consider the project PD 51/99 Rev.2 (F) as completed.

4) PD 16/99 Rev.2 (F) Development of Lanjak-Entimau Wildlife Sanctuary as a Totally Protected Area – Phase III (Malaysia)

The Committee took note that the Executing Agency had submitted the amended Completion Report in accordance with the recommendation of the Committee at its 34th Session and a series of Technical Reports. The Secretariat informed the Committee that the Final Financial Audit Report has recently been submitted. The Committee therefore decided to consider the project as completed.

(B) Completed Projects, Pending Financial Audit**1) * PD 115/90 Rev.1 (F) Rehabilitation of Natural Forests (Malaysia)**

The Committee took note that the Completion Report and the Technical Reports have been submitted by the Executing Agency. The Malaysian Delegation informed the Committee that he will consult with the Executing Agency on the status of the Final Financial Audit Report and will report to the Committee during its next Session. The Committee took note of this information and decided to consider the project as completed upon receipt of a satisfactory Final Financial Audit Report by the Secretariat.

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

The Committee took note that the Completion Report and the Technical Reports have been submitted by the Executing Agency. The Malaysian Delegation informed the Committee that he will consult with the Executing Agency on the status of the Final Financial Audit Report and will report to the Committee during its next Session. The Committee took note of this information and decided to consider the project as completed upon receipt of a satisfactory Final Financial Audit Report by the Secretariat.

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

The Committee recalled that this project was reported as completed, pending the Final Financial Audit Report, at its XXXII Session. The Secretariat informed the Committee that it had received a letter from INRENA apologizing for the delay due to the fact that the National Comptroller is in charge of processing this Final Financial Audit and that to date its two tenders inviting bids from independent auditors had resulted vacant. As soon as completed, INRENA will immediately submit it to the Secretariat. 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 took note that the Completion Report, the Technical Reports and the CD-ROM of the GLOMIS database have been submitted by the Executing Agency. The Committee therefore decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

5) PD 4/98 Rev.1 (F) Silviculture and Economics of Improved Natural Forest Management in Ghana (Ghana)

The Committee took note that the Executing Agency has submitted the project Completion Report and a series of technical reports. The Committee therefore decided to consider the project PD 4/98 Rev.1 (F) as completed upon the reception of a satisfactory Final Financial Audit Report of the project.

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

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

7) PD 2/00 Rev.2 (F) Bi-National Conservation and Peace in the Condor Range Region, Ecuador-Peru (Ecuadorean Component)

The Committee took note that the Completion Report, as well as a series of publications and technical documents, had been submitted by the Executing Agency and that the Ecuadorian Delegation provided a formal presentation of the project's accomplishments at this Session of the CRF. The aforementioned

documents are available upon request either from the Secretariat or the Executing Agency. The Committee further noted that the Final Financial Audit Report of the project's accounts has not yet been submitted to the Secretariat. The Committee decided to consider this project as completed as soon as the Secretariat receives and accepts the Final Financial Audit Report of the project.

8) PD 3/00 Rev.2 (F) Bi-National Conservation and Peace in the Condor Range Region, Ecuador-Peru (Peruvian Component)

The Committee took note that the Completion Report, as well as a series of publications and technical documents, had been submitted by the Executing Agency and that the Ecuadorian Delegation provided a formal presentation of the project's accomplishments at this Session of the CRF. The aforementioned documents are available upon request either from the Secretariat or the Executing Agency. The Committee further noted that the Final Financial Audit Report of the project's accounts has not yet been submitted to the Secretariat. The Committee decided to consider this project as completed as soon as the Secretariat receives and accepts the Final Financial Audit Report of the project.

9) 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 took note that the Executing Agency has submitted the Completion Report, the Final Technical Report and a series of publications, and that it had tentatively scheduled a final presentation of the project's achievements at the next CRF Session. The Committee therefore decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

10) *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 recalled that this project was reported as completed, pending the Final Financial Audit Report, at its previous Session. The Committee urged the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session.

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

In addition to the above, three projects were presented to the Committee that have either been reported as completed during an earlier Session, have submitted completion reports after the deadline for document CRF(XXXV)/3 or are nearing completion, as follows:

6.2 Completed Pre-Projects

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

1) *PPD 4/96 Rev.1 (F) Development of a Master Plan for Forest Management in Congo (Congo)

The Committee took note at its Thirty-third Session that the Executing Agency has submitted the pre-project Completion Report and Technical Report. Moreover, it noted that the Final Financial Audit Report had been recently submitted to the Secretariat. The Committee therefore decided to consider the pre-project PPD 4/96 Rev.1 (F) as completed.

2) PPD 4/97 Rev.1 (F) Rehabilitation of Damaged Areas of the "Cerrado" (Brazil)

The Committee took note that the Executing Agency has submitted the Completion Report and the Final Financial Audit Report, as well as a draft Project Proposal. The Committee decided to consider the pre-project as completed.

3) **PPD 7/97 Rev.1 (F) Forestry Inventory for the Sustainable Production of Mahogany Timber (Brazil)**

The Committee took note that the Executing Agency has submitted the Completion Report and the Final Financial Audit Report, as well as a Project Proposal. The Committee decided to consider the pre-project as completed.

4) **PPD 17/01 Rev.1 (F) Action Plan on Sustainable Mangrove Management (Global)**

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

5) ***PPD 33/01 (F) Support for the Development of a Project for the Participatory Follow-Up and Evaluation of the Forestry, Protected Areas and Wildlife Policy in Honduras (Honduras)**

The Committee took note that the Executing Agency has submitted the Completion Report and the Final Financial Audit Report, as well as a Project Proposal. The Committee decided to consider the pre-project as completed.

6) **PPD 44/02 Rev.1 (F) Firefight Initiative: Prevention rather than Cure (Switzerland)**

The Committee took note that the Executing Agency has submitted the pre-project Completion Report and Final Financial Audit Report. The Committee therefore decided to consider the pre-project PPD 44/02 Rev.1 (F) as completed.

(B) Completed Pre-Projects, Pending Financial Audit

1) ***PPD 24/01 (F) Development of National Criteria and Indicators for Sustainable Forest Management in the Congo based on the ITTO Criteria and Indicators (Congo)**

The Committee took note at its Thirty-fourth Session that the Executing Agency has submitted the pre-project Completion Report, Technical Report and a Project Proposal PD 272/04 Rev.2 (F), titled "*Development of National Principles, Criteria and Indicators for the Sustainable Management of Congo Forests based on ITTO Criteria and Indicators for SFM*" commended by the Twenty-eighth Expert Panel to the Thirty-fifth Committee Session for consideration. Moreover, it noted that the Executing Agency has not yet submitted the Final Financial Audit Report. The Committee therefore urged the Executing Agency to submit a satisfactory Final Financial Audit before the next Committee Session.

* The pre-project was reported as 'Completed Pre-projects, Pending Financial Audit' during a previous Committee Session.

Item 7 - Ex-post Evaluation

(A) Ex-post Evaluation

The Committee was informed that the ex-post evaluations of the five projects on forest plantation development selected by the Committee at its Thirty-third Session have been completed:

PD 3/95 Rev.2 (F) Conservation and Provenance Plantings and Integrated Pest Management to Sustain Iroko Production in West Africa (Ghana)

PD 16/96 Rev.4 (F)	Ex situ Conservation of Shorea leprosula and Lophopetalum multinervium and their Use in Future Breeding and Biotechnology (Indonesia)
PD 30/96 Rev.3 (F)	Project for a 2,500 ha Timber Production Plantation in the Reserved Forest of Haho-Baloe (Plateaux Region - Togo) (Togo)
PD 4/97 Rev.3 (F) I&II	Development and Promotion of Afforestation Activities in Egypt - Phases I & II (Egypt)
PD 17/97 Rev.3 (F)	Pilot Project for the Reforestation and Rehabilitation of Degraded Forest Lands in Ecuador (Ecuador)

The Committee took note of the presentation of the synthesis of the evaluations contained in CRF(XXXV)/6 by the Team Leader of the evaluation team, Eng. Henri-Félix Maître. The Delegations of Indonesia, Colombia, Guatemala, Switzerland, Togo and Philippines commended the evaluation team for the focused assessment provided in the report, particularly as regards the Indonesian project, as it benefited in the formulation and implementation of a follow-up project, as well as the one from Ecuador, which has learnt to adapt itself to the economic context of the country. As regards the project in Togo, it was mentioned that it was unable to implement a follow-up project due to the lack of financial assistance and, as such, fully achieve all of the envisioned objectives. Moreover, delegates stressed the importance of the report's recommendations, particularly as regards the Project Cycle. Furthermore, the importance of forest plantation development was also highlighted, especially in the context of ITTO's Objective 2000, as it indirectly contributes towards reducing the pressure on natural forests.

(B) Selection of Projects for Ex-Post Evaluation

According to Decision 3(XXVIII), "Ex-post Evaluation of Projects", the Committees are requested to consider as candidates for ex-post evaluation all completed individual projects or group of projects. The Committee, at its Thirty-fourth Session, requested the Secretariat to prepare a "Shortlist of Completed Projects Relevant for Ex-post Evaluation in the Field of Reforestation and Forest Management" for the Thirty-fifth Session [document CRF(XXXV)/5].

The Committee took note of the aforementioned document and established a small informal working group consisting of delegates representing Ecuador, France, Norway, Papua New Guinea and United States of America and the Secretariat to consider the ex-post evaluation of projects using the list as the basis for their work.

The working group, in reviewing the list, noted that the projects under the theme of community participation in biodiversity conservation had not been previously recommended for ex-post evaluation and therefore presented to the Committee a list of 4 projects pre-selected for ex-post evaluation grouped under this theme. Moreover, the working group also considered one completed project to be eligible for ex-post evaluation under the phased project evaluation approach. The working group's report was considered by the Committee, which approved the following projects for ex-post evaluation:

A) 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
PD 2/00 Rev.2 (F)	Bi-National Conservation and Peace in the Condor Range Region, Ecuador-Peru (Ecuadorean Component)
PD 3/00 Rev.2 (F)	Bi-National Conservation and Peace in the Condor Range Region, Ecuador-Peru (Peruvian Component)
PD038/00 Rev.1 (F)	Management of Kayan Mentarang National Park (KMNP) to Promote Trans-Boundary Conservation along the Border between Indonesia and Malaysian States of Sabah and Sarawak (Phase I)

B) Phased Projects Evaluation:

PD 10/97 Rev.1(F) A Sustainable Management Model in the Iwokrama Rain Forest

The Committee further requested the Secretariat to make the necessary arrangements for the conduct of the ex-post evaluations before the Thirty-seventh Committee Session in December 2005. In addition, it also decided 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.

Item 8 - Review of Project and Pre-Project Work in Progress**8.1 Project Work in Progress****(A) *Projects under implementation***

The Committee took note of a status report [document CRF(XXXV)/4] by the Secretariat on the 78 projects, in the field of Reforestation and Forest Management, that have been approved by the Council, and which are either: A) in the process of implementation (63), B) awaiting the signing of an Agreement (6), C) projects awaiting financing (7), or D) falling under the sunset provision since the last Session (2).

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

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

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

(A) *Projects under implementation*

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

The Committee took note of the Executing Agency's request for an extension without additional funds until December 31, 2004 in order to successfully achieve the project's objectives and that the Secretariat had considered it justified. In this light, the Committee endorsed this extension.

- 2) PD 185/91 Rev.2 (F) **Sustainable Forest Management and Development in Peninsular Malaysia, Phase I (Completed), Phase II (Operational) (Malaysia)**

The Secretariat informed the Committee that the Completion Report and the Technical Reports were ready for printing. The Committee took note of this information and requested the Executing Agency to submit to the Secretariat the Completion Report, the Technical Reports and the Final Financial Audit Report without delay.

- 3) PD 2/93 Rev.1 (F) **Integrated Pilot Management of the Ngoua II Forest-North - Phase I: Preparation of the Management Plan (Congo)**

The Committee urged the Executing Agency to submit the Completion Report, Technical Report and Final Financial Audit Report within three months.

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

The Secretariat informed the Committee that a mission was sent to Fiji in November 2003 to assist the Executing Agency in solving the financial accounting problems of the project. The Executing Agency was finally able to submit a satisfactory financial audit report and an adequate yearly plan of operation in June 2003. The suspension of project activities imposed since October 2002 was lifted by the Secretariat on 1 July 2004. The Committee took note of the information and endorsed the lifting of the suspension of project activities.

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

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the project has not been negatively affected by the current socio-political situation of the country. The Committee took note of the information.

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

The Committee took note of the Executing Agency's request for an extension without additional funds until December September, 2005 in order to successfully achieve the project's objectives and that both the Secretariat and the CFC had considered it justified. In this light, the Committee endorsed this extension.

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

The Secretariat informed the Committee that:

- Based on the findings of the special monitoring mission conducted in October 2003 and in accordance with Article 25, Paragraph 4, of the ITTA, 1994, and Article IX, Section 9.01, of the Project Agreement, the Executive Director decided to suspend this project until the recommendations by the mission are fully complied with. Then, the Thirty-third Session of the Committee on Reforestation and Forest Management recommended that the suspension of the project be maintained until the conditions for further ITTO support as stated by the ITTO mission have been fully met.
- Further to the follow-up visit of the Special Monitoring Mission of October 2003, which took place in July-August 2004, the project-related status can be summarized as follows:
 1. The ongoing restructuring process of ANAFOR (ex ONADEF) has been expected to be completed by October 2004. The financing modalities of ANAFOR were yet to be finalized by the steering committee responsible for the restructuring. The future activities of the restructured ANAFOR are to be in the field of reforestation only;
 2. The operational ITTO projects are continued to be implemented by ANAFOR and accordingly the related projects' staff have been retained;
 3. The Executing Agency has submitted to the Mission the following financial reports: (a) the financial audit reports for the years ending 2002 and 2003, and the project financial statements for the period ending 30 June 2004; and
 4. The two pertinent issues with regard to this project are yet to be resolved: (a) the gazetting of the forest and signing of the Forest Classification Act, and (b) the replenishment of the ITTO funds (US\$ 110,982) that have been utilized by the Executing Agency for other expenditures without prior consultation with and expressed approval by ITTO.

The Committee recommended that the suspension of the project be maintained until the conditions for further ITTO support as stated by the ITTO mission have been fully met. It also recommended that an ITTO Special Monitoring Mission be conducted as soon as possible to assess the progress made by the Executing Agency to comply with the recommendations of the ITTO Mission of October 2003.

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

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the project has not been negatively affected by the current socio-political situation of the country. The Committee took note of the information.

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

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the project has been affected by security problems at the project sites, which are a result of the current socio-political situation in the country. All project activities have been suspended until the security situation is improved. The Delegation of Côte d'Ivoire therefore requested a relocation of the project implementation in new sites in secured zones of the country with similar ecological conditions. The Executing Agency has to provide the Secretariat with adequate justifications. The Committee took note of the information and endorsed this request of the Executing Agency.

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

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the project has not been negatively affected by the current socio-political situation of the country. The Committee took note of the information.

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

The Committee took note that in December 2003 the Executing Agency SINERGIA notified in writing its intention of discontinuing the implementation of this project to Colombia's Ministry of Environment and that simultaneously the Ministry of Environment unilaterally suspended the project. Upon reviewing the situation, in January 2004 the Secretariat decided to officially suspend the project and requested ITTO procedures be followed in order to properly close SINERGIA's participation in this project, as follows:

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

Moreover, in March 2005, when it was apparent that SINERGIA was unwilling to comply with ITTO procedures and that some project funds remained unaccounted for, the Secretariat urged the Ministry of Environment press legal charges against SINERGIA and assigned the Regional Officer for Latin America so as to closely monitor and follow up on any new developments.

The Committee further noted that, while the Ministry of Environment has mentioned its intention in writing to reactivate the project with additional funds to cover any potential shortfall in these, to date it still had not provided all documentation requested by the Secretariat in order to properly close SINERGIA's participation in the project. In this light, the Committee recommended the suspension remain in place until such date that the Ministry of Environment provide the aforementioned documentation and a proposal for its continuity, including a Yearly Plan of Operations, and that the Secretariat can verify in a reasonable manner the current status of the project for its reactivation.

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

The Secretariat informed the Committee that:

- Based on the findings of the special monitoring mission conducted in October 2003 and in accordance with Article 25, Paragraph 4, of the ITTA, 1994, and Article IX, Section 9.01, of the Project Agreement, the Executive Director decided to suspend this project until the recommendations by the mission are fully complied with. Then, the Thirty-third Session of the Committee on Reforestation and Forest Management recommended that the suspension of the project be maintained until the conditions for further ITTO support as stated by the ITTO mission have been fully met.
- Further to the follow-up visit of the special monitoring mission of October 2003, which took place in July-August 2004, the project-related status can be summarized as follows:
 1. The ongoing restructuring process of ANAFOR (ex ONADEF) has been expected to be completed by October 2004. The financing modalities of ANAFOR were yet to be finalized by the steering committee responsible for the restructuring. The future activities of the restructured ANAFOR are to be in the field of reforestation only;
 2. The operational ITTO projects are continued to be implemented by ANAFOR and accordingly the related projects' staff have been retained;
 3. The main outstanding matter remains to be the completion of the National Manual on the utilization of Criteria and Indicators, a draft for which had been submitted by the first consultant earlier. This Manual should be finalized after receiving the inputs from national experts and conducting a national workshop for its validation; and
 4. The replenishment of the ITTO funds in the amount of US\$ 12,9224, that have been utilized by the Executing Agency for other expenditures without prior consultation with and expressed approval by ITTO, is still pending.

The Committee recommended that the suspension of the project be maintained until the conditions for further ITTO support as stated by the ITTO mission have been fully met. It also recommended that an ITTO Special Monitoring Mission be conducted as soon as possible to assess the progress made by the Executing Agency to comply with the recommendations of the ITTO Mission of October 2003.

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

The Secretariat informed the committee that:

- Based on the findings of the special monitoring mission conducted in October 2003 and in accordance with Article 25, Paragraph 4, of the ITTA, 1994, and Article IX, Section 9.01, of the Project Agreement, the Executive Director decided to suspend this project until the recommendations by the mission are fully complied with. Then, the Thirty-third Session of the Committee on Reforestation and Forest Management recommended that the suspension of the project be maintained until the conditions for further ITTO support as stated by the ITTO mission have been fully met.
- Further to the Follow-up visit of the special monitoring mission of October 2003, which was took place in July-August 2004, the project-related status can be summarized as follows:
 1. The ongoing restructuring process of ANAFOR (ex ONADEF) has been expected to be completed by October 2004. The financing modalities of ANAFOR were yet to be finalized by the steering committee responsible for the restructuring. The future activities of the restructured ANAFOR are to be in the field of reforestation only;
 2. The operational ITTO projects are continued to be implemented by ANAFOR and accordingly the related projects' staff have been retained;
 3. The Executing Agency has submitted the financial audit report for the year ending 2003, to the Mission;
 4. The Executing Agency has reimbursed the ITTO funds (US\$ 8,796) that have been utilized by for other expenditures without prior consultation with and expressed approval by ITTO;
 5. The pertinent outstanding issue with regard to this project still remains to be resolved and it is relating to the financial management system of demanding (bill for) / receiving of the income

- generated (wood harvesting) from the Concessionaire and subsequent sharing among the beneficiaries (including the Executing Agency); and
6. Consideration is given to conduct a mid-term evaluation of the lessons learned including a study of the effectiveness of the sharing of the generated income among main stakeholders involved in the sustained management of the So'o Lala Forest. Contingency reserve could meet the cost of this mid-term evaluation.

The Committee recommended that the suspension of the project be maintained until the conditions for further ITTO support as stated by the ITTO mission have been fully met. It also recommended that an ITTO Special Monitoring Mission be conducted in as soon as possible to assess the progress made by the Executing Agency to comply with the recommendations of the ITTO Mission of October 2003.

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

The Committee took note that in December 2003 the Executing Agency SINERGIA notified in writing its intention of discontinuing the implementation of this project to Colombia's Ministry of Environment and that simultaneously the Ministry of Environment unilaterally suspended the project. Upon reviewing the situation, in January 2004 the Secretariat decided to officially suspend the project and requested ITTO procedures be followed in order to properly close SINERGIA's participation in this project, as follows:

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

Moreover, in March 2005, when it was apparent that SINERGIA was unwilling to comply with ITTO procedures and that some project funds remained unaccounted for, the Secretariat urged the Ministry of Environment press legal charges against SINERGIA and assigned the Regional Officer for Latin America so as to closely monitor and follow up on any new developments.

The Committee further noted that, while the Ministry of Environment has mentioned its intention in writing to reactivate the project with additional funds to cover any potential shortfall in these, to date it still had not provided all documentation requested by the Secretariat in order to properly close SINERGIA's participation in the project. In this light, the Committee recommended the suspension remain in place until such date that the Ministry of Environment provide the aforementioned documentation and a proposal for its continuity, including a Yearly Plan of Operations, and that the Secretariat can verify in a reasonable manner the current status of the project for its reactivation.

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

The Committee took note that a mid-term evaluation was conducted by an external consultant and that it provided recommendations on how to restructure the project in order to overcome its constraints and weaknesses. It also noted that these recommendations had been taken into account by the project and that, in this light, the Executing Agency had presented a request for an extension until June 2005 with additional funds in the amount of US\$ 99,576.00, as contained in document CRF(XXXV)/8. The Ecuadorian Delegation also provided a formal presentation of the project's accomplishments to date and its justification for the extension with additional funds.

Moreover, delegations from the project's donor countries requested informal consultations with the Executing Agency in order to review the request, and subsequently the Executing Agency submitted an addendum to the extension request with additional funds, which contained a revision to the activities to be carried out in the extension period and a revised budget for additional funds in the amount of US\$ 84,240, as contained in document CRF(XXXV)/8 Addendum 1.

In this light, the Committee decided to approve the request for an extension in time until June 2005 with additional funds in the amount of US\$ 84,240

- 16) PD 53/00 Rev.3 (F) Implementation of a Permanent Network of Stands Dynamics Monitoring Plots for the Gazetted Forests of Côte d'Ivoire (Côte d'Ivoire)

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the project has not been negatively affected by the current socio-political situation of the country. The Committee took note of the information.

- 17) PD 54/00 Rev.4 (F) Genetic Resistance of Iroko to *Phytolyra lata* – Phase II (Côte d'Ivoire)

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the project will be affected by security problems at the project sites, which are a result of the current socio-political situation in the country. The project sites are located in the rebel-controlled area of the country. The Delegation of Côte d'Ivoire therefore requested a relocation of the project implementation in new sites in secured zones of the country with similar ecological conditions. The Executing Agency has to provide the Secretariat with adequate justifications. The Committee took note of the information and endorsed this request of the Executing Agency.

- 18) PD 63/01 Rev.2 (F) Assessment and Management of Mangrove Forests in Egypt for Sustainable Utilization and Development (Egypt)

The Secretariat informed the Committee that the Executing Agency has not submitted the Progress Report for the period of March to August 2004, the Financial Audit Report for the period ended 31 December 2003 and the Yearly Plan of Operation for the second year of project implementation. The Committee took note of the information and urged the Executing Agency to submit these reports without delay.

- 19) PD 66/01 Rev.1 (F) Establishment of the Mengamé-Minkébé Transboundary Gorilla Sanctuary (MMGS) at the Cameroon-Gabon Border (Cameroon)

On behalf of donors, the Delegation of Switzerland, after reading the mid-term evaluation report, expressed concern about the slow progress of this project and the ability of the Executing Agency to implement the project in an effective and efficient manner. The Secretariat informed the Committee that the Executing Agency requested a twelve-month extension of the project until December 2005, and had provided the Secretariat with adequate justifications. A small consultation working group composed of donors and Cameroonian Delegation agreed on the need to organize a Special Project Steering Committee Meeting as soon as possible in order to assess the progress made to implement the recommendations provided by the mid-term evaluation as a prerequisite to the extension of the project. The Committee took note of the information by the Secretariat and endorsed the conclusion of the consultation small working group to examine the extension of the project during the upcoming Special Project Steering Committee meeting scheduled in January 2005.

(B) Projects awaiting implementation agreement

- 1) PD 165/02 Rev.3 (F) Conservation of Biological Diversity through Sustainable Forest Management Practices (Malaysia)

The Committee took note of the information by the Secretariat that the Project Agreement has been signed in September 2004.

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

The Committee took note of the information by the Secretariat that the Project Agreement has been signed in October 2004.

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

The Committee took note of the information by the Secretariat that the Project Agreement has been signed in October 2004.

8.2 Pre-Project Work in Progress

(A) *Pre-Projects under implementation*

Seventeen pre-projects have been approved by the Committee and are under implementation or in preparatory stages. The Committee took note of a status report of these pre-projects submitted by the Secretariat in document CRF(XXXV)/4.

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

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

The Committee took note that a workshop to discuss: a) the conceptual framework of Demonstration Areas (DAs) for SFM and possible networking between DAs, b) the assessment of the current situation and the lessons learnt from the existing DAs, and c) the operational framework and potential level of information sharing under a possible network of DAs, had been proposed by the Secretariat (document CRF(XXXI/6)) and approved by the Committee at its 31st Session. However, to date funds for this activity has not been forthcoming.

In this light, the Committee decided that, unless funds were allocated for the workshop at this Session, the Secretariat should report this pre-project as completed at the next CRF session.

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

The Committee noted that the pre-project was supposed to be completed in June 2003 and the Secretariat had received no information from the Executing Agency on progress in implementation of the pre-project. The Delegation of Papua New Guinea informed the Committee that the pre-project has been completed and the Completion Report and Technical Report will be submitted to the Secretariat shortly. The Committee took note of this information and urged the Executing Agency to submit to the Secretariat the Completion Report, Technical Report and Final Financial Audit Report without delay.

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

The Committee noted that the pre-project was supposed to be completed in June 2003 and the Secretariat had received no information from the Executing Agency on progress in implementation of the pre-project. The Delegation of P.R. China informed the Committee that the pre-project has been completed and the Completion Report and Technical Report will be submitted to the Secretariat shortly. The Committee took note of this information and urged the Executing Agency to submit to the Secretariat the Completion Report, Technical Report and Final Financial Audit Report without delay.

4) **PPD 40/02 Rev.1 (F) Conservation and Sustainable Management of Mangroves in the Kouilou Coastal Area with the Participation of Local Communities Established in the Area - South Congo (Congo)**

The Secretariat informed the Committee that the implementation of the pre-project has experienced great delays, as it was supposed to be achieved in December 2003. The Committee took note of the information and requested the Executing Agency to make the necessary arrangements for the completion of the pre-project.

(B) Pre-projects awaiting implementation agreement

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

The Committee took note of the information by the Secretariat that the pre-project agreement has been signed in December 2004.

Item 9 - Consideration of Project and Pre-Project Proposals

The Categories of Recommendations on Project and Pre-Projects from the Committee to the Council as accepted by the Committee at its Twentieth Session are listed by Appendix IV, 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, sixteen project proposals were considered by the Committee; similarly five pre-project proposals were considered.

• PROJECTS ASSESSED BY THE COMMITTEE

PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 172/02 Rev.3 (F)	Research and Extending of Near-Natural Artificial Restoration of Degraded Tropical Forests on Hainan Island	China
PD 200/03 Rev.4 (F)	The Establishment of Seed Orchards for Selected Indigenous Tree Species in Sabah, Malaysia	Malaysia
PD 201/03 Rev.3 (F)	Sustainable Management of 50,000 ha of Tropical Forests in the Municipality of Santa Rosa del Sur, Department of Bolivar, Colombia	Colombia
PD 220/03 Rev.2 (F)	Integrated Conservation and Management of Malaysian Mangrove Forests	Malaysia
PD 228/03 Rev.2 (F)	Tropical Forest Fire Monitoring and Management System Based on Satellite Remote Sensing Data in China	China
PD 237/03 Rev.3 (F)	Binational Conservation and Peace in the Condor Range Region, Ecuador-Peru – Phase II (Peruvian Component)	Peru
PD 238/03 Rev.3 (F)	Binational Conservation and Peace in the Condor Range Region, Ecuador-Peru (Ecuadorian Component) Phase II	Ecuador
PD 248/03 Rev.4 (F)	Antimary Forest Management Regional Training Center	Brazil
PD 270/04 Rev.2 (F)	Ex-situ and In-situ Conservation of Teak (<i>Tectona grandis</i> L.F.) to Support Sustainable Forest Management	Myanmar
PD 272/04 Rev.2 (F)	Development of National Principles, Criteria and Indicators for the Sustainable Management of Congo Forest Based on ITTO Criteria and Indicators for SFM	Republic of Congo
PD 276/04 Rev.2 (F)	New World Mangrove Atlas for Conservation and Restoration of Mangrove Ecosystems	Japan
PD 284/04 Rev.2 (F)	Fire-Management and Post-Fire Restoration with Local Community Collaboration in Ghana	Ghana
PD 289/04 Rev.1 (F)	Management of the Emerald Triangle Protected Forests Complex to Promote Cooperation for Transboundary Biodiversity Conservation between Thailand, Cambodia and Laos (Phase II)	Thailand, Cambodia, and Lao PDR
PD 300/04 Rev.1 (F)	Restoration and Sustainable Use of Forest Resources in Ghana: State-of-the-Art Conference	Ghana
PD 301/04 Rev.1 (F)	The Eighth Round-Table Conference on Dipterocarp	Malaysia

PD 322/04 (F)	IX Peruvian Forestry Congress	Peru
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Details of the technical evaluation of these proposals are presented in Appendix II of this report. The Committee's recommendations regarding approval of these proposals are presented in Item 15 (A) below.

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

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

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

Item 10 – Policy Work

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

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

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

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

Item 11 – Biennial Work Programme

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

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

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

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

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

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

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

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

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

Item 14 –Other Business

No matter was discussed under this Agenda Item.

Item 15 - Recommendations to the International Tropical Timber Council

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

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

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

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

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

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

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

Item 16 - Report of the Session

The Committee accepted this Report for submission to the Council.

Appendix I

ITTO Work Programme 2004-2005

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

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

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

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

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

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

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

Engage consultants to:

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

Budget: USD185,000

Appendix II

TECHNICAL ASSESSMENT OF PROJECT PROPOSALS

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

Conclusion of the Thirty-fifth Committee

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

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 200/03 Rev.4 (F) and recommended the Council to allocate US\$ 367,632 for its immediate implementation.

3. PD 201/03 Rev.3 (F) **Sustainable Management of 50,000 ha of Tropical Forests in the Municipality of Santa Rosa del Sur, Department of Bolivar, Colombia (Colombia)**

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the Project PD 201/03 Rev.3 (F) and recommended the Council to allocate US\$409,039 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 220/03 Rev.2 (F) and recommended the Council to allocate US\$ 951,480 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 228/03 Rev.2 (F) and recommended the Council to allocate US\$ 395,028 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the Project PD 237/03 Rev.3 (F) and recommended the Council to allocate US\$ 644,393 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the Project PD 238/03 Rev.3 (F) and recommended the Council to allocate US\$ 775,980 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

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

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 270/04 Rev.2 (F) and recommended the Council to allocate US\$ 474,941 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 272/04 Rev.2 (F) and recommended the Council to allocate US\$ 447,702 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 276/04 Rev.2 (F) and recommended the Council to allocate US\$ 430,920 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 284/04 Rev.2 (F) and recommended the Council to allocate US\$ 585,894 for its immediate implementation.

13. PD 289/04 Rev.1 (F) Management of the Emerald Triangle Protected Forests Complex to Promote Cooperation for Transboundary Biodiversity Conservation between Thailand, Cambodia and Laos (Phase II) (Thailand, Cambodia, and Lao PDR)

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 289/04 Rev.1 (F) and recommended the Council to allocate US\$ 688,208 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 300/04 Rev.1 (F) and recommended the Council to allocate US\$ 69,449 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 301/04 Rev.1 (F) and recommended the Council to allocate US\$ 94,932 for its immediate implementation.

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

Conclusion of the Thirty-fifth Committee

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

TECHNICAL ASSESSMENT OF PRE-PROJECT PROPOSALS

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

Conclusion of the Thirty-fifth Committee

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

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

Conclusion of the Thirty-fifth Committee

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

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

Conclusion of the Thirty-fifth Committee

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

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

Conclusion of the Thirty-fifth Committee

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

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

Conclusion of the Thirty-fifth Committee

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

TABLE A

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

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

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

* For Categories of Recommendation see Table B.

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

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

TABLE B

Categories of Decision for 28th Expert Panel	Categories of Recommendation from 35th CRF to the Council
<ol style="list-style-type: none"> 1. The Panel concluded that, with the incorporation of (any minor) (the) amendments noted, the (pre-) project proposal could be commended to the Committee for final appraisal. (In the view of the Panel, this (pre-) project proposal is eligible for consideration for financing from the Bali Partnership Fund in accordance with Decision 8(XXV).) 2. The Panel concluded that the (pre-) project proposal requires essential modifications (which are necessary for the project to succeed) and the Panel will need to assess the modified (pre-) project proposal before it can commend it to the Committee for final appraisal. 3. The Panel concluded that a re-formulation of the (pre-) project proposal is essential and the Panel will need to assess the re-formulated proposal before it can commend it to the Committee for appraisal. 4. The Panel concluded that a pre-project (not exceeding US\$) is necessary in order to assess the situation and the viability of the proposed work and the possible formulation of a project proposal. <ol style="list-style-type: none"> a: (Such a pre-project proposal could be commended to the Committee for final appraisal.) b: (The Panel will need to assess the pre-project proposal before it can commend it to the Committee for appraisal.) 5. The Panel concluded that it could not commend the modified or revised (pre-) project proposal and submits it to the Committee for further appraisal. 6. The Panel concluded that the (pre-) project proposal (, in its present form,) is not sufficiently relevant to the mandate of ITTO. (The Panel encourages the submitting agency to seek other sources of project support.) 7. The Panel concluded that there is insufficient information to assess the (pre-) project proposal adequately. <p>(Text in Parentheses is optional.)</p>	<ol style="list-style-type: none"> 1. Recommend to the ITTC to approve the (amended) proposal for implementation by ITTO and recommend it for immediate financing. 2. Recommend to the ITTC that the proposal be revised and resubmitted: <ol style="list-style-type: none"> a) directly to the relevant Committee, or b) to the Expert Panel. 3. Recommend to the ITTC to approve the proposal for ITTO sponsorship for funding through other relevant financial institutions, in accordance with Article 20, (6) and (7), and Article 28, of the ITTA, 1994. 4. Recommend to the ITTC that a decision on the proposal be deferred until the next session. 5. Recommend to the ITTC that the proposal should not be further considered by ITTO.

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REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

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

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

SIXTEENTH SESSION OF THE COMMITTEE ON FINANCE AND ADMINISTRATION

Item 1: Opening of the Session

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

Item 2: Adoption of Agenda and Organization of Work

2. The Committee adopted its agenda as presented in document CFA(XVI)/1. The Chairperson drew the attention of the Committee to the work of the Panel on Sub-Account B of the Bali Partnership Fund (BPF) for the allocation of funds under Sub-Account B of the BPF, created under Council Decision 4(XXX), and chaired by the Chairperson of the Committee. The Panel will report directly to the Council. It would convene its first meeting on mid-day Thursday, 16 December 2004. He informed that the selection of the members of the Panel was to be finalized with a view to commence its work.

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

Item 3: Admission of Observers

4. The Chairperson advised the Committee that the Council had admitted all except for one of the applicants as shown on document ITTC(XXXVII)/Info.3 which listed states, inter-governmental and non-governmental organizations applying for Observer status. The Committee concurred with the decision of the Council in this matter.

Item 4: Report of the Expert Panel for Technical Appraisal of Project Proposals Item 5: Improving Effectiveness and Efficiency of Project Work

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

Item 6: Administrative Budget for the Year 2005

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

7. Following the instructions made at the Second Session of the Committee that the proposed budgets "should always be constructed using the current official U.N. exchange rate for the month of the Session in which it was considering the budget proposals", and as has been done in previous years, the Secretariat further amended the Indicative Administrative Budget for 2005 in document CFA(XVI)/2/Rev.1, dated 8 December

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 7: Review of Contributions to the Administrative Budgets

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

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

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

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

23. In response to the queries by delegates, the Secretariat informed that many Members in arrears have lost their voting rights at the end of seven months from when their contributions were due. Members were reminded that, as stipulated in Decision 7(XXXIII), "the Secretariat will not process project and pre-project proposals submitted by Members with cumulative arrears to the Administrative Account beginning from 2002 which are equal to or in excess of three times the Member's annual assessed contribution in the year proposals are submitted". Therefore, Members were urged to meet their commitments to the Organization to avoid this penalty.

24. The Committee took note of the report.

Item 8: Current Status of the Administrative Account

25. The Secretariat presented document CFA(XVI)/4 reporting the current status of the Administrative Budget for 2004 (as at 10 December 2004) with estimated expenditures for the current year. The Secretariat advised the Committee that with the contributions already received from Members as well as those anticipated to be paid to the Organization before the end of the current financial year, plus funds already authorized by Council for use in 2004 from interest earned in 2003, it is anticipated that the estimated expenditures for current year will be \$4,655,865 (i.e. \$551,656 less than the total amount approved in the budget for 2004). This was due to one post of Projects Manager has been vacant since January this year and stringent cost saving efforts exercised by the Secretariat.

26. The Secretariat added that a deficit in the amount of approximately \$290,000 (after taking into account of the payment recently received from the Republic of Congo) would be expected in the budget for 2004. However, Decision 2(XXXIV) adopted by the Council at its Thirty-fourth Session held in May 2003, authorized the Executive Director "to transfer, if and when necessary, an amount not exceeding US\$300,000 annually from the Working Capital Account to the current account in the Administrative Account to meet the shortfall of funds", and therefore it is not necessary to request the Council for further authorization to utilize funds from the Working Capital Account to cover the deficits in 2004.

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

28. The Committee took note of the report.

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

29. The Secretariat presented document CFA(XVI)/5, which was a comprehensive listing of expenditures on, and contributions to, the two sub-accounts of the Special Account, namely Pre-Project and Project Sub-Accounts, and the Bali Partnership Fund (BPF). A list of completed Pre-Projects, Activities and Projects was also included in the document and showed the pro-rated refunds to relevant donors including the funds remaining under "monitoring and evaluation". In accordance with ITTC's Decision 3(XXVIII), agreement of the donors was requested at regular intervals for the transfer of their share of the remaining "monitoring and evaluation" funds, to the "Pooled Sub-Accounts" for ex-post evaluations. The funds transferred to this pooled account to date, amount to US\$1,633,439.19 and regular ex-post evaluations of projects, as approved, are being carried out. Accordingly, the current available balance in this account amount to US\$898,844.50.

30. With regard to the resources of the Bali Partnership Fund, the Secretariat informed the Committee that as of the end of the last session, thirty-two Activities, five Pre-Projects and four Projects had been funded from the resources of Sub-Account B of the Bali Partnership Fund. Accordingly, the current available resources of Sub-Account B amount to US\$2,289,783.31. The Secretariat further informed the Committee that Panel on Sub-Account B of the BPF would be working during this Session of the Committee on identification of pre-projects, activities and projects that would be financed from these resources as well as from that of the other unearmarked funds, the current available resources of which amount to US\$6,146,414.95. The Secretariat added that the Council at its Thirty-fifth Session approved the recommendation of the Committee on Finance and Administration to expand the scope of the Panel on the Sub-Account B of the Bali Partnership Fund to cover the allocation of resources from the "Unearmarked Funds" in the Special Account as an interim measure. The Panel would report directly to the Council.

31. The Secretariat also advised that since this document serves as an information and reference document, Members are invited to contact the Secretariat for further information or clarifications on the details either during the course of this Session or by correspondence at a later date.

32. The Committee took note of the document.

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

33. The Chairperson introduced the Biennial Work Programme for the Years 2004-2005 of the Committee of Finance and Administration which was presented in document ITTC(XXXV)/14 and the report by the Secretariat on the implementation of the Biennial Work Programme for 2004-2005 presented at this Session of Council in document ITTC(XXXVII)/11. He informed that during this Session, the document was introduced in Council and the Council had instructed for its deliberation in the respective Committees. The Chairperson reminded the Committee of its mandate under the ITTA, 1994, and noted that the technical committees will be responsible for setting priorities in their respective areas, the CFA would be responsible for examining the work programme for its implications on the capacity and workload of the Secretariat and to highlight issues that should be raised to Council.

34. The Committee took note of the Biennial Work Programme for the Years 2004-2005, including administrative activities, strategic policy activities, and with special attention to the sections related to the Secretariat, and the Administrative and Finance Activities as shown in Annex I to this Report.

Item 11: Election of Chairperson and Vice-Chairperson for 2005

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

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

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

Item 13: Other Business

ITTO Financial Accounts

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

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

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

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

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

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

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

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

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

Item 14: Recommendations to the International Tropical Timber Council

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

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

Item 15: Report of the Session

Annex I

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

ADMINISTRATIVE AND FINANCE ACTIVITIES

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

- (v) Review the assets of the Organization to ensure prudent asset management and that the Organization has sufficient reserves to carry out its work [ITTA, 1994, Article 27(6)].

Routine.
Regular Sessions' work.

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

- (vi) Examine and make recommendations to Council, on the budgetary implications of the Organization's work programme, and the actions that might be taken to secure the resources needed to implement it [ITTA, 1994, Article 27(6)].

Routine.
Regular Sessions' work.

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

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ANNEX V

REPORT OF THE INFORMAL ADVISORY GROUP (IAG)

DOCUMENT: ITTC(XXXVII)/2

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12 December 2004

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

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

**12 December 2004
Yokohama, Japan**

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

Report of the Chairperson

Introduction

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

Negotiations of a Successor Agreement to the ITTA, 1994

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

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

Follow-up on CSAG/TAG Recommendations

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

Assistance to Members to Implement CITES Listing of Tropical Timber Species

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

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

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

Draft decisions/elements, if any, submitted pursuant to ITTC Decision 7(XXXIII) – “Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization”

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

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

15. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Thirty-seventh Session as follows:
- i. Project, Pre-Projects and Activities
 - ii. Facilitating the Implementation of the Listing of *Gonystylus spp.* and *Swietenia macrophylla* in Appendix II of CITES
 - iii. Measures to Improve Project Formulation and Appraisal.
16. In addition, the IAG noted that a number of recommendations might be submitted by the Committees through their respective reports to the Council for its consideration and approval. In addition, follow-up work could be undertaken through the provisions of existing decisions of the Council.

Other Matters

17. The Executive Director drew attention of the IAG to the need for guidance regarding the process on how the Council should consider the issue relating to the venues for the future Sessions of the Council. The IAG was informed that the Secretariat had received invitations from the Government of Papua New Guinea and Mexico to host the Fortieth Session of the Council in May 2006. Noting the absence of any written procedures on this issue, the IAG recommended that the matter be taken up by the CFA, and that it required substantive Caucus discussion.

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