



**INTERNATIONAL TROPICAL
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20 – 23 July 2004
Interlaken, Switzerland

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

Interlaken, Switzerland

20 – 23 July 2004

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REPORT

OPENING OF THE SESSION (Agenda Item 1)

1. The Thirty-sixth 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 Switzerland for hosting the Session.
2. The Chairperson acknowledged with gratitude the participation of H.E. Dr. Jörg Al. Reding, Ambassador and Head of Bilateral Economic Relations of the State Secretariat for Economic Affairs of Switzerland; H.E. Mr. Jorge Viana, Governor of the State of Acre, Brazil; Mr. Masao Otaki, Representative of the City of Yokohama, Japan and Mr. Pekka Patosaari, Coordinator and Head of the Secretariat of the United Nations Forum on Forests.
3. Ms. McAlpine recalled a quotation from the Ten Years Progress Report of ITTO, which stated inter-alia that "The creators of the Agreement believed that a flourishing trade in tropical timber, if based on a well-managed forest resource, could be a key to sustainable development, providing valuable foreign exchange and employment while protecting natural forests from destruction, degradation and excision". She noted that the Council had been constantly reviewing its views on sustainable forest management and how to improve actions on the ground in order to reach its goal.
4. The Chairperson applauded the joint meeting between representatives of the Civil Society Advisory Group (CSAG) and the Trade Advisory Group (TAG) on the issue of illegal logging, associated trade and corruption. She noted that the courageous choice to focus on an issue of historic tension between governments was commendable. She expressed her gratitude to TAG and CSAG for the ground breaking cooperative initiative.
5. In his address to the Council, Dr. Jörg Al. Reding, Head of Bilateral Economic Relations of the State Secretariat for Economic Affairs of Switzerland noted the special significance of the Thirty-sixth Session of the Council to the Government and People of Switzerland. He welcomed all delegates to the Session and indicated that Member Countries of ITTO shared the same conviction on the important role played by ITTO as an instrument for dialogue on tropical forest policies, sustainable management, the conservation of their multiple functions and in particular the trade in tropical timber and timber products. He noted that ITTO had found its role in the on-going international debate on both the status and fate of tropical forests and the tropical timber trade. He attributed the remarkable progress made by ITTO to the political commitment and support provided by both Producing and Consuming Member Countries. He said that Switzerland was particularly pleased by the fact that ITTO had become a matured organization with a history rich of experiences and lessons drawn from the implementation of its policies, actions and projects. He indicated that in order to increase the capacities of the Organization in the future, not only should its experiences and lessons be capitalized and enhanced, but the Organization's actions should also be in keeping with the current international context. He called on ITTO to duly take into account the new and emerging issues such as forest law enforcement and governance, the transparency of the timber market, forest certification, the trade in non-timber forest products and environmental services. Ambassador Reding stated that we lived in a global environment where meeting the new expectations of people had become the cardinal rule, while stagnation had become a fatal exception. He urged the Council to recognize that tropical forests and the tropical timber trade meant as many new challenges as there were expectations in the various countries, by reason of the wide range of perceived benefits that humanity derived from forests. He called on the Council to redefine the role of tropical forests in the sustainable development of societies while duly taking into account the expectations of these societies. He noted that the reduction of financial resources to ITTO by many Member Countries was a significant impediment to the fulfillment of the Organization's ambition and that only the increased solidarity of all Member Countries would enable ITTO to make further progress.
6. In his statement to the Council, H.E. Mr. Jorge Viana, Governor of the State of Acre, Brazil, noted that after more than a decade of dealings with ITTO, he had no doubt about the importance of ITTO for the development of the Amazon region – not just great developments in the sustainable

use of forest resources, but also great friendship that had developed while working for the cause in Acre and the Amazon region. Mr. Viana said that the results of the work carried out by the Government of Brazil with the support of ITTO in the Antimari State Forest would lead to drastic changes in Acre as well as renewed hope in achieving a development policy reform throughout the Amazon region. "The world is changing and with it, markets, businesses, companies and especially consumers are also changing. We are all changing. And therefore our governments are changing as well. And those who are not changing are likely to fail", H.E. Mr. Viana said. He indicated that the Amazon region could and should be the differential factor of the Brazilian economy in a globalized world. He underlined the fact that under proper management, Brazil could rapidly respond to awaken the Amazon regions and its forests from the current lethargic state. He noted that the Government and People of Acre had laid out a clear course of action on the basis of the ITTO-Antimari project and were working to make Acre a model state in the use of forest resources, not only for the rest of Brazil, but also for the neighboring countries of Peru and Bolivia.

7. In his address to the Council, which was delivered by Mr. Masao Otaki, H.E. Mr. Hiroshi Nakada, Mayor of the City of Yokohama expressed his profound respect for the tireless activities of ITTO towards the preservation and sustainable management of tropical forests. He stated that in keeping with the goal of transforming the City of Yokohama into a hub of "eco-activity", he was keenly interested in the course of discussions on the negotiations of a successor agreement to the ITTA, 1994. He was hopeful that the talks on the successor agreement would proceed smoothly and that ITTO, while based in Yokohama, would continue to play a vital role in the worldwide efforts for environmental improvement.
8. Mr. Pekka Patosaari, Coordinator and Head of the United Nations Forum on Forests expressed his appreciation to the Council for seconding a senior staff member to the UNFF Secretariat. He noted that the relationship between the UNFF and ITTO was continually growing and getting stronger and expressed his pleasure at the high level of participation from ITTO at the UNFF Sessions. He also highlighted ITTO's role as a lead agency on forest trade in the Collaborative Partnership on Forests (CPF) and expressed his appreciation for the cooperation the UNFF Secretariat had been receiving from ITTO. He noted particularly the support provided by ITTO to the most recent country and organization-led initiatives in support of UNFF, such as the Brazzaville initiative on transfer of environmentally sound technologies and capacity building. Mr. Patosaari informed the Council that the Fifth session of the UNFF would be held in New York in May 2005. He said that the Fifth Session was extremely important to the international forest community, as it would review progress and the effectiveness of the international arrangement on forests and take decisions on future actions. Most importantly, 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. He also referred to the negotiations of a successor agreement to the ITTA, 1994 and noted that both UNFF and ITTO were approaching a highly critical juncture from the international forest policy perspective. He said the international community would be watching closely how these two important processes would evolve. "When we all work together in different fora or 'machineries', in a coordinated manner, then the goal of sustainable forest management for all types of forests will not remain a far-fetched dream. Nor will the aspirations of millions of people for sustainable livelihoods be far from reality", Mr. Patosaari said.

ASCERTAINMENT OF THE QUORUM (Agenda Item 2)

9. The Executive Director, Dr. Manoel Sobral Filho, reported that the quorum for the Thirty-sixth 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 (XXXVI)/1 and invited comments from the Council on the provisional agenda. In the absence of any comments, the provisional agenda was adopted.

REPORT OF MEMBERSHIP OF THE COUNCIL (Agenda Item 4)

11. The Executive Director, Dr. Manoel Sobral Filho, reported that on 16 March 2004 the Secretariat was notified by the Treaty Section of the United Nations that on 11 March 2004, the Secretary General of the United Nations, in his capacity as depositary of the International Tropical Timber Agreement, 1994, received from the Government of Mexico the instrument of "accession" to the

ITTA, 1994. Mexico, therefore, became the fifty-ninth Member of the ITTO on 11 March 2004 as a "Producing Member". The total membership of the Council stood at fifty-nine (59), comprising thirty-three (33) Producing Members and twenty-six (26) Consuming Members, including the European Community. The membership of the Council is attached to the agenda.

12. Mr. Manuel Reed Segovia (Mexico) noted that the accession of Mexico to the International Tropical Timber Agreement, 1994 was the beginning of a new stage for the Country which would allow it to implement various aspects of its forest policy and international timber trade. He indicated that Mexico could only achieve the important complementarities of forest strategies and in-depth knowledge of current and future trends of international markets and the international trade in tropical timber by becoming a full member of ITTO. Mr. Segovia said that Mexico was one of the countries with the richest tropical forest resources in the world, with 32 million ha of tropical forests of all eco-types; high, medium and low forests, as well as palm tree forests and mangrove forests. He underlined the fact that forests, rainforests and water resources had been considered priority issues of national security under the Government of President Vicente Fox and had resulted in the implementation of a long-term sustainable forest development policy. Mr. Segovia also indicated that one of the main components of the forest development policy was the search for international consensus. National concerns in relation to environmental and forestry issues must be debated in the new international cooperation arenas and fora. The policy also aimed at strengthening international links with all other countries in order to seek solutions for both the restoration of ecosystems and the establishment of effective development conditions for local communities, while ensuring a secure supply of raw materials for the forest industry. Mr. Segovia underlined the importance of the negotiations for a successor agreement to the ITTA, 1994 and indicated that the new agreement should have a wider scope. He noted that this would help producing countries to sustainably utilize their tropical forest resources and incorporate issues such as environmental services in their national guidelines on forests. He reaffirmed the commitment of Mexico and its institutions to the objectives and principles of ITTO, and indicated that Mexico was ready to cooperate with all ITTO Members in the exchange of experiences, support and knowledge.
13. Mr. Enzo Barattini (European Community) referred to the enlargement of the European Union, with the accession of ten (10) new Member States on 1 May 2004. He stated that none of the new EU Members were as yet Members of ITTO and according to the EU rules all the new members would begin their internal procedures in order to deposit their instruments of approval/acceptance of the ITTA, 1994 in the forthcoming months. He noted that the accession of the new EU Members to the ITTA, 1994 would be a further signal of the commitment of the European Community towards ITTO. Mr. Barattini also congratulated Mexico on its accession to the ITTA, 1994.
14. Mr. Luiz Cesar Gasser (Brazil), on behalf of the Producers Group, welcomed and congratulated the Government of Mexico for its accession to the ITTA, 1994 as a Producing Member.

REPORT OF THE CREDENTIALS COMMITTEE (Agenda Item 5)

15. The report of the Credentials Committee was presented by the Chairperson of the Committee, Mr. Alain Chaudron (France). He referred to document ITTC(XXXVI)/3 and reported that the Committee was composed of representatives from Cameroon, Congo, Peru, Malaysia, France, Germany, New Zealand and Switzerland. The Committee met on 22 July 2004 and examined and accepted the credentials of forty (40) countries and the European Community which participated in the Thirty-sixth Session of the Council and the Sessions of the Committees.

PROPOSED DISTRIBUTION OF VOTES FOR 2004 (Agenda Item 6)

16. The Chairperson referred to the Annex to document ITTC(XXXVI)/1 containing the proposed distribution of votes. She informed the Council that in accordance with Article 19(4) of the ITTA, 1994, the proposed distribution of votes would be used for the assessment of the contribution of each Member to the Administrative Budget for 2005. Ms. Celestine Ntsame-Okwo (Gabon) sought further clarification on the proposed distribution of votes for the African Member States. After a satisfactory explanation by the Executive Director, the proposed distribution of votes for 2004 was approved.

ADMISSION OF OBSERVERS (Agenda Item 7)

17. The Chairperson drew the Council's attention to document ITTC(XXXVI)/Info.3 which listed states, inter-governmental and non-governmental organizations applying for Observer status. The Council admitted all applicants.

STATEMENT BY THE EXECUTIVE DIRECTOR (Agenda Item 8)

18. The Executive Director welcomed delegates to the Thirty-sixth Session of the Council. He acknowledged with gratitude the participation of Ambassador Dr. Jörg Al. Reding representing the Government of Switzerland, Honourable Jorge Viana, Governor of the State of Acre and Mr. Masao Otaki, Member of the City of Yokohama, representing the Mayor. On behalf of the Council, Dr. Sobral expressed deep appreciation for the strong support the City of Yokohama had been providing to ITTO since its establishment in 1987. He also expressed his gratitude to the Government of Switzerland for hosting the Session. He noted that it was the first time that the ITTC had held its Session in a Consuming Member Country apart from the regular autumn meetings held in Yokohama, Japan. He stated that the choice of Switzerland could not have been more appropriate since Switzerland had a long and successful history of sustainable forest management and had been a staunch supporter for the promotion of sustainable forest management in the tropics. The Executive Director also welcomed the accession of Mexico to the ITTA, 1994.
19. Dr. Sobral cited ITTO project PD94/90 Rev.3 (I) implemented by FUNTAC and which had led to the establishment and management of the Antimari State Forest in Acre, Brazil to illustrate how ITTO projects could build bridges between the Council's policy work and forest-level development. He noted that developed Member Countries of ITTO often stressed that they would like to see ITTO focusing more on policy dialogue and development, while developing Members often called for more project funding. He said that the Antimari project showed that both policy and project work were essential and, in fact, mutually supportive. The Antimari project was designed to demonstrate and implement ITTO's sustainable management policies; its success, in turn, had encouraged and catalyzed more policies and plans to promote forest-based development in the entire state, with the local populations, many of whom were very poor and had little or no access to basic services as the core beneficiaries. The Executive Director stressed that the objective of the Antimari project and of many other ITTO projects was poverty alleviation through sustainable forest management and the trade in forest products. This had been the core priority of ITTO which the Organization had therefore, allocated a large share of its financial resources to fund forest management and sustainable production on the ground, involving and benefiting poor local populations. Dr. Sobral said that it was economics, not technology that was holding back the widespread adoption and implementation of sustainable forest management in the tropics and that in the long-term the remuneration for tropical timber must be complemented with payments for forest ecological services. He further noted that the development of markets for forest ecosystem services and the sustainable management of tropical timber producing forests were strongly linked and mutually supportive. He called on the international community to act decisively to promote markets for ecosystem services, particularly by providing an international framework for policies and action in sustainable forest management that was remunerated by trade not only in tropical timber products but also for the services such forests provided to communities at the local, national and international level.
20. In conclusion, the Executive Director invited the Council to consider measures to promote the development of markets for the ecosystem services of natural tropical forests during the negotiation of a successor agreement to the ITTA, 1994. This should include provisions to assist and enhance the capacity of tropical countries to supply and be remunerated for forest ecosystem services, particularly with regard to tropical timber producing forests, but also in protected areas.

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

21. The Chairperson referred to document ITTC(XXXVI)/2. She reported that the Informal Advisory Group established under Decision 3(XXII) held its Fourteenth Meeting on 19 July 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, a representative of the Government of Switzerland and the Executive Director.

22. Issues considered by the IAG included preparations for negotiating a successor agreement to the ITTA, 1994; CSAG/TAG joint workshop on illegal logging and possible outcomes; 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-sixth 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)

23. Dr. Steven Johnson (ITTO Secretariat) reported that pursuant to Decision 3(XIV) 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, the Government of Indonesia informed the Secretariat on 12 July 2004 that it had proposed to CITES to uplist Ramin (*Gonystylus* Spp.) in CITES Appendix II for the consideration of 13th Meeting of the Conference of Parties (COP) to be held in Bangkok, Thailand from 3 to 14 October 2004. Dr. Johnson further reported that on 19 July 2004 the CITES Secretariat informed ITTO of the Indonesian proposal and requested ITTO's comments on the proposal. Dr. Johnson noted that Indonesia's recorded exports of Ramin had decreased over the years and stood at less than 500 m³ of logs and about 2,000 m³ of sawnwood in 2002. He further informed the Council that Malaysia was also a significant exporter of Ramin products. Dr. Johnson mentioned that the Secretariat had been invited to participate in the Thirteenth Meeting of the Conference of Parties of CITES.
24. Ms. Sri Murniningtyas (Indonesia) informed the Council that illegal logging of Ramin had been going on in Indonesia and had resulted in a considerable decline of Ramin population outside the protected areas. She also indicated that encroachment on the protected areas for Ramin had also been very alarming to the extent that the sustainability of the species was being threatened. Consequently, Indonesia had to take the necessary action to control the production and trade, by placing the species in CITES Appendix III. She noted that the decision was inevitable as a starting point in tackling illegal logging and associated illegal trade. She underlined the fact that while the Government was tackling the issue on the ground, it was equally important to increase the control of international trade in Ramin and, therefore, the Government had proposed to include the species in CITES Appendix II for the consideration by the Thirteenth Meeting of the Conference of Parties.
25. Dato' Teo Suat Cheng (Malaysia) underlined Malaysia's support for all international efforts to promote the legal and sustainable use of all timber species, thereby ensuring the sustainable viability of the world's forest resources. She asserted Malaysia's full commitment to its obligations under CITES, provided all listing proposals were based on substantiated findings, thus meeting the objectives of the Convention. She indicated that Malaysia had noted the proposal to list Ramin under CITES Appendix II and commented that the proposed listing of Ramin under Appendix II was at the genus level which effectively would cover approximately 30 species and would have significant implications for all Ramin range states due to difficulties in differentiating these Ramin species from several other timber species of similar colour and/or qualities. She reported that a tri-national workshop on Ramin funded by the U.K. Foreign and Commonwealth office and organized by Traffic International was held in Malaysia in April 2004. The workshop was attended by representatives from Singapore, Indonesia and Malaysia. The workshop identified several measures needed to be undertaken in order to strengthen the enforcement provisions of trade regulations as stipulated under Appendix III of CITES Convention. Following the tri-national workshop, Malaysia had taken the lead role to establish a tri-national task force on CITES Ramin trade law enforcement with the objective of strengthening the enforcement of trade regulation measures stipulated under Appendix III to ensure legality and sustainability in Ramin trade. Dato' Teo stated that while Malaysia acknowledged and respected the rights of Members under CITES, it was the considered view of Malaysia that efforts currently being undertaken to improve the enforcement of Ramin listing under Appendix III be given the opportunity to succeed before any new proposal for uplisting was considered.

**MEASURES TO IMPROVE PROJECT FORMULATION AND APPRAISAL – DECISION 11(XXXIV)
(Agenda Item 11)**

26. The report was presented by Mr. Ricardo Umali (Philippines), Chairman of the Expert Panel for Technical Appraisal of Project and Pre-project Proposals. He referred to document ITTC(XXXVI)/5.
27. The Expert Panel focused its attention on identifying the most common causes of problems in project formulation and project appraisal processes. Some of the core causes identified by the Panel were as follows:
- Lack of a process to identify and prioritize projects within a country in line with ITTO's priority areas;
 - Criteria to assess the projects' relevance to ITTO and Objective 2000 not easily understood;
 - ITTO Manual for Project Formulation not easily understood by Member Countries submitting proposals;
 - Absence of a database on pool of experts;
 - Insufficient participation of ITTO Secretariat due to current rules.
28. The Expert Panel made the following recommendations aimed at improving the quality of project formulation and appraisal processes:
- ITTO should continue to sponsor future thematic training, particularly on such themes as participatory approaches;
 - The Council should consider the need for further training workshops on project formulation at the national level with improved training material;
 - In the context of achieving ITTO Objective 2000, the Council should convene an expert panel to further develop more focused criteria to determine which type of projects contribute directly to achieving this goal;
 - The Council should review and revise the ITTO Project Formulation Manual with a view to producing a simplified and condensed manual, including a computerized tool via the web to facilitate project proposal and budget preparation;
 - The mandate of ITTO Secretariat be expanded in project proposal appraisal to check factual and presentation details;
 - Member Countries should establish a national clearing house to process proposals taking into account national priorities and relevance to ITTO goals prior to submission;
 - One single focal point dealing with projects should be established in each country;
 - Countries should submit only projects that fit into priorities identified by ITTO missions or in-country prioritization;
 - Consider a need for a ceiling on the number of proposals submitted by a country within a certain period of time.
29. Mr. Satoru Sato (Japan) commended the Expert Panel for the report and hoped that the recommendations would be implemented as soon as practicable. He called on Member Countries to make a thorough examination and prioritization of the projects within the country including analysis of the project feasibility and compatibility with national forestry goals as well as the objectives of ITTO before submitting proposals to ITTO. He also called on Member Countries to take full responsibility and ownership of projects implemented in their countries, coordinating with relevant domestic institutions and international organizations, as necessary, once a project had been approved and funded.
30. Mr. A.S.K. Boachie-Dapaah (Ghana) endorsed the recommendations that called for training and further proposed that the training of trainers should be on an on-going basis aimed at transferring knowledge in project identification, formulation and management, particularly placing emphasis on project management as a core area. Mr. Boachie-Dapaah also supported the recommendation to maintain the current number of panel members, given the increasing workload and the growing number of project proposals being submitted. He endorsed the recommendation that the Expert Panel for Project Appraisal should be more consistent in how it applies the categories of decision. Mr. Boachie-Dapaah, however, did not share the opinion to refer project proposals to the Committees after a third revision. He proposed that such proposals should rather be returned to the submitting government. He endorsed the recommendation to expand the mandate of the Secretariat in the appraisal of project proposals.

31. Mr. Xia Jun (China) commended the Expert Panel for the report. He noted that policy guidelines and project work were the two features that had made ITTO a unique international organization. He said that these two features would continue to be very essential for the vitality and effectiveness of ITTO. He endorsed the recommendations of the Expert Panel and urged the Council to take concrete measures to improve ITTO project formulation and appraisal. He, however, noted with regret the continuing decrease in financial resources and the narrow funding base, particularly the lack of resources to finance projects that had been approved by the Council. He urged the Council to address the issue of funding in a fair and transparent manner in order to ensure the efficiency of ITTO's work.
32. Dr. David Brooks (USA) reiterated the importance of ITTO work. He stated that the entire project cycle, including identification, formulation, technical appraisal, implementation and evaluation be given careful consideration as called for by the Working Group and the Expert Panel. He proposed that the Council should focus on those recommendations that could be implemented without the need for a new Council decision. He cited, for instance, recommendations to be implemented by Member governments, such as strengthening the role of focal points in Member Countries as well as strengthening of the process of project identification and formulation within Member Countries. Dr. Brooks also proposed that the Secretariat should identify those recommendations that would require a Council decision and prepare elements of the decision before the Thirty-seventh Session of the Council. He urged the Chairpersons of the Committees to identify those recommendations that could be implemented immediately by the Technical Committees.
33. Mr. Daniel Birchmeier (Switzerland) reiterated the importance of good quality projects submitted to ITTO for financing. The Swiss delegation was therefore encouraged by the excellent analysis and recommendations on measures that might have a direct and immediate impact on the quality of project proposals. He noted that many of the recommendations were not new and what was new was that these had been more systematized and comprehensive than in previous reports of the Expert Panel. Mr. Birchmeier endorsed the recommendations and told the Council that it was time to take action. He proposed that the Secretariat should prepare draft decisions for the consideration of the Council at its Thirty-seventh Session, incorporating the recommendations of the Expert Panel. He said that Switzerland was encouraged by ITTO's effort to improve project quality. However, project formulation should not be singled out from the entire project management cycle. He noted that whilst it was important to have clear guidelines for project formulation, ITTO should have a single consolidated and comprehensive manual of project cycle management and procedures including project identification, formulation, implementation, monitoring and evaluation. He said that the revision of the project formulation manual should, therefore, envisage a much broader perspective. He proposed that the Secretariat should prepare a draft proposal for the elaboration of such a manual.
34. Dato' Suboh Mohd Yassin (Malaysia) commended the Expert Panel for the comprehensive report. He hoped that the implementation of the recommendations would improve the quality of ITTO projects. He noted that many of the recommendations would require further consideration by relevant parties and urged all parties mentioned in the report to undertake the necessary follow-up actions as recommended. He endorsed the recommendation for the Council to continue to consider and sponsor future thematic training workshops at national level and also support projects that focused on achievement and implementation of sustainable forest management practices towards the achievement of the ITTO Objective 2000. He urged the Council to consider organizing immediately, a database on experts as called for in the report. He proposed that the Secretariat should undertake the task as quickly as possible as it would further help to enhance the quality of project proposals submitted by Producing Member Countries. Dato' Suboh also endorsed the recommendation that the Technical Committees should take into consideration the recommendations of the Expert Panel for Technical Appraisal of Project Proposals and also to focus on the policy implications of the projects. He agreed that the mandate of the ITTO Secretariat be expanded to the appraisal process to check factual and presentation details. Dato' Suboh endorsed the recommendation for Member Countries to establish a national clearing house/national expert panel to process proposals taking into account national priorities and relevance to ITTO goals. On the composition of the Expert Panel for Technical Appraisal of Project Proposals, Dato' Suboh endorsed the recommendation to maintain the current number of Panel members.

35. Mr. Enzo Barattini (European Community) said that ITTO projects should be coherent and consistent with the objectives of the ITTA and should be attractive and appealing to donors. He also indicated that project proposals should be consistent with national programmes and national development strategies. Mr. Barattini stated that the European Community had preference for big projects with high budgets. He also underlined the importance of ex-post evaluation of projects in order to identify the difficulties encountered in project implementation as well as assessing the impacts.
36. Mr. John Bazill (European Community) expressed the view that projects should include a more explicit reference to national forest programmes and where appropriate, reference to poverty reduction strategies. He also called for a more direct reference to evaluation of ITTO projects and ITTO country missions undertaken in the framework of ITTO Objective 2000. He endorsed the recommendation for the establishment of a national clearing house but noted that countries could establish different models to achieve the same objective. He cited peer review mechanism as an alternate mechanism to achieve the same objective. He called for reference to be made to other on-going work such as IUFRO's Global Forestry Research Information System as well as funding for sustainable forest management in the Collaborative Partnership on Forests (CPF) which included web-based advisory functions.
37. Mr. Luiz Cesar Gasser (Brazil) stated that the improvement of project activities was linked to the capacity of the implementing agencies at the national level. He urged the Council to focus on technical cooperation at the national level. He endorsed the following recommendations contained in the report:
- The review of the Manual for Project Formulation;
 - The review of the terms of reference for Expert Panel for Technical Appraisal of Project Proposals; and
 - Guidance to Member Countries on the establishment of national clearing house.
38. Mr. Don Wijewardana (New Zealand) urged the Council to look at the entire project cycle and not to address the issue on a piecemeal basis. He endorsed the intervention made by Switzerland that the Council should produce a manual that would address the entire project cycle. He supported the proposal that the Secretariat should produce draft element for a decision before the Thirty-seventh Session of the Council.
39. Mr. Olav Bakken Jensen (Norway) commended the Expert Panel for the comprehensive report. He noted that the report had built upon previous experiences and recommendations. He indicated that the entire project cycle was becoming very sophisticated while the projects and project proposals remained the same. He urged the Council to look at alternative approaches to the problem. He cautioned that the demands of the Council might be too stringent for the reality and stated that the requirements of the Council should be geared towards building the capacity and competence of those who formulate the project proposals. He called for simplification of the procedures and a simplified manual. He emphasized that although a project proposal might not be well formulated the project could still achieve great results. He noted that the substance of a project was much more important than all the formalities like the logical framework matrix, etc. He cautioned that it would be a great pity if good project ideas were thrown overboard because of formalistic requirements. He supported the fact that project proposals must fall within national priorities for development. He urged the Council to make contributions towards reaching the Millennium Development Goals, both in policy and project work.
40. Mr. Dike Kari (Papua New Guinea) endorsed the recommendations for ITTO to conduct more training on project formulation at the national level and the establishment of a national clearing house by Member Countries to process project proposals. He proposed that the Council should re-examine the core objectives of ITTO during the negotiations of the successor agreement to the ITTA, 1994. He noted that the core objective of ITTO had a bearing on project proposals submitted by Member Countries.
41. Mr. German Espinosa (Ecuador) indicated that during the upcoming negotiations of a successor Agreement to the ITTA, 1994, the issue of projects should be generally reviewed, including the financing mechanism of projects. He stressed that donor countries must be willing to finance good quality projects which were in line with Member Country's national priorities and strategies.

42. Dr. Bipin Behari (India) endorsed the development of a project cycle that would not only reduce the time between submission and final acceptance but also would help in mitigating certain deadlocks in the way of project formulation or the quality of projects to be formulated. He submitted that in order to increase the effectiveness and coordination of projects in the implementing countries, ITTO satellite sub-centres could be established. He proposed that in this context, a satellite sub-centre should be established in India. Dr. Behari proposed that the scope of ITTO project activities should be enlarged to include environmental services such as carbon sequestration and its association with better forest management practices.
43. Dr. Oscar Antonio Alvarez Gómez (Colombia) highlighted the importance of ex-post evaluation in improving project formulation. He recalled that in a report presented by the delegation of Switzerland, it was noticed that the implementation deadlines for several projects were longer than foreseen in the project formulation and questioned whether this was due to poor formulation or the lack of knowledge of the subject. He also noted that for many projects there was no proper baseline information to determine whether the objectives had been met. He reiterated the need to use ex-post evaluation to obtain feedback and find ways to improve project formulation.
44. The Executive Director underlined the fact that ITTO had been subjecting its project cycle to a degree of review and screening not seen in other multi-lateral organizations. He noted that ITTO had put in place a very good system in terms of its project cycle and cited the Expert Panel for Technical Appraisal of Project Proposals, the project formulation training provided under PD73/89 (M,F.I), and ex-post evaluation carried out on over fifty(50) projects in the past five years. He indicated that there was no multi-lateral or bilateral organization in the field of forestry that had carried out ex-post evaluations to the same degree as ITTO. He acknowledged that ITTO was generating very good projects but expressed concern about the large number of proposals that were being submitted for appraisal, cautioning that the Expert Panel for Technical Appraisal of Project Proposals might not be able to cope with them within its regular 5-6 day biannual meetings. He endorsed the recommendation for Member Countries to establish a clearing house to screen proposals taking into account national priorities and relevance to ITTO goals. Dr. Sobral commended the clearing house system established by the Government of Brazil to scrutinize project proposals before submitting to ITTO. He mentioned that one reason for the increase in the number of project proposals was the fact that the number of Producing Member Countries had increased from eighteen (18) to thirty-three (33) while the funding had decreased. Countries had, therefore, resorted to presenting large number of small projects whose impact might not be very effective. He emphasized that the problems associated with the project cycle were closely related to funding.

PREPARATIONS FOR NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994 (Agenda Item 12)

45. Dr. Jürgen Blaser (Switzerland), Chairperson of the Preparatory Committee (PrepCom) gave a brief background of the PrepCom process, starting from the Thirty-third Session of the Council in November 2002 to the meeting of the Friends of the Chair held in Interlaken, Switzerland from 24 to 25 April 2004. He informed the Council that the meeting of the Friends of the Chair was attended by:
- Chair and Vice-chair of Council;
 - Consumer and Producer Spokespersons;
 - Country representatives from Malaysia, Indonesia, Ghana, Cameroon, Ecuador, Brazil, Japan, E.U. USA, Switzerland and China;
 - UNCTAD representatives: legal advisor and officer-in-charge; and
 - The Executive Director
46. Dr. Blaser mentioned that it was the aim of PrepCom II to prepare a single working document as the basis of the negotiating UN Conference. However this was not fully achieved.
47. Dr. Blaser reported that the meeting of the Friends of the Chair prepared a single working document for the negotiation of the successor agreement as well as a road map for the UN negotiating Conference. However, there were no discussions on contents and that the meeting brought the PrepCom II report into a more workable format for the UN Negotiating Conference.

48. Dr. Blaser informed the Council that the following official Conference documents of UNCTAD were available at the UNCTAD website www.nctad.org:

TD/Timber.3/1 Provisional agenda and annotations
 TD/Timber.3/2 Provisional rules of procedures
 TD/Timber.3/3 Summarizing experiences in the implementation of the ITTA, 1994
 TD/Timber.3/4 Proposals made by PrepCom for the negotiation of a successor Agreement

49. Ambassador Carlos Antonio Da Rocha Paranhos (Brazil), Vice-chairperson of the PrepCom briefed the Council on the road map for the UN Conference. He urged the Council to endeavour to complete the negotiations within the stipulated time period.

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 Suriname – Report of the ITTO Diagnostic Mission*

50. The report was presented by Mr. Erik Lammerts van Bueren (Netherlands), leader of the mission. The other members of the mission were Mr. Hans Peter Aeberhard (Switzerland), Dr. Antonio do Prado (Brazil), Mr. Winston Caldeira (Suriname) and Dr. Ruben Guevara (ITTO Regional Officer for Latin America). The objectives of the mission were:
- Identify in the country those factors, most severely limiting progress towards achieving Objective 2000 and sustainable forest management;
 - Rank these constraints in order of importance; and
 - Recommend a series of measures aimed at lifting these constraints and estimating their costs where possible.
51. Mr. Lammerts van Bueren reported that the mission assessed general aspects and conditions of sustainable forest management and focused in particular on timber production, processing and trade. In analyzing the critical factors for SFM, the report noted that the performance of the Government and Parliament were key to the social and economic environment in which the private sector and the civil society operated. The country was experiencing an increasing interest in sustainable development and sustainable management of its forest resources. This was reflected in the recent formulation of the National Forest Policy, with the objective to enhance the contribution of the forests to the national economy and the welfare of the current and future generations, taking into account the preservation of the biodiversity. The report noted, however, that many constraints had to be overcome in order to effectively realize these objectives. Some of the constraints identified in the report were:
- Performance of Government and Parliament;
 - Land tenure conflict;
 - Low levels of timber production;
 - Obsolete technology;
 - Poorly maintained equipment;
 - Saturated domestic markets;
 - Under-developed export markets; and
 - Insufficient sector-wide capacity.
52. The mission recommended that the Government should prepare an action plan for the development and implementation of the National Forest Policy. The mission observed that a conflict over land (use) rights was apparent, and urged the Government and the people living in the interior to resolve this conflict in the interest of achieving sustainable forest management in the country.
53. The mission further observed that the Forest Management Act 1992 reflected the need, felt at that time to establish strong regulations for issuing and monitoring concessions to foreign and local applicants. To that end, the Act contained many detailed regulatory elements, notably concerning concession conditions and requirements. However, elements which were conducive

to investing in sustainable forest management were not apparent. The mission noted that the Government was aware of the opportunities for improvement and recommended that a revised Forest Management Act should include principles and measures which would promote ecologically sound, socially fair and economically feasible forest management through conservation of environmental values of the forests and the utilization of the production potential. The mission also recommended that the design of the forest revenue system and the decision on concession size(s) and duration should be linked in such a way that these would promote sustainable forest management as well as a strong private sector while minimizing the need for administration and control

54. The report recommended that the Forest Authority and the private sector would need to establish a more constructive dialogue in order to restore confidence in each other. The report noted that there were opportunities for matching initiatives of the private sector with measures to be taken by the Government to implement the National Forestry Policy, to step up timber production and to achieve sustainable forest management.
 55. The mission noted that it was in the interest of Suriname to add value to its timber economy which would in turn generate many more jobs, and provide an additional incentive for sustainable forest management. The report stated that it was clear that the country was still a long way from becoming a net wood products exporter and indicated that stepping up timber production and simultaneously achieving SFM would require a number of actions such as expanding capacity in the public and private sectors, revising the concession policy, resolving the land tenure conflict, establishing a national standard for C&I for sustainable forest management, penetration of export markets and substantial investments.
 56. The mission observed that existing institutions in the forest sector had a regulatory framework, and biophysical approach to forest use. They were not equipped, legally or organizationally, to deal with several inter-related social and environmental issues associated with forests and recommended that the institutions be strengthened in the areas of strategic planning, information gathering, analysis and dissemination, socio-economic and environmental issues, consensus building and dialogue and in all technical and managerial aspects needed to promote sustainable forest management.
 57. The report noted that the granting process of forest concessions lacked transparency and had been said to be counterproductive to the best use of the forest resources of the country. There were also no performance requirements for concession holders. The mission recommended that the minimum size concession should match the capacity of a professional logging company or the capacity of an economic feasible sawmill, based on a 25 year logging cycle. The concessionaire should be given the option for a renewal or extension of his lease, for an equal duration on condition of good performance in the first period. The mission further recommended that any substantial increase in timber production should be carried out along a planned and suitable growth path, taking into consideration the following precepts: sustainable forest management, supporting infrastructure – roads, rivers, port, etc., investment climate, human resources development, research and development, the active participation from industry, tribal communities, the private sector, markets, and other sectors of the economy. The mission urged ITTO and other international development agencies to support Suriname to strengthen its market intelligence, market information, and marketing expertise in tropical timbers. Investments must be made to rehabilitate the old sawmills and establish new sawmill capacity. A program should also be developed to increase the numbers of trained personnel, including management for the sawmill industry. The mission urged the Government of Suriname to support the primary forest industry, promoting its technological and managerial modernization, aiming to increasing yields, and improving its competitiveness, as a means to conduce towards sustainable forest management.
- (2) ***Achieving the ITTO Objective 2000 and Sustainable Forest Management in Ecuador– Report of the ITTO Diagnostic Mission***
58. The report was presented by Dr. Ivan Tomaselli, leader of the mission. Other members of the mission were Mr. Harry van der Slooten (Netherlands), Mr. Enrique Toledo (Peru) and Ing. Jorge Zaruma (Ecuador).

59. The objective of the diagnostic mission was to assist the Government of Ecuador to identify the factors that most severely limit progress towards achieving ITTO's objective 2000, to prioritize these constraints and to recommend appropriate measures to overcome them.
60. The report stated that 35% of the total area of Ecuador was covered by forests and the country's public policies did not provide incentives for the expansion of forest activities. It noted that the lack of long-term forest policies and the institutional weakness of the Ministry for the Environment (Ministerio del Ambiente, MAE) had resulted in a lack of promotion of the sector by the state, given that there were no incentives provided for sustainable forest management activities. The mission noted that after a long national participatory process which ended in 1999 with the promulgation of the "Strategy for Sustainable Forest Development in Ecuador", the MAE implemented a new national forest policy to promote the use of environmental goods and services from forests, including timber resources, at utilization levels that would ensure sustainability and natural regeneration. However, despite the promulgation of the aforementioned strategy, in practical terms there was no continuity in the support provided by MAE to sustainable forest development. The efforts of the Ministry had been mainly focused on monitoring activities, but in spite of this, the deforestation process and illegal timber production were still continuing. It had been estimated that the market share of illegal timber was about 50 to 70% due mainly to the widespread use of chainsaws.
61. The mission noted that MAE was weak and small, particularly in the forest sector, and about 50% of its budget was sourced from the collection of stumpage fees. The mission was of the opinion that the system mode that had been established, which included Forest Stewardship and Green Surveillance as part of the process to improve forest monitoring and control mechanisms, had not been successful. The report stated that the lack of political priority given to the forest sector was evidenced by the fact a draft new Forestry Law was submitted to the National Congress four years ago and had still not been analyzed or adopted. Furthermore, the Ecuadorian forest sector had been greatly influenced by extra-sectoral policies, such as agricultural policy. In the Amazon region, settlers had encroached on huge areas of land that were part of the National Permanent Forest Estate, which represented a major social problem to which there was no obvious solution. This institutional weakness had been recognized as being one of the most serious constraints for ensuring the sustainability of Ecuadorian forests.
62. The mission observed that illegal timber logging activities constituted a widespread problem but was not the most important concern. Agriculture and cattle-raising activities in the Amazon region had resulted in very high levels of illegal logging in these forests and, in most cases, timber logged was not used and was lost in the process. These illegal practices had undoubtedly affected the forest cover and contributed to the loss of an enormous potential for economic and social development.
63. The mission noted that indigenous communities and/or small agroforestry producers controlled most production forests and the industry had to sign agreements to have access to the resource, which did not give the forest industry long-term security for the supply of raw materials. The report stated that there were currently no modern sawmills in the country. There were a number of small sawmills with circular saws but, in reality, the production of sawn timber was almost entirely dependent on an estimated 5,000 chainsaw operators. The total volume of sawnwood was estimated at 750,000 m³. There was a great deal of wastage and the quality of the sawnwood produced was very poor. The gloomy situation of the sawmilling industry had a direct negative influence on the secondary timber products industry. Contrary to the situation of the sawmilling sector, the Ecuadorian plywood industry could be considered as technically advanced. The particle board and MDF industry was small but well established and had a great advantage with regard to the constant supply of timber raw materials from pine plantation sources.
64. In general terms, the private sector had a number of weaknesses. There was a predominance of small-scale industries, which were undercapitalized and had serious management problems. In addition the country had not managed to develop "cluster" or to organize consortiums. These shortcomings constituted a great barrier to the achievement of the sustainable development of the forest sector.
65. The mission reported that the domestic market was the most important market for the Ecuadorian forest industry. Ecuador had a chronic deficit in the international trade of forest products which was unlikely to change in the short-term.

66. The mission stressed that the strengthening and modernization of the institutional framework affecting the forest sector was of crucial importance. The National Forest Directorate must be capable of promoting the development of the forest sector. The Government of Ecuador must, therefore, assess the need for more in-depth reforms, giving greater independence to the institution responsible for the forest sector.
67. The mission further recommended that ways must be found to improve cooperation between the public and private sectors and was of the opinion that future ITTO support to Ecuador must fall within the framework of the aforementioned strategic priority.
68. H.E. Dr. Fabio Valdivieso Eguiguren (Ecuador), on behalf of the Government of Ecuador, commended the mission for the report. He indicated that Ecuador had made considerable progress in various areas of the forest sector with the participation of both the public and private sectors, specifically in the area of reforestation and bringing in foreign direct investment into the forest sector. The Minister acknowledged that a lot of work had been done with economic and technical support from ITTO. He indicated that given more time, the mission could have obtained much more accurate and up to date statistical data which could better reflect the real state of forestry in Ecuador. He acknowledged that development of forest plantations was a viable option that would reduce the pressure exerted on the natural forests and also increase industrial activities and economic and social benefits. He called on ITTO to support Ecuador in this effort. The Minister proposed that a meeting should be held to identify initiatives for financing plantations in Ecuador and indicated that this would ensure that the timber sector moved up to take a more important position in Ecuador's economic structure.
69. Mr. Iwan Krolis (Suriname), on behalf of the Government of Suriname, expressed gratitude to the Secretariat for the prompt and positive response to the request from the Government of Suriname for a diagnostic mission. He also commended the mission for the excellent work carried out in Suriname. He acknowledged that the mission's report reflected the true nature of the forest sector of Suriname. He noted that the 15 million ha of forests of Suriname were not only of global significance but also represented a solid base for the development of the country, if the identified constraints could be overcome. He indicated that the Government of Suriname had already started implementing some of the recommendations of the mission and expressed his gratitude to the Council for approving a pre-project proposal submitted by the Government of Suriname to develop the National Forestry Policy and a Strategic Action Plan.
70. Mr. Jorge Malleux (Peru) commended the mission to Ecuador for the excellent work carried out. He indicated that Peru also had difficulties in implementing ITTO Objective 2000 and sustainable forest management, particularly in combating illegal logging and would, therefore, study the mission's report carefully. He sought further clarification from the mission to Suriname on the issue of land ownership and its impact on sustainable forest management.
71. Mr. Ricardo Umali (Philippines) noted that the diagnostic missions had been very useful for countries in terms of identifying country priorities and measures to improve project formulation and appraisal. He proposed that diagnostic missions should strengthen their recommendations on countries' priorities in terms of medium-term programmes. He noted that the Suriname mission report contained 43 recommendations and proposed that these be classified into policy programmes and actions that could be translated into priority projects.
72. Mr. Erik Lammerts van Bueren (Netherlands) provided further clarification on the impact of the conflict in land tenure on forest management. He explained that the 15 million ha of forest land were sparsely populated and most of the population lived along the coastal areas. The constitution of Suriname had vested all lands to the State and, therefore, the Government could grant forest concessions on any land. However, this was not the perception of the indigenous populations who had lived on these lands for over 100 years and a debate was on-going as to what extent the Government was officially granting user rights or ownership to the communities. The mission observed that the indigenous populations were reluctant to implement any government policies as long as this land tenure conflict remained unresolved. On the issue of prioritizing the recommendations, Mr. Lammerts van Bueren stated that the opinion of the mission was that it was up to the Government of Suriname to prioritize the recommendations within its policies.

(b) Report on Progress in the Implementation of National Training Workshops on the Use of ITTO Formats for Reporting on Sustainable Forest Management – Decisions 9(XXX) and 4(XXXIV)

73. Dr. Jürgen Blaser (Switzerland) updated the Council on progress towards the implementation of national workshops to train officials, forest managers and forest concessionaires on the effective use of ITTO formats for reporting on sustainable forest management pursuant to Decision 9(XXX). The decision called for the organization of ten national workshops. He noted further that Decision 4(XXXIV) called for the organization of eight additional national workshops and an Expert Panel to propose the revision of the ITTO C&I and reporting format.
74. Dr. Blaser reported that the objective of the workshops was to promote the use of criteria and indicators as a tool to assist assess the situation and trends in forest management, particularly at the forest management unit level. He indicated that 12 workshops had so far been held in Pokola, Congo (2-5 July 2002), Papua New Guinea (6-9 August 2002), Abidjan, Côte d'Ivoire (28-31 August 2002), Vanuatu (10-12 September 2002), Tandag, Philippines (16-19 September 2002), Kribi, Cameroon (13-16 January 2003), Rio Negro, Colombia (11-14 February 2003), Kpalimé, Togo (22-25 July 2003), Cochabamba, Bolivia (1-2 September 2003), Pucallpa, Peru (17-21 November 2003), Esmeraldas, Ecuador (13-17 December 2003) and Panama (29 March – 2 April 2004). Dr. Blaser reported that a total number of 492 participants were trained in these workshops of which 156 participants were from the private sector, 95 from NGOs, 176 from forest services and 65 from education, media and others.
75. Dr. Blaser emphasized that in all the workshops the ITTO C&I were tested in the field. He noted that the major outcomes of the workshops were: (1) ITTO work was better known by field actors (2) the link between forest management, C&I and certification demonstrated and (3) the field testing of the ITTO C&I at FMU level. He acknowledged that no other organization had tested its C&I to the same level of details as ITTO.
76. Dr. Blaser reported that so far 20 countries had submitted their reports based on the C&I reporting formats and noted that these reports would be the major inputs for the publication of the "Status of Tropical Forest Management Report". In 2004 and 2005 workshops would be organized in Venezuela, Mexico, Nigeria, Gabon and Cambodia. He also reported that the report on the "Status of Tropical Forest Management" would be published by February 2005.

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

(a) Progress Report on Case Studies on Export and Import Data on Tropical Timber Production in the Context of International Trade

77. The report was presented by Dr. Steven Johnson (ITTO Secretariat). He referred to document ITTC(XXXVI)/7. He recalled that pursuant to Decision 6(XXXI), twelve countries volunteered to participate in the case studies to assess the reasons for discrepancies between import and export statistics for tropical timber trading partners. He indicated that eight of the countries, namely Brazil, China, Indonesia, Malaysia, Papua New Guinea, Republic of Congo, U.K. and USA had completed their case studies. Dr. Johnson also mentioned that Bolivia had submitted a draft report and the studies in Japan were almost completed.
78. Dr. Johnson reported that the completed studies would provide the basis for a synthesis report for the consideration of the Council at its Thirty-seventh Session. He reported that the common problems identified in the studies included lack of access to data including individual shipping bills, customs figures, etc. He also noted that trade going through Hong Kong, Taiwan and Singapore had been identified as causing problems in international trade. Dr. Johnson also stated that the multiple and conflicting sources of data in many countries, with no system of vetting data and having one official figure, was seen to be a source of problems.

(b) Report on Studies to Enhance Forest Law Enforcement in Producing Member Countries – The Malaysia Case Study

79. A progress report on the study on Forest Law Enforcement and Governance in Malaysia in the Context of Sustainable Forest Management was presented by Mr. Chen Hin Keong (Traffic International). He referred to document ITTC(XXXVI)/8 and stated that the objective of the study was to examine the state of forest law enforcement in Malaysia, identifying gaps in the legislative

framework and institutional responsibility which could affect efforts to curb and prevent the practices of illegal logging and illegal timber trade.

80. Mr. Chen stated that Malaysia had a wide array of policies relating to biodiversity and forest resources management and control, including the National Environment Policy 2002, draft National Conservation Strategy 1993 and the respective state conservation strategies, National Policy on Biological Diversity 1998, National Agriculture Policy, the various Master Plans for protected areas system in Peninsular Malaysia, and the Sarawak Forestry Policy, 1978. The NFP formed the basis for the classification of roles and hence the use and management of the forests, although only the States in Peninsular Malaysia subscribed to the NFP, Sabah and Sarawak have had their own forestry policies. Mr. Chen mentioned that forests in Malaysia were under the responsibility of the States as enshrined in the Malaysian Federal Constitution and the authority of the Federal Government was limited to the provision of advice and technical assistance to the states, training, research, trade policies, import and export controls and international cooperation among others.
81. On the legal framework, Mr. Cheng indicated that Malaysia's forestry policies were being implemented primarily through the provisions of the forest laws enacted for the three regions: National Forestry Act 1984 for Peninsular Malaysia, Forest Ordinance 1958 for Sarawak and Forest Enactment 1968 for Sabah. Decisions on natural resources utilization, management and conservation rested with the cabinet and the key agencies responsible for sustainable forest management were the State Forestry Departments in Peninsular Malaysia, Sabah and Sarawak, and the Sarawak Forestry Corporation (SFC). The National Forest Policy, applicable to Peninsular Malaysia was being implemented by three agencies, two of which were under the Ministry of Natural Resources and Environment (MNRE): Forestry Department Peninsular Malaysia and Forest Research Institute of Malaysia (FRIM) while the third, the Malaysian Timber Industry Board (MTIB) was under the Ministry of Plantation Industries and Commodities (MPIC) responsible for downstream processing and partly promoting Malaysian timber products, both domestically and internationally.
82. On legislation, control and practices of timber extraction and trade, Mr. Chen noted that the Forestry Departments, Malaysia Timber Industry Board (MTIB), the Sarawak Timber Industry Development Corporation (STIDC), the Sarawak Forestry Corporation (SFC), Customs and Police were some of the agencies responsible for enforcement activities. Enforcement agencies were responsible for conducting checks on the forests to ensure no illegal extraction had been taking place in both state land and Permanent Reserved Forests. The lack of manpower to carry out constant enforcement vigilance was identified as an issue. The report stated that Malaysia had a range of procedures, manuals and guidelines on various aspects of forestry to implement the forest policies and ensure implementation with legal requirements. The forestry laws in Malaysia provided for the use of forests through the issuance of licenses and use permits. The report noted that Malaysia had been proactive in developing the criteria and indicators for SFM based on the ITTO guidelines and criteria for the measurement of sustainable tropical forest management. Malaysia had developed 92 activities at the national level to operationalize the ITTO Criteria and Indicators. In addition, all the three Forestry Departments and the Sarawak Forestry Corporation had developed consistency in procedures and standards by applying the Malaysian Standard (MS) ISO 9000 series. MS 9000 certificates for various operations including logging, quality control, royalty collection, etc. had been awarded to the departments.
83. The report further noted that Malaysia had a long established system of licensing and procedures to check for log movement and timber products imports and exports. The system allowed, to a large extent, the forestry management agencies to differentiate timber from state land forest, excised forests, and imported timber through the removal pass mechanism. There were also other mechanisms in place at the mills, and the various reporting requirements that formed a framework for control of trade. The Forestry Departments, STIDC, SFC and MTIB were responsible for enforcing these, in conjunction with Customs for export and import of forest products. In addition to the existing trade control mechanisms, Malaysia was obliged to implement CITES import, export and re-export provisions for ramin *Gonystylus* Spp. that was listed in Appendix III in 2001.
84. Dato' Suboh Mohd Yassin (Malaysia) commended Traffic International for undertaking the study. He indicated that the report was very useful and could serve as a guide towards the achievement of SFM in Malaysia. He noted that sustainable forest management was not a new concept in

Malaysia and the first forester was appointed in 1901. He recapitulated that about 60% of Malaysia's land area was still under forest and if oil palm and rubber plantations were included, then the total area under tree cover would be more than 70%. He referred to paragraph 2 subparagraph 5 of the report and stated that while it was true that the states had jurisdiction over forests, in actual fact the Federal Government had a significant role and influence over forest policy and management. He referred to the Federal Constitution, Article 764 and 915 and stated that under these constitutional provisions the Federal Government had significant role in overseeing matters relating to forestry.

85. Mr. Daniel Birchmeier (Switzerland) noted that a more analytical report would be presented to the Council at its Thirty-seventh Session. He indicated that Switzerland would be particularly interested in further pursuing in the final report some of the specific issues raised in the preliminary report such as the robustness of the chain of custody systems to track movements of forest products from different sources, how the tool of forest certification was supporting forest law enforcement in Malaysia, as well as steps and measures taken to resolve the issue of import of illegally harvested timber from Indonesia.
86. Mr. Kazuyuki Morita (Japan) commended Traffic International for the study. He noted that the study would provide concrete ideas to Members on proper management of the timber trade and sustainable forest management, including the elimination of illegal activities. He also informed the Council that the case study in Japan on export and import data on tropical timber production in the context of international trade was in its final stage and hoped that the report would be presented to the Council at its Thirty-seventh Session in Yokohama, Japan. He pledged Japan's continuous support for this work.
87. Mr. Enzo Barattini (European Community) noted the attention paid by ITTO in addressing the issue of Forest Law Enforcement and Governance. He indicated that the issue of illegal logging and illegal trade was central to the work of ITTO, both in terms of its role in facilitating the legal trade in tropical timber as well as in achieving ITTO Objective 2000. He noted that the report demonstrated the awareness of Producing Member Countries on the need to improve transparency in the forest sector and to provide the framework that allowed legitimate operators to maximize long-term benefits to them and their countries. Mr. Barattini stated that the burden was not only on Producing Member Countries and that Consuming Member Countries would have to take some responsibility. In this regard, the European Community welcomed the opportunity to highlight some of the few developments in the area of Forest Law Enforcement and Governance that had taken place in Europe. He mentioned that earlier in the week the European Commission had adopted a set of measures to combat the problem of illegal logging. The main elements were:
- (i) A proposed framework for voluntary partnership with timber producing countries badly affected by illegal logging; and
 - (ii) Draft legislation that would set up a licensing scheme with FLEG partner countries to ensure that only legal timber from these countries would be allowed into the European Union.

Mr. Barattini stated that these proposals would still have to be discussed and approved by the Member States of the EU and at the inter-institutional level. As part of preparations for these measures, Mr. Barattini noted that consultations were also being held with a number of producing countries. The EU also recognized that the problems of illegal logging were not confined to tropical countries. In September 2004, the United Nations Economic Commission for Europe (UNECE) would organize a workshop to discuss the extent of illegal logging within the UNECE region (Europe, Russia, and North America) as well as the extent to which these countries imported timber from illegal sources. He indicated that a further activity in the broader European context was the EUR-ASEAN FLEG process which was recently launched and supported by a number of countries and organizations. Mr. Barattini also recalled that during the Annual Market Discussion the Council was provided the opportunity to note how illegal logging could influence the policies in the countries. He welcomed the conclusions of the Market Discussion and stressed that the European Community was highly committed at the highest political level and would support the actions and political discussions in ITTO.

CSAG-TAG PANEL DISCUSSION (Agenda Item 15)

88. The theme for the Civil Society Group/Trade Advisory Group (CSAG/TAG) Panel Discussion was "Forest Law and Governance: Combating Illegal Logging and Associated Trade". The Panel was co-chaired by Dr. Andy White, Director, Policy and Market Analysis, Forest Trends and Mr. Barney Chan, General Manager, Sarawak Timber Association. Other members of the Panel were:

TAG

Ivan Tomaselli, ABIMCI (Brazil)
Paul Rasmussen, DLH (Denmark)
Jean-Jacques Landrot, Interafrica Forest Industry Association
Brent McClendon, International Wood Products Association (USA)
Dani Pitoyo, BRIK/APKINDO (Indonesia)
Dick McCarthy, PNG Forest Industries Association (PNG)

CSAG

Cleto Ndikumagenge, IUCN/CEFDHAC (Cameroon)
Chen Hin Keong, Traffic International (Malaysia)
Yati A. Bun, Foundation for People and Community Development (PNG)
David Young, Global Witness (UK)
Alberto Chinchilla, ACICAFOC (Costa Rica)
Hilderbrando Rufner, COICAP (Peru)
Yam Mella, Regional Community Forestry Training Centre for Asia and the Pacific, RECOFTEC (Thailand)

89. In a joint statement to the Council, the CSAG-TAG Panel noted that illegal logging and illegal trade were major concern of ITTO, TAG and CSAG. Rightly or wrongly, much of the tropical timber trade had been characterized as illegal. They underlined the fact that the problem had serious social and environmental impacts, undermined honest industry, discouraged investment in responsible forest management, and diminished forestry's contribution to social and economic development. They noted that the problem was not new, and had long plagued the forest sector globally.
90. The CSAG and TAG were pleased that the Council formally recognized the problem in 2001 and had begun to take steps to address it. The statement highlighted the following:
- All countries – producer and consumer had a role and responsibility in helping to eliminate illegal logging and illegal trade;
 - Illegal production and trade was not only an issue of timber, nor an issue only for tropical countries. There were numerous problems in other sectors, and in countries in the temperate zone;
 - The issue of legality in the forest sector encompassed a much wider range of issues including: workers' rights, wildlife management and trade, gender and child labor, corruption and money laundering as well as issues of conflict timber;
 - One of the drivers of illegal logging was related to the fact that in most cases, only timber brought financial return to forest management which also covered the cost of social and other environmental obligations. For this reason, the CSAG and TAG encouraged the development of other sources of revenue for forest owners such as payments for ecosystem services; and
 - Capacity building remained a critical need. Capacity building should be extended to related sectors such as judiciary, transportation, customs and ITTO should ensure that all of its training support involved relevant staff from Member States.
91. The CSAG-TAG Panel made the following specific recommendations:
1. Urged ITTO and its Member States to take even more aggressive stance in the fight to combat illegal logging and illegal trade;
 2. Urged ITTO to improve basic data and understanding of timber production and trade, including extent, nature and impact of illegal logging and trade;
 3. Support country efforts to review and/or revise laws and regulations to ensure efficiency, enforceability and equitability as well as addressing underlying governance problems;

4. CSAG-TAG Encouraged national, regional and international trade regimes to promote legal trade;
 5. Promote systems to assess and verify the legality of forest products; and
 6. Promote increased involvement of local communities in forest management and trade.
92. The CSAG-TAG Panel recommended the following actions in the short-term:
1. Conduct an international conference on the transportation of timber products, involving representatives from financial institutions, customs, shipping and transport sectors, with the view to identifying weaknesses which had allowed for illegal trade;
 2. Conduct an international conference on indigenous and other community forestry, forest tenure, policy and other regulatory barriers to management and trade, and their relationships to illegal logging and illegal trade;
 3. Strengthen and expand ITTO project window to finance private sector/civil society partnerships to advance sustainable and legal forest management and trade.
93. Prof. Rudolphe Schlaepfer, Swiss Federal Institute of Technology, was the facilitator of the CSAG-TAG workshop. In his remarks to the Council, Prof. Schlaepfer said that illegal logging and illegal trade were two complex issues, and questions such as causes of illegal logging and illegal trade, what should be done to understand and manage illegal logging and illegal trade or what were the economic, ecological and social consequences of illegal logging and illegal trade were not easy to answer. He noted that different views about these questions were existing. Prof. Schlaepfer attributed the success of the CSAG-TAG workshop to the able leadership of the two co-chairpersons, Dr. Andy White and Mr. Barney Chan. He noted that the joint report presented to the Council was an important basis for further decisions on illegal logging and illegal trade.
94. Mr. Daniel Birchmeier (Switzerland) urged all stakeholders of tropical forestry to participate in the debate on the management and trade of tropical timber, non-timber products and internationally tradable ecosystem services. In that regard, the Swiss delegation welcomed the consultations between CSAG and TAG on the issue of illegal logging and illegal trade. He expressed satisfaction with the outcome of the CSAG-TAG consultation and commended the able leadership of the two chairpersons, Dr. Andy White and Mr. Barney Chan and the workshop facilitator, Prof. Rudolphe Schlaepfer. He stated that the CSAG-TAG Panel was a reflection of the maturity of ITTO and urged the Council not to lose momentum, and to plan and provide the means for future meetings. He called on the Council to ensure that the recommendations of the CSAG-TAG Panel were implemented. He cited two recommendations in the report that needed urgent implementation:
- (i) Promoting systems to assess and verify the legality of forest products. He stated that Switzerland would contribute to support audits of existing governmental systems to analyze whether current systems were adequate, how they were being implemented and how chain-of-custody system could be improved; and
 - (ii) All the three recommendations for action in the short-term.
- Mr. Birchmeier sought clarification on the funding situation of the CSAG-TAG activities in the ITTO Biennial Work Programme and whether there was the need for additional funding.
95. Mr. Jorge Malleux (Peru) commended the co-chairpersons of the CSAG-TAG Panel and the ITTO Secretariat for the initiative. He expressed concern about illegal logging and trade in Peru which tended to compete unfairly with the official legal system of concession allocation. He noted that illegal logging and illegal trade caused price distortions on the market. Mr. Malleux informed the Council that in 2003, Peru organized a national workshop involving all stakeholders on the issue of illegal logging and illegal trade. The workshop identified extreme poverty as the main reason for illegal logging and trade. He said that rural populations lived in extreme poverty and had no other means of generating income and illegal logging generated immediate income for the rural populations. The workshop also identified the use of land for agricultural purposes, which tended to compete with the preservation and sustainable management of forests, as another cause of illegal logging and trade. He noted that civil society and local populations did not seem to share the concern with respect to management and conservation of forests. Mr. Malleux underscored the fact that corruption in Government and the private sector was a contributory factor to the problem of illegal logging and trade. He stated that Peru was in the process of creating an inter-sectorial national forum to combat illegal logging.

96. Mr. Luiz Cesar Gasser (Brazil) expressed appreciation for the opportunity to interact with the civil society and trade sectors on the important issue of forest law and governance. He mentioned that the Government of Brazil would welcome international cooperation in combating illegal logging. He noted that Brazil had been actively participating in discussions on the subject of illegal logging and illegal trade at United Nations Forum on Forests (UNFF) and had attached great importance to the subject. He also stated that it was important to strengthen the national institutions having the mandate to enforce legislations in order to eliminate or combat illegal logging. Mr. Gasser said that Brazil would study the recommendations of the Panel for future discussions.
97. Mr. Mathurin Wa (Cameroon) stated that Cameroon was committed to achieving sustainable forest management and good governance but needed assistance for capacity building. He indicated that the lack of technical and financial means often prevented countries from achieving the standards required by consumers of timber.
98. Mr. Marcel Vernooji (Netherlands) noted that governments alone would not be able to tackle the problem of illegal logging and illegal trade, and acknowledged the contributions of civil society organizations and trade groups in tackling the issue. Mr. Vernooji indicated that similar discussions were taking place in the Netherlands between trade and civil society organizations. He noted that very often the discussions tended to focus on restriction of trade in illegally harvested timber, the feasibility of which had often been questioned by Parliamentarians and some civil society organizations. Mr. Vernooji informed the Council that on 9 July 2004 the Dutch civil society organizations dealing with environment and development issued a statement calling for a ban on the importation of illegal timber into the European Union. The statement was supported by the Dutch Timber Trade Association, representing about 80 per cent of the Dutch market for timber. He sought clarification as to whether the CSAG-TAG Panel had the chance to discuss the desirability and feasibility of such measures as proposed by the civil society and trade groups.
99. Dr. Oscar Antonio Alvarez Gomez (Colombia) commended the CSAG-TAG Panel for the report. He hoped a greater emphasis would be given to supporting and encouraging legal activities as well as checking and monitoring illegal actions. He called for simplification of rules and regulations as well as provision of technical and financial assistance to the primary producer who happened to be the weakest in the production chain. Mr. Gomez underlined the importance of capacity building in forest communities in order that they themselves could check and monitor illegal activities in the forest.
100. Dr. Bambang Tri Hartono (Indonesia) commended the CSAG-TAG Panel for the comprehensive report. He acknowledged that illegal logging was a major problem in Indonesia and endorsed the recommendations presented by the CSAG-TAG Panel in tackling the issue of illegal logging and illegal trade. He welcomed the recommendation for ITTO to reduce the parallel market of legal and illegal products. He noted that the parallel markets tended to favour illegal products and as long as these markets existed legal products would be managed unsustainably. He called on ITTO to adopt the recommendations as part of its action plan.
101. Dr. David Brooks (USA) expressed his appreciation for the joint work done by the CSAG-TAG Panel and indicated that the United States would seriously consider and study the recommendations in the context of both United States national activities and also through ITTO's work. Dr. Brooks said that the United States had long been a leader in drawing attention to illegal logging and recalled that in 2003, the United States Secretary of State announced a Presidential Initiative on illegal logging. The initiative focused on assisting countries with problems associated with illegal logging to develop their capacities to address them. At the core of the initiative was a variety of bilateral and regional activities implemented primarily through the United States Agency for International Development (USAID). He noted that in developing the Presidential Initiative, the United States had come to experience that governments benefited a lot from effective and on-going dialogue between trade and civil society groups. He, therefore, welcomed the dialogue between the CSAG and TAG and pledged the United States' support for continued effort by the CSAG and TAG to tackle the problem of illegal logging. Dr. Brooks further pledged the United States support in implementing the recommendations for action in the short-term. He also recognized that a lot of the recommendations had to be incorporated in the on-going work of the Organization over the long-term through project and policy work.

102. Mr. John Bazill (European Community) commended the CSAG-TAG Panel for the report. He noted that there could be too many regulations and conflicting rules and underlined the fact that some regulations were not enforceable in the field and endorsed the recommendation to simplify legislations and make them more effective. Mr. Bazill pointed out that many studies had shown that small and medium size businesses were often hindered by too many regulations. He sought further elaboration on the recommendation for a study on the transport sector.
103. Mr. Xia Jun (China) commended the CSAG-TAG Panel for the excellent recommendations. He stated that China would always support normal, fair and legal trade in timber and other resources. He noted that a dialogue on equal basis by relevant parties was the best option to address the issue of illegal logging and illegal trade rather than trying to apportion blame.
104. Mr. Satoru Sato (Japan) welcomed and congratulated the excellent work done by the CSAG-TAG Panel. He pledged that Japan would provide financial assistance for the organization of some of the workshops/conferences as recommended by the Panel.
105. Mr. Barney Chan, Co-chairperson of the CSAG-TAG Panel provided some clarification on the choice of the transport industry for a study. He stated that some reasons for discrepancies in trade statistics might be known through a study of the transport industry. He indicated that there was a lot to study with respect to the transport industry regarding the production and trade of illegal logs. He also indicated that the finance industry would also have to be studied with regard to the establishment of letters of credit and other documentations regarding the trade in illegal logs.
106. Mr. Jean-Jacques Landrot (ATIBT) mentioned that the problem of illegal logging and illegal trade was global. He urged the Council to identify the root causes and not to apportion blame.
107. The Council approved and funded the following activities to address some of the recommendations proposed by the CSAG-TAG Panel:
 - Forest Law Enforcement in the Context of Sustainable Timber Production and Trade [Decision 6(XXXI)]. Additional funds to conduct an International Conference on the transportation of Timber Products;
 - Civil Society/Private Sector Partnership for Sustainable Forest Management [Decision 5(XXXIII)]. Additional funds for the development of Civil Society/Private Sector Partnership;
 - Support participation of and contribution to the CSAG and TAG in ITTC Sessions, including the Organization of a panel at the Thirty-sixth Session. Decision 4(XXXV) para.(xv); and
 - Promote the Establishment of Efficient and Socially Responsible Community-based Industries [Decision4(XXXV) para 2(viii)]. Additional funds to conduct an international conference on indigenous and other regulatory barriers to management and trade, and their relationships to illegal logging and illegal trade.

ITTO GUIDELINES FOR THE RESTORATION, MANAGEMENT AND REHABILITATION OF DEGRADED AND SECONDARY TROPICAL FORESTS – DECISION 3 (XXXII) (Agenda Item 16)

108. The report was presented by Mr. Steward Maginnis (IUCN – the World Conservation Union). He referred to document ITTC(XXXVI)/10 and gave a brief background to the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests which were developed in close collaboration with IUCN, WWF, CIFOR and FAO and approved by the Council in May 2002. Through Decision 3(XXXIII) the Council called for the dissemination of the Guidelines through a series of workshops and the development of an information brochure. The report was an account of the implementation of six regional workshops.
109. The specific objectives of the workshops were:
 - Explain the importance of forest landscape restoration and secondary forest management as a key element of sustainable land use in the tropics;
 - Inform forest decision makers on the objectives of the ITTO Guidelines;
 - Jointly identify specific applications of the Guidelines at a country/regional level based on current priorities and challenges in forest land use planning;
 - Exchange experiences on good practices of forest restoration and secondary forest management in the tropics; and based on priorities identified at the country/regional level,

develop profiles for projects on forest restoration and secondary forest management that could be submitted to ITTO.

110. The training was an interactive learning process based on participative adult learning techniques. The participants were given an opportunity to work together in groups and "think aloud together" about forest restoration. The training also included a one-day field exercise component.
111. The six workshops were attended by 103 participants from 32 countries, comprising 76 from government agencies, eleven from NGOs, three from universities and thirteen from research institutions.
112. Mr. Maginnis mentioned that the participants at the workshops generally recognized that the Guidelines were filling a knowledge gap and were successful in clarifying the concepts and strategies of degraded forest restoration and land rehabilitation. It was further recognized that the Guidelines could be adapted to the conditions and realities in the countries and could be incorporated into the national forestry programmes and action plans.
113. Mr. John Bazill (European Community) noted that secondary forests and landscapes with fragmented forests were an increasing feature of the tropics. The European Community, therefore, welcomed ITTO's efforts in this area. He also noted that landscape restoration was not limited to the tropics. He cited workshops on forest restoration and forest landscapes in the Mediterranean as well as one being hosted by Finland for Northern Europe.
114. Dr. David Brooks (USA) welcomed ITTO's work in the area of restoration, management and rehabilitation of degraded and secondary tropical forests. He noted that this activity illustrated ITTO's ability to effectively collaborate with a number of organizations as well as to make a contribution to the UNFF process. He indicated that it was his expectation that some project work as well as a possible revision of the guidelines might emerge as outcome of the regional workshops. He raised some doubts as to whether the workshops were the most cost effective method of disseminating the result of the guidelines considering the total number of participants in the six regional workshops.
115. Mr. A.S.K. Boachie-Dapaah (Ghana) acknowledged the usefulness of the regional workshops in filling knowledge gaps. He made the following proposals:
 - (1) Recommendations from the participants of the workshops should be taken into account to improve the guidelines, particularly the need to include models or good examples of projects as references in project formulation since this would provide for a good learning experience and thus, improve the confidence of participants in developing project profiles for restoration, management and rehabilitation of degraded and secondary tropical forests; and
 - (2) There was the need for follow-up programmes, particularly the dissemination of information, experiences and guidelines.
116. Mr. Luiz Cesar Gasser (Brazil) informed the Council that Brazil participated in the workshop held in Peru. He indicated that Brazil was interested in discussing the issue with a view to reviewing the concept used for landscapes. He proposed that the concept should be broadened to include the use and conservation of water resources in basins.
117. Mr. Martial Me Kouame (Côte d'Ivoire) noted that ITTO was tackling the problem of degraded forests. He indicated that Côte d'Ivoire participated in the workshop held in Libreville. Mr. Kouame said that there were only 2.5 million ha of primary forests remaining in Côte d'Ivoire from an initial 16 million ha. He indicated that the situation in Côte d'Ivoire was similar to that in the entire West Africa region and urged the Council to support programmes on the restoration, management and rehabilitation of degraded and secondary tropical forests.

**CRITERIA AND INDICATORS FOR SUSTAINABLE FOREST MANAGEMENT – DECISION 4(XXXIV)
(Agenda Item 17)**

(a) Report on the FAO/ITTO Expert Consultation on Criteria and Indicators for Sustainable Forest Management

118. The report was presented by Dr. Eva Müller (ITTO Secretariat). She recalled that in 2003 ITTO and FAO jointly organized an international conference on criteria and indicators in Guatemala City (CICI 2003). She noted that one of the main recommendations of the CICI 2003 was for FAO and ITTO to jointly organize an expert consultation on criteria and indicators. Pursuant to the recommendation of the CICI 2003, the Council through Decision 4(XXXIII) authorized the Executive Director to organize an Expert Consultation on Criteria and Indicators. The meeting was held from 2 to 4 March 2004 in Cebu City, Philippines and was hosted by the Department of Environment and Natural Resources (DENR).
119. The objectives of the Expert Consultation meeting were:
- Develop a communication network among processes, countries and other relevant partners to provide a mechanism for exchange of information, building on existing networks;
 - Improve common understanding of concepts, terms and definitions.
 - Identify common approaches, methods and protocols for collecting, storing and sharing data;
 - Strengthen criteria and indicator processes, cooperation and sharing of information/know-how; and
 - Analyze the merits of forming an ad hoc international technical advisory group to address technical issues related to the development and implementation of criteria and indicators.
120. Dr. Müller reported that 45 technical and policy experts representing 27 countries and seven international organizations involved in C&I processes participated in the workshop. There were also 18 participants from Producing Member Countries sponsored by ITTO.
121. The recommendations of the Expert Consultation were categorized under the following themes:
- (i) Communication/Information management;
 - (ii) Terms and definitions; and
 - (iii) Strengthening C&I Processes for better implementation.

Dr. Müller highlighted that countries were requested to appoint focal points for C&I. The C&I processes were also requested to establish offices to facilitate the implementation of C&I networks. She also reported that countries at UNFF 4 were requested to adopt the seven common thematic areas identified at the CICI 2003 as the common criteria of SFM in an effort to promote harmonization of criteria and indicators among the different processes. International conventions were also requested to make better use of C&I. The Expert Consultation referred specifically to the CBD expanded programme of work on forest biodiversity. On terms and definitions, C&I processes were requested to hold collaborative meetings to address technical issues. She indicated that advanced C&I processes were requested to put their terms and definitions on websites and promote the involvement of stakeholders in any further development or improvement of terms and definitions related to C&I. Countries were also requested to ensure the adaptability of their data to the requirements of the different fora and organizations to facilitate reporting on C&I. Countries with limited resources were requested to concentrate on the implementation and adaptation of existing terms and definitions. The Collaborative Partnership on Forests (CPF) was requested to maintain its leadership role on terms and definitions.

122. On the recommendation to strengthen C&I Processes for Better Implementation, FAO, ITTO and other international organizations were requested to:
- Encourage countries to join processes;
 - Support establishment of International Technical Advisory Group;
 - Support inter-process cooperation;
 - Support establishment of liaison offices;
 - Support capacity building;
 - Use C&I in their inventory, assessment and planning work drawing on global tables for FRA 2005.

Countries were requested to:

- Support each other; e.g. through bilateral exchanges and mutual learning;
- Develop strategies for bilateral aid to implement C&I;
- Experts should become advocates of C&I in their countries;
- If capacity was limited, begin with simple and easily measured indicators; and
- Develop synergies between forestry agency and agencies dealing with other land use issues.

(b) Report of the Expert Panel on Criteria and Indicators for Sustainable Forest Management

123. The report was presented by Dr. Steven Johnson (ITTO Secretariat). He referred to document ITTC(XXXVI)/11. He noted that Decision 4(XXXIV) requested the Executive Director to convene an Expert Panel to review the outputs of the national training workshops, the international expert meeting on C&I and other relevant fora and to make recommendations to the Thirty-sixth Session of the Council for the revision of ITTO's Criteria and Indicators and Reporting Formats.
124. Dr. Johnson reported that the Expert Panel met from 8-11 June 2004, in Luderenalp, Switzerland. The Panel was composed of Dr. Abdul Rahman Abdul Rahim (Malaysia), Dr. Victor Agyeman (Ghana), Dr. Jürgen Blaser (Switzerland), Dr. Richard Guldin (USA), Ing. Ariel Estuardo Nieres Antillon (Guatemala), Dr. Duncan Poore (U.K.) and Mr. Don Wijewardana (New Zealand). The overall goal of the Panel was to review the C&I and Reporting Formats and to enhance their effectiveness as tool for monitoring, assessing and reporting on forest management in ITTO Producing Member Countries. The Panel took note of several recent developments, including the work in progress on ITTO's report on the status of Tropical Forest Management report, the Montreal Process and the Ministerial Conference on the Protection of Forests in Europe (MCPFE) Process, and the report on Expert Meetings on C&I convened by ITTO, FAO and others in Guatemala City and Cebu City (Philippines) in 2003 and 2004 respectively. Dr. Johnson mentioned some of the recommendations of these expert meetings particularly that countries should start reporting with a streamlined set of indicators for which data was already available, and that a global set of "common thematic areas" of SFM had been agreed that were closely aligned with the seven ITTO criteria. The common thematic areas were:
- Extent of forest resources;
 - Biological diversity;
 - Forest health and vitality;
 - Production functions of forest resources;
 - Protection functions of forest resources;
 - Socio-economic functions; and
 - Legal, policy and institutional framework
125. Dr. Johnson reported that the Panel noted that many ITTO Producing Member Countries were implementing national C&I sets based on the ITTO framework, including the implementation of the harmonized ATO/ITTO Principles, Criteria and Indicators. The Panel analyzed the usefulness of eighteen national level reporting formats (eight from Asia and five each from Latin American and Africa) received by ITTO up to the first quarter of 2004. The Panel also drew on a synthesis of all the comments and suggestions for revision of the C&I/Reporting Formats received from the three regional and twelve national C&I training workshops convened by ITTO.
126. Dr. Johnson highlighted a few of the recommendations of the Panel, including changing the title to "Criteria and Indicators for Sustainable Management of Tropical Forests" with the justification that there was no reason to exclude planted forests. He reported that due to time constraints, the Panel was unable to develop a revised draft of the C&I/Reporting Formats incorporating its recommendations and proposed that the Council should consider authorizing further work to undertake this task, possibly through a consultancy to develop the draft and an Expert Panel to review and present the revised C&I/Reporting Formats to the Council.
127. Mr. Douglas MacCleery (USA) noted that ITTO had been a pioneer in the development of C&I. He welcomed the recommendations of the Expert Consultation meeting and its input into UNFF 4. He also noted that the work on the revision of the C&I had not been completed and urged the Council to support the Expert Panel to complete its work.

128. Dr. Franz Perrez (Switzerland) commended the Expert Panel on the revision of the ITTO C&I for the comprehensive report. He indicated that Switzerland had carefully analyzed the technical details of the report and believed that there were sufficient elements to elaborate a draft of the revised C&I. He looked forward to more detailed discussions at the Thirty-seventh Session of the Council based on a completed draft document. He indicated that the recommendations made in the report were clear and straight forward and endorsed the recommendations. He proposed that the Secretariat should engage two consultants to elaborate a draft revision of the C&I for discussions during the Thirty-seventh Session. He noted that it was important to facilitate an informed discussion on the draft revised C&I/Reporting Formats at the Thirty-seventh ITTC and therefore, countries should have the opportunity and be invited to submit written comments on the revised draft and these comments should be circulated before the Thirty-seventh Council Session. He underlined that C&I were useful tools to facilitate communication on efforts towards sustainable forest management and ITTO had made considerable efforts to improve this tool and had been one of the Organization's success stories. He noted, however, that there had not been a comparable effort to actually use the C&I for communication. He said the C&I/Reporting Formats should not only be used for SFM but also for reporting on progress achieved by countries and urged the Council to invest more in the use of the C&I. He noted the need for an effective strategy to fully use the C&I in the field and for communication. He proposed that the starting point could be a study on the impact of the C&I on SFM in Member Countries and further proposed that the Secretariat could draft a Decision for such a study for the consideration of the Council at its Thirty-seventh Session.
129. Mr. Satoru Sato (Japan) commended the Expert Panel for a comprehensive report. He acknowledged the progress made so far by ITTO in the field of C&I and hoped that ITTO would continue to build on this progress in this important field. He pledged Japan's financial support for the on-going process.
130. Y. Bhg. Dato' Suboh Mohd Yassin (Malaysia) commended the Expert Panel and those who had been involved in the work on C&I. He noted that ITTO's efforts in this area were very useful and could pave the way for ITTO to make further progress in its work. He endorsed the recommendation to change the title to "Criteria and Indicators for Sustainable Management of Tropical Forests" while maintaining the existing seven ITTO criteria. Dato' Suboh also endorsed the proposal to maintain the existing sequence of the seven criteria with several wordings in the criteria changed to reflect current developments, particularly with the international agreement on common thematic areas as reached in CICI 2003 in Guatemala City and at UNFF 4. He underlined that it was very timely for FAO and ITTO to work together to harmonize several key forest definitions to ensure consistency in reporting by Member Countries, particularly in streamlining the reporting on the extent and security of forest area as reflected under criteria 2.1. He endorsed the proposed changes in the C&I/Reporting Formats and noted that the changes would further contribute towards the strengthening of ITTO work in this field.
131. Mr. A.S.K. Boachie-Dapaah (Ghana) endorsed the recommendation to engage consultants to prepare a draft revised C&I/Reporting Formats. He noted that the generally diverse reporting by countries and regions among the Producing Members highlighted the need for the consultants to be engaged in the revisions to work very closely with producing countries. He stressed that any future revisions should take into account differences in policies, regulations and land ownership between countries and regions. He proposed that the reporting formats should be simple and indicated that Ghana had had experiences in the use of the ITTO C&I as well as other schemes. He noted that lessons learnt by countries and individual companies in the private sector must be used to improve and simplify the C&I and Reporting Formats.
132. Mr. Don Wijewardana (New Zealand) noted that the reports on: (1) National Training Workshops on the Use of the ITTO C&I for Reporting on SFM; (2) Expert Consultation on C&I for SFM; and (3) Expert Panel on C&I for SFM, marked a significant development in promoting sustainable forest management through ITTO. He recalled that ITTO pioneered the use of C&I in SFM and had now taken it into a new level, learning from the experiences gained over the years. He pledged New Zealand's financial support for the next stage of ITTO's work in this field.
133. Ms. Heya Chantal Adingra (Côte d'Ivoire) informed the Council that under the ITTO/ATO cooperation in the field of criteria and indicators a workshop was organized from 1 - 2 July 2004 in Côte d'Ivoire with the objective of adapting the C&I to Côte d'Ivoire's national realities. The output was the establishment of a national working party and a legal recognition of the working

party composed of the representatives of the government, economic operators, village representatives, scientific experts and community representatives. She thanked ITTO for the initiative and appealed to other donors to assist Côte d'Ivoire in this field.

134. The Council approved and provided additional funds under Decision 4(XXXIV) for the preparation of a draft C&I and the convening of an Expert Panel to examine the draft C&I.

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

135. The preliminary report was presented by Dr. Markku Simula. He referred to document ITTC(XXXVI)/12 and mentioned that ITTO had taken a number of measures to support Producing Member Countries' efforts to make progress in certification of forest management. He noted that these measures had been taken in response to the fact that less than 10% of the world's certified forests were located in tropical countries.

136. Dr. Simula outlined the following objectives of the study:

- Define and elaborate relevant terms used in phased approaches to certification;
- Develop procedures for phased approaches, including verification of legality of timber origin and consideration of social and cultural conditions;
- Identify enabling conditions for implementation of phased approaches, at the local, national and international levels;
- Identify external and internal constraints; and
- Consult with relevant parties including buyers groups, consumer groups, industry, retailers, certification schemes, etc.

137. Dr. Simula noted that there were several options which could be considered for the overall procedure for phased approaches and listed the following options:

- Baseline and Action Plan Approach (Option 1);
- Cumulative Phases Approach (Option 2); and
- Predefined Phases Approach (Option 3).

He also provided an assessment of the implementation options, including the strengths and weaknesses of each option. He listed the following implementation procedures for all the options:

- (i) A preliminary audit would first be carried out to identify the gaps between the current management and what was required by the chosen certification standard;
- (ii) A plan would be prepared by the company to close the gaps identified;
- (iii) Based on the preliminary audit report, the FMU could be registered as participant of the phased approach;
- (iv) Phase implementation of the standard requirements and the respective action plan by the FMU/forest enterprise;
- (v) Periodic verification of the progress in performance of forest management and implementation of the action plan in the case of option 1, and certification audits in Options 2 and 3; and
- (vi) Full certification audit.

138. Dr. Simula stated that the establishment of the phased approach within a particular scheme should be done in a participative process involving all the relevant stakeholders. Where there was no locally applicable standard, the ITTO C&I, FSC P&C and other relevant international and national C&I sets could be used as a basis for defining components. He noted that in reality, the standard should also be accepted by the key customers to ensure its value.

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

139. The report was presented by Dr. Markku Simula. He referred to document ITTC(XXXVI)/13. He stated that tropical timber producing countries had been concerned about two main issues related

to certification: market access and cost competitiveness. He noted that certification had been seen as a useful tool for defending or increasing market shares in environmentally sensitive markets and price premiums had been referred to as additional benefits. He indicated that as certification had been mainly demanded in some market segments and there had been declared resistance by buyers to pay higher prices for certified products, the importance of market benefits had been difficult to quantify.

140. Dr. Simula noted that the importance of costs and benefits of certification had been recognized by various international fora. The deliberations and decisions of the Council had shown that there was a common concern about cost implications of certification and uncertainty about possible benefits for tropical timber producers. Through Decision 10(XXXIV), the Council called for a financial cost-benefit analysis (CBA) for forest management units (FMUs) for the implementation of phased approaches to certification in selected ITTO Producing Member Countries. The case studies were carried out in Brazil, Indonesia and Malaysia and the FMUs were selected to represent different certification systems.
141. Dr. Simula stated that the preliminary results of the case studies did not allow for proper comparative analysis for the following reasons:
- The data availability varied between countries and FMUs;
 - There was lack of records on the indirect costs and benefits;
 - Information on direct financial benefits was considered generally confidential; and
 - Management was often unable to estimate indirect benefits.
142. Dr. Simula stated that tentative results indicated that the total costs related to certification over a five-year period were significant and measured in hundreds of thousands of dollars at the FMU level, and that the total costs were higher in natural forests than in plantations. The total annual costs ranged from US\$50,000 to almost US\$900,000. The variation was mainly due to the indirect costs while the direct annual costs were relatively similar. The unit area costs varied extensively from US\$9 to USD47/ha over a five-year period (or USD2 to 10/ha/yr.). There was a marked effect of economies of scale i.e. the unit costs were lower the larger the FMU. The direct costs/ha were from US\$0.40 to 3.50 while the bulk of costs were due to compliance with certification standard. The unit costs per log production in the certified natural forests varied from US\$5 to 77/m³. Dr. Simula stated that in natural forest management, certification could significantly add to the total production costs, thereby influencing the cost competitiveness of producers. In the case of plantation forestry, the cost impact was marginal if the FMU had already a well-developed management system (US\$0.20/m³). The indirect costs in the plantation FMU were mainly due to labour and equipment needed for improvement of the forest inventory. Compliance with environmental and social aspects of the standards did not lead to significant additional costs. In the case of natural forest management, the indirect compliance costs were more significant both in absolute and relative terms.
143. Dr. Simula stated that certification was an investment for FMUs. The first-year costs tended to represent at least about 50% of the total costs related to certification and had been one of the barriers to certification and could be addressed through a phased approach.
144. On the issue of benefits derived from certification, Dr. Simula noted that benefits were more difficult to estimate than costs. First, these came forward with a time lag. Second, many of these could not be quantified in monetary terms. Thirdly, managers were not aware of possible sources of benefits. Fourthly, the sharing of benefits in integrated companies involved both in forest management and industrial processing was not transparent and not based on clear principles. Market benefits were generally mostly reaped by industrial processing units and were not necessarily transferred to wood raw material production. Price premium and increased or protected market share were perceived as the main motivation in all the FMUs selected. The economic indirect benefits were mostly derived from productivity increase and reduced distribution costs due to elimination of unnecessary intermediaries.
145. The report stated that it was only in one case study (Indonesia) that the quantification of costs and benefits allowed a proper economic assessment of the cost-benefit ratio which was highly positive when indirect benefits and increased sales revenue were considered. Dr. Simula noted that even though comprehensive quantitative assessment was not possible in the other cases, the management of all the FMUs considered that there had been net benefits associated with certification even though their vision had been based on practical information. He concluded that,

it appeared that well-managed companies were able to bear the incremental costs of certification without major difficulties.

146. Mr. Ricardo Umali (Philippines) commended Dr. Simula for the comprehensive reports. He raised the issue of applicability of the options presented in the report, including the strengths and weaknesses of the various options. He indicated that there was the possibility of merging the three options in terms of applicability for the various identified stages. He noted that there was no doubt that the baseline was common and that standards and legality had to be established. With regard to the other stages of the procedure, he called for flexibility in the application of the three options. He indicated that many countries were currently making progress in the application of criteria and indicators, but not in verification and auditing. On costs and benefits of certification, Mr. Umali indicated that there must be a minimum FMU area for which the costs and benefits analysis was applicable. He also proposed that instead of using hypothetical examples, with respect to the different stages involved specific examples could be used especially for countries that had already undergone this type of exercise.
147. Mr. Aditya Bayunanda (Indonesia) commended Dr. Simula for the excellent reports. He noted with deep concern that less than 10 per cent of the world's certified forests were in ITTO's Producing Member Countries. He endorsed the statement that if the requirement of certification standard was set too high it would discourage Producing Member Countries from embarking on certification. He noted that in many developing countries, including Indonesia, the capability of forest management unit and field conditions were not yet supportive to achieve sustainable forest management and certification. Mr. Bayunanda said that that explained why there had been only one certified forest under the Indonesian Ecolabelling Institute and the FSC. He noted, however, that the implementation of phased approach would bridge the existing conditions with the certification requirements which were too high to be immediately achieved. He informed the Council that the Government of Indonesia in collaboration with the Indonesian Ecolabelling Institute would promote phased approach based on local conditions, the first phase of which would involve verification of legality to be conducted by an independent party. He also indicated that for FMUs that had been operating for a number of years, the criterion on flow of forest produce would be used as deciding factor. Throughout the process, the Government would provide incentives for the FMUs. Indonesia would apply the option in which the FMUs would receive recognition after a certain percentage of compliance of the standard requirements. He looked forward to discussing more technical aspects such as identifying both external and internal constraints that may impede the implementation of phased approach at the local, national and international levels. On costs and benefits of certification, Mr. Bayunanda noted that there was a government incentive for PT Diamond Raya Timber (DRT) which should be recognized in the case study. He said that the incentive involved more simplified procedures to conduct harvesting and planning. He looked forward to further discussions on the costs and benefits of certification.
148. Mr. Luiz César Gasser (Brazil) commended the consultants for the report. He mentioned that Brazil favoured voluntary certification and the need for transparency. He noted that certification should be in line with WTO rules and certification should not be a barrier to trade. He looked forward to further analysis of the information gathered from the case studies.
149. Ms. Charlotte Cudby (New Zealand) noted that ITTO had recognized the significance of certification in sustainable forest management. She cited the legitimacy threshold model developed by the World Business Council for Sustainable Development through the forest dialogue to move the certification debate forward and catalyze a multi-stakeholder support whilst addressing the issue of proliferation of schemes and conflicts. She noted that the scheme provided an opportunity for clear information to address the lack of end-consumer demand and awareness of certification and its link to sustainable forest management. She, however, indicated that due to slow uptake of support for this model and continued tension between some schemes, the World Business Council for Sustainable Development had been reluctantly looking to abandon this concept. She proposed that one way of moving the debate forward was for ITTO to cooperate with the World Business Council for Sustainable Development on this initiative. She called for the inclusion of this proposal in the recommendations of the final report and urged the Council to consider this matter.
150. Mr. Dike Kari (Papua New Guinea) noted that the costs and benefits of certification should be viewed from the point of view of the products at the market place as well as the benefits at the

- FMU level. He indicated that at the FMU level, certification would encourage best forest practices guaranteeing future crop. The increment derived from the growth or regeneration of the best managed forest, in the long-term, should be highlighted in terms of benefits. Mr. Kari said there had been too much focus on the market end in terms of the premium for certified timber and called attention to the benefits at the FMU level.
151. Ms. Alicia Grimes (USA) noted that the reports appeared to have omitted a phased approach developed by the World Wildlife Fund and Global Forest and Technology Networks based on the modular implementation and verification tool kit. She expressed surprise given that the model was presented by Proforest in the 2003 Workshop in Jakarta, Indonesia. Ms. Grimes indicated that this model might be a fourth distinct option and urged the consultants to give some attention to this issue. On costs and benefits of certification, Ms. Grimes disputed some of the conclusions of the case studies. She noted that there was an assumption of price premium for certified forest and indicated that price premium might be more related to some of the value-added processing and increased quality for premium products targeting the export markets.
 152. Mr. A.S.K. Boachie-Dapaah (Ghana) expressed support for option 1 and recognized the need for an effective communication system that showed compliance and progress to be incorporated into option 1. He noted that option 1 could be made more credible if it was time bound. The baseline requirements for the initial phase should be compliance with legality at the local, national and international levels, including payment of taxes. Mr. Boachie-Dapaah proposed that each phase should have a certificate of recognition and claims should refer to a particular level. He noted that option 2 was not viable since the mechanism for weighting was rather subjective and option 3, though good, was too rigid and lacked flexibility required by producing countries working towards certification, particularly with respect to small and medium sized enterprises. Mr. Boachie-Dapaah acknowledged the difficulties in achieving the convergence of schemes due to differences in socioeconomic factors in the different regions. He, however, proposed the need for ITTO to facilitate the harmonization of standards through a forum that would promote dialogue between the various schemes and allow for the accommodation of the phased approach concept.
 153. Dr. Franz Perrez (Switzerland) called for further analysis of the three options presented in the report and to have all the options assessed by stakeholders. On the issue of costs and benefits of certification he called for further investigation on how FMUs could internalize external benefits in areas such as non-timber forest products and services. Dr. Perrez noted that phased approach could be the fastest approach to secure and increase access to international markets.
 154. H.E. Mr. Clarkson Tanyi-Mbianyor (Cameroon) questioned whether consumer countries were prepared to pay premium price for certified wood since certification would certainly increase the costs of wood. He noted that the costs of management plans and certification would make forest products very expensive and would ultimately expose producing countries to criticisms.
 155. Dr. Oscar Antonio Alvarez Gomez (Colombia) noted that the speakers for the Annual Market Discussion acknowledged the difficulty for the market to accept payment of premium for certified timber products. He also noted that there were benefits like market access, greater efficiency arising from the certification process, simplification of the trade chain and increase in environmental benefits. He indicated that it was difficult to receive premiums for these benefits and that the fiscal problems of governments in developing countries make it impossible to pay for such benefits. He called on ITTO to take up the issue of market for environmental benefits.
 156. Mr. Ayih Atayi-Agbobly (Togo) stated that the certification process should be as simple as possible in order to encourage producing countries to commit themselves to certification. He expressed support for option 1.
 157. Mr. John Bazill (European Community) stated that forest certification was a market based independent instrument where the role of a government as a regulator should be limited or be one of facilitation. In this regard, Mr. Bazill stated that it was not clear to the European Community as to whom the request for guidance should be directed. He noted that it was a widely accepted view that forest certification had not brought the improvements to forest management in the tropics as anticipated and the areas of certified forests in the tropics remained very small. Therefore, phased approach could help to bridge the gap between current practices and those required by forest certification schemes while gaining some recognition in the markets for efforts made. He indicated that the markets in Europe were already recognizing the initial phases of certification through buying policies of private and public sectors. He noted that

- all the forest managers found the benefits of certification outweighing the costs. He indicated that an interesting aspect of the report was the indirect benefits that arose from the process of external review and sought clarification as to whether there were any parallels with the ISO certification where the main benefits were in terms of improved management systems rather than market access. Mr. Bazill acknowledged the challenges faced in the phased approach such as the potentially high start-up costs, especially with respect to smaller forest management units, the distribution of benefits within the market chain and how legality should be treated. He looked forward to further development of the report.
158. Dr. Bipin Behari (India) noted that the reports had provided a framework for certification of timber based on certain case studies. He indicated that certification of timber involved very complicated issues such as the legal origin of the timber, whether from natural forest, farm forestry or community forestry. If the timber was from natural forest, there was the issue of whether felling was carried out under working plans prescriptions. Dr. Bahari indicated that in the certification of timber, land-use zoning was inevitable to balance the conservation and production functions of forest and its management.
159. Y. Bhg. Dato' Dr. Freezailah Bin Che Yeom (Malaysia) commended the consultants for the reports. He noted that the reports contained valuable information and Malaysia would study the reports in detail and submit its comments in due course. He appealed to the Consumer Members to study the report in detail in order to appreciate the complexities, difficulties and costs involved in certification so as not to be too demanding in terms of their requirements for public procurement policies on timber.
160. Mr. Jean-Jacques Landrot (ATIBT) expressed concern about a possible amalgamation between certification and management. He indicated that forest management practices had been going on for generations and sought clarification about the close linkage between certification and forest management. He noted that certification was an issue of market access with possible premium, particularly the benefit of reassuring the consuming public.
161. The Council approved and provided additional funds under Decision 10(XXXIV) to organize an international workshop on phased approaches to certification.

**MONITORING DEVELOPMENTS IN UNFCCC/IPCC DISCUSSIONS REGARDING FORESTS –
DECISION 7(XXX) (Agenda Item 19)**

162. The report was presented by Dr. Carmenza Robledo, Swiss Federal Laboratories for Material Testing and Research (EMPA).
163. The report stated that changes in land use, especially from forest ecosystems, were an important source of greenhouse gas emissions and a major concern for sustainable development. Forest ecosystems were under new stresses due to climate change and the impacts of climate change on tropical forest ecosystems included variations in the availability of wood, reduction of water availability, increased pressure on agricultural land, biodiversity loss and socioeconomic stresses. Dr. Robledo noted that ITTO had recognized the importance of climate change and of the negotiations on the role of forestry by the convention on climate change (UNFCCC). This recognition was reflected in the Yokohama Action Plan 2002-2006, Decision 7(XXX) on the role of ITTO in international and regional organizations and fora and in ITTO's support of project work related to climate change.
164. Dr. Robledo mentioned that the strategies defined by the UNFCCC to address climate change, namely mitigation and adaptation, recognized the important role of tropical forestry. Mitigation offered interesting opportunities for tropical forestry through the Clean Development Mechanism (CDM), a mechanism aiming at helping industrialized countries to achieve their commitments under the Kyoto Protocol and promoting sustainable development in developing countries.
165. The report stated that the last Conference of the Parties (CoP) to the UNFCCC, held in Milan in December 2003, adopted decisions on modalities and procedures for forestry activities. In addition, the Good Practice Guidance for Land Use, Land-Use change and Forestry (LULUCF), prepared by the Intergovernmental Panel on Climate Change (IPCC), was presented for approval. These documents defined the framework for forestry activities under the CDM and provided methodological support for designing, implementing and monitoring these activities.

- Until 2012, only project activities relating to reforestation and afforestation would be eligible under the CDM. These projects would offer various opportunities for sustainable forestry as these implied an additional incentive to finance sustainable forest management. Dr. Robledo stated that from 2012 onwards, the activities eligible under the CDM could be negotiated and urged ITTO Members to be well prepared to promote activities according to their regional priorities.
166. The report stated that implementing mitigation and adaptation strategies would bring both opportunities and challenges for tropical forestry. Dr. Robledo urged ITTO to catalyze a process to assist its Members to build on these opportunities and challenges and promote ITTO knowledge and instruments during UNFCCC negotiations. Dr. Robledo said this could enable better synergies between ITTO activities and the implementation of climate change strategies. She urged ITTO to consider regularly participating in UNFCCC and IPCC meetings, integrating climate change-related issues in the new ITTA, promoting climate change instruments in ITTO project work as well as establishing and improving strategic alliances.
167. Mr. Luiz Cesar Gasser (Brazil) stated that Brazil was not in favour of discussing climate change in different fora considering the fact that political decisions on climate change remained within the UNFCCC and the Kyoto Protocol. He, however, noted that ITTO could still consider the implications of the deliberations within the UNFCCC. On the issue of CDM, Mr. Gasser noted that the relevant decisions of the Marrakesh agreements were clear enough and that only afforestation and reforestation projects were eligible activities under CDM. Existing forests were not eligible under the CDM. Mr. Gasser indicated that climate was not only human-induced but also a natural-induced phenomenon and proposed an amendment in the para 1 of the Executive Summary of the report.
168. Y. Bhg. Dato' Suboh Mohd Yassin (Malaysia) commended Dr. Robledo for the report. He stated that the report provided comprehensive information on the status of issues related to climate change, especially those related to land-use change and forestry. He noted that appropriate actions would be needed to mitigate the potential impacts of climate change on tropical forests. He underlined the fact that the main goal of UNFCCC was to stabilize the atmospheric concentration of greenhouse gases (GHG) at the level that would prevent dangerous changes to the climate. The Kyoto Protocol, as a mitigation strategy, allowed developed countries to reach their emission reduction target through various ways, including emission trading, joint implementation and Clean Development Mechanism (CDM). Dato' Suboh noted that CDM was not the key to climate change mitigation and that the problem of greenhouse gases should be tackled at source. He welcomed the proposal for greater synergy among various conventions, and that such cooperation would minimize duplication of work as well as contribute towards optimizing the use of resources. Dato' Suboh, however, expressed concern over paragraph 6.3 of the report which proposed that ITTO project work was an ideal way to assist countries to apply relevant decisions adopted at COP-9 of UNFCCC. He recalled that developing countries were made to understand that the inclusion of LULUCF in the CDM would not lead to diversion of Official Development Assistance (ODA) since ODA had been decreasing significantly over the last ten years. Dato' Suboh reiterated that the spirit of CDM was to enable Annex 1 countries to meet emission reduction targets while at the same time assisting developing countries to achieve sustainable development. He noted that LULUCF in CDM until 2012 was limited to afforestation and reforestation projects only and did not include other important aspects of SFM, such as silviculture and regeneration of natural forests. He pointed out that forest plantations were only a subset of sustainable forest management activities. Dato' Suboh indicated that activities like watershed management, rehabilitation, restoration, and sustainable forest management would only be relevant if they involved afforestation and reforestation activities as defined under the Decision of COP-9 of UNFCCC. He stated that the involvement of ITTO in UNFCCC would lead to further depletion of resources meant for SFM at a time when ITTO was faced with the issue of financial constraints to fully implement the various important activities critical to SFM. He cited the problem of dwindling resources in the Bali Partnership Fund and decreasing funding by donors for SFM over the years and called to question the feasibility for ITTO to integrate the decisions of other conventions into its work without compromising on SFM projects. He called on UNFCCC and the Kyoto Protocol for new and additional funds to assist countries to implement decisions of COP-9 relating to CDM. He noted that if such funds were made available, Malaysia would fully endorse ITTO's involvement to support Member Countries to formulate CDM projects. He stressed that ITTO's objectives in promoting sustainable forest management practices was in line with the objective of reducing the impact of climate change. He looked forward to the coming into force of the Kyoto Protocol.

169. Mr. Daniel Birchmeier (Switzerland) commended Dr. Robledo for the comprehensive report. He supported the view expressed by Brazil that discussions on climate change should not be fragmented at different fora. He called for more cooperation between ITTO and UNFCCC. He proposed that ITTO should bring its experience and expertise concerning tropical forests to other organizations like the UNFCCC by contributing expertise to the methodological and scientific work of the UNFCCC and IPCC on matters related to tropical forests observation and monitoring. He also proposed that in cooperation with the UNFCCC and Kyoto Protocol, ITTO should bring to the attention of these bodies specific issues and solutions relating to tropical forests, in the context of climate change. He also recommended the use by all countries of the good practice guidelines for LULUCF of the IPCC for estimating, monitoring and reporting on changes on carbon levels and GHG emissions from activities in tropical forests, and applying the rules, modalities and procedures for afforestation and reforestation activities under the CDM. Regarding national actions to mitigate climate change, Mr. Birchmeier urged ITTO to assist its Members to strengthen capacities, integrate climate protection projects and activities related to tropical forests and enhance the capacity of countries to assess environmental and socioeconomic vulnerability to climate change.
170. Mr. John Bazill (European Community) noted that climate change was an extremely complex field. Nevertheless the report gave a good overview of the issues involved. He supported the statement made by Brazil that the appropriate forum to discuss issues of climate change should be the UNFCCC. However, ITTO should keep itself informed of developments as these could have potential direct and indirect impacts on SFM. Mr. Bazill proposed that ITTO's participation in UNFCCC meetings should be in an observer status or in providing expertise. He reiterated that the CPF provided a good framework for coherence between the different multilateral organizations and conventions on the issue of climate change.
171. Dr. Oscar Antonio Alvarez Gómez (Colombia) noted that following the lengthy negotiations in Kyoto, a parallel market had been established for carbon emission trading. He wondered whether this could affect the enthusiasm in investments.
172. Dr. Robledo acknowledged that voluntary markets were existing and these markets had developed parallel to the official markets. She stated that under the Kyoto Protocol there had been voluntary purchases of certificates as a result of bilateral negotiations between countries or between countries and projects. She cited projects in Belize, Bolivia, and Colombia and mentioned that a ton of carbon was being traded between US\$1.5 and US\$2.2. These prices were lower than the official market prices. However, these projects had less institutional and technical impact and some of the activities being remunerated were those outside the CDM. She cited as an example activities relating to conservation and management of forests. She indicated that these types of projects were generating experience and knowledge for the negotiations under the Kyoto Protocol in 2012, when the Protocol would be re-opened. In conclusion, Dr. Robledo noted that ITTO had a great potential to impact scientific expertise to the UNFCCC.

**REPORT ON PUBLIC RELATIONS, EDUCATION AND OUTREACH ACTIVITIES –
DECISIONS 2(XXIX) & 4(XXXIII) (Agenda Item 20)**

173. The report was presented by Mr. Alastair Sarre (ITTO Secretariat). He recalled Decisions 3(XXIX) and 4(XXXIII) which requested the Executive Director to promulgate messages on progress towards Year 2000 Objective and to raise ITTO profile in the international community. In pursuant of these decisions, a Communication Unit was created in the Secretariat in 2002 with the following strategies;
- Increase ITTO presence in international policy forums;
 - Create, update and improve outreach products; and
 - Strengthen partnership with key international organizations
174. In order to increase ITTO presence in international policy forums, since 2000, ITTO Secretariat staff and officials had attended over 200 policy-level meetings, workshops and conferences, many funded or co-sponsored by ITTO. The Secretariat had also been associated with the convening of 8 side-events at key meetings including:
- Side event on fire management in conjunction with the Thirty-second Session of ITTC in Bali, Indonesia;

- Side event at World Summit on Sustainable Development, Johannesburg, South Africa;
 - Book-Launch at Thirty-fourth Session, Panama City, Panama
 - Side-event at UNFF 3;
 - Side-event at World Parks Congress, in cooperation with IUCN and others, South Africa;
 - Side-event at World Forestry Congress, Quebec, Canada;
 - Side-event at UNCTAD XI, Brazil; and
 - Side-event at Mexico Forestry Expo, in cooperation with CONAFOR
175. Mr. Sarre noted that the Communication Unit had also published seven thematic brochures in English, French and Spanish. These brochures had highlighted key areas of ITTO's work and to date nearly 100,000 brochures had been distributed. The Unit had also produced nine (9) posters for display at ITTO publicity events together with a billboard for permanent display in the Yokohama Port Terminal.
176. Other activities implemented to improve outreach included the re-designing of the ITTO logo, re-initiating the ITTO Technical Series, and the launching of the landmark book by Dr. Duncan Poore entitled "Changing Landscapes". Mr. Sarre also mentioned that the Unit was in the process of building a photo library with approximately 2000 accessions.
177. Mr. Sarre stated that it was difficult to quantify the extent to which the communication objectives had been achieved, although surveys at side-events indicated that 57% of attendees had not previously heard of ITTO and the views of 75% of attendees had been influenced by the side-events. There had also been an increase in the visitors to the ITTO website which had been re-designed.
178. Mr. Sarre noted that given the importance of partnerships in promulgating ITTO's message and the role of side-events in strengthening these partnerships, the Council might wish to consider approving and providing funds for the participation of ITTO in the following meetings:
- CITES COP 13 (October 2004);
 - IUCN World Conservation Congress (November 2004)
 - Aichi World Expo (March-September 2005); and
 - IUFRO World Congress (August 2005)
179. In the short to medium term, Mr. Sarre proposed that decisions that might produce significant reports should include a budget for communication. He also called for more coordination between the Secretariat and ITTO projects to ensure consistency of style in the communication materials generated by ITTO projects.
180. Ms. Kayo Takahashi (ITTO Secretariat) navigated the Council through the re-designed ITTO website.
181. The Chairperson of the Council commended the Executive Director and the Communication Unit for the tremendous improvement in the communication and outreach activities of ITTO.
182. Mr. Luiz César Gasser (Brazil) commended ITTO for the improvement in the communication and outreach activities. He recalled the ITTO side event during UNCTAD XI in Sao Paulo, Brazil, and stated that the relevant Brazilian Authorities did not receive an invitation from ITTO to participate in this side-event. He sought further clarification on this issue and requested ITTO to provide information on similar events to ensure the participation of relevant Brazilian authorities in future events.
183. Mr. German Espinosa (Ecuador) commended the Executive Director for re-designing the ITTO website. He proposed that future works of ITTO should be based on improving publicity aimed at Member Countries and indeed all countries in the world.
184. Mr. Christopher Ellis (USA) noted that the ITTO website had been very useful in accessing documents for the Council and the Committees. He thanked the Government of Switzerland for supporting the Earth Negotiations Bulletin in covering the Thirty-sixth Sessions of the Council. Mr. Ellis indicated that the coverage by the Earth Negotiations Bulletin was one of the most effective ways to achieve the broadest public outreach for ITTO. He pledged the full support of

the United States for the coverage by the Earth Negotiations Bulletin during the Thirty-seventh ITTC Session in Yokohama.

185. Mr. Alastair Sarre provided clarification on the issue raised by the delegation of Brazil regarding the ITTO side-event at UNCTAD XI. He stated that ITTO Secretariat worked very closely with UNCTAD Secretariat in organizing the side-event. He noted that the primary objective of the side-event was to reinforce the partnership between ITTO and UNCTAD, particularly, in the light of the upcoming negotiations of the successor agreement to the ITTA, 1994. He noted that on behalf of ITTO, UNCTAD notified the missions in Geneva about the side-event, including the Brazilian Mission. Mr. Sarre also indicated that it was the practice of the Secretariat to inform our official contact points about such side-events and regretted if the official contact point of Brazil was not informed about the side-event.
186. The Council approved and provided additional funds under Decision 4(XXXIII) for the participation of ITTO in COP 13 of CITES, 2nd IUCN World Congress, IUFRO World Congress, Aichi World Expo as well for as the engagement of Earth Negotiation Bulletin to cover ITTC Sessions.

PROMOTION OF SUSTAINABLE FOREST MANAGEMENT IN THE CONGO BASIN – DECISION 10(XXXII) (Agenda Item 21)

187. The report on “A Workshop to Develop a Regional Applied Research Program in the Congo Basin” was presented by Dr. Robert Nasi (CIFOR). He recalled Decision 10(XXXII) which, inter-alia requested the Executive Director to organize a workshop with the objective of developing a regional program of applied research and of developing approaches for executing this programme drawing on the Organization’s existing initiatives and networks. The programme should give particular attention to bridging the gaps between research and its potential practical applications.
188. Dr. Nasi noted that a set of three interlinked activities were carried out, pursuant to this decision. These were:
- Review of previous regional research priority exercises;
 - Updated evaluation of research capacity; and
 - Test of a networked research exercise using scientists from the Congo Basin region.
189. Dr. Nasi mentioned that an updated evaluation of the research capacity in the five ITTO Member Countries in the Congo Basin revealed that:
- The number of researchers active in forestry related research in the countries of the region was very low in relation to the extent and value of forest resource;
 - Although government researchers were quite well paid compared to other civil servants they received much less than people of equivalent seniority working for the private sector or the international conservation NGOS;
 - Research budgets were extremely low and in some cases not available at all;
 - The rate of publication in internationally recognized journals was very low;
 - There were almost no libraries or documentation centers available to forest scientists in the region;
 - Overall conditions and incentives for national scientists in the region to conduct high quality scientific work were very poor;
 - The overall lack of suitable research infrastructure, career evolution prospects and financial incentives for scientists of the region induced a general “brain-drain” with the best people moving to the private sector, international organizations or foreign countries; and
 - There was a general lack of communication and collaboration between research institutions within the same country and within the region.
190. Dr. Nasi noted that the constraints to forestry research in Central Africa confirmed the state of forestry research in developing countries:
- Political commitment to forestry research was lacking in most countries;
 - Lack of a “critical mass” of scientists, in quality as well as in quantity;
 - Lack of a strategic planning for applied research programmes;

- Inadequate funding of research;
 - Tendency to duplicate research efforts and failure to capitalize on collaborative opportunities; and
 - “Donor driven” research strategies not reflecting regional/national priorities.
191. Dr. Nasi stated that the team carried out a test of a network approach to conducting research in the Congo on the theme “Social, Environmental and Economic Sustainability of Industrial Concessions in the Congo Basin Member Countries”. The pilot study demonstrated the potential of sub-regional network research to yield understanding and insights with application to the problems of achieving SFM in the region. The study underlined the weakness of research capacity in the region as a major constraint to achieving ITTO targets for SFM, and stressed the need to strengthen capacity at the national level.
192. Dr. Nasi informed the Council that a proposal for a sub-regional research project on the social and ecological sustainability of logging concessions in Central Africa was prepared by participants at the regional research meeting in Libreville and had been submitted to ITTO by the Government of the Democratic Republic of Congo. He noted that the project would provide some innovative insights on a crucial issue for sustainability and reinforce networking research capacity of scientists and institutions in the region. He recommended that the Council should support the project in order to fully exploit the results from the preliminary phase both in terms of research capacity strengthening and of knowledge about forest concessions.
193. Mr. Christopher Ellis (USA) commended CIFOR for the comprehensive report. On the Congo Basin Forest Partnership, Mr. Ellis shared the concerns expressed by CIFOR and noted that the United States was, however, extremely pleased with the outcome of the recent Congo Basin Forest Partnership meeting in Brazzaville and thanked the Government of Congo for the generous hospitality. Mr. Ellis stated that the United States was committed to continue to be actively engaged in further development of this partnership. He looked forward to working with all the partners to build on the success, which was in no small measure, due to the outstanding work and contribution of ITTO. He indicated that an expanded use of the Congo Basin Forest Partnership website would help in providing one of the more important communication notes underscored as priority within the CIFOR report. He warmly welcomed the report as it reflected a major US interest in building capacity in the region, with special attention paid to developing regional networking facilities and to expand the opportunities for forest researchers to share experiences, data and resources. He called for an expansion of the range of knowledge on the social, economic and technical dimensions, and that the knowledge should be developed and retained in the region itself. He also noted that more support was essential for developing positive incentives for locally based scientists and researchers to build the capacity of the region to be self-sustaining in terms of the scientific and intellectual resources to address the range of sustainable forest management issues. Mr. Ellis stated that reinvestment for the development of the physical infrastructure of the Congo Basin must also not be ignored. He cited items like computers, reliable energy sources and information technology support as necessary investments for the region. He also noted that remote learning facilities and capacities must be reinforced by investments into developing the next generation of researchers and scientists at the pre-college level as well as in the post graduate level. He called for more exchange programmes and exposure in addressing similar problems.

ITTO FELLOWSHIP PROGRAMME– DECISION 4(XXVII) (Agenda item 22)

(a) Progress report on the ITTO Fellowship Programme

194. The report was presented by Mr. E. Collins Ahadome (ITTO Secretariat). He referred to document ITTC(XXXVI)/16 and noted that two hundred and fifteen (215) fellowships amounting to US\$1,192,911.00 had so far been awarded under the Freezailah Fellowship Fund. Seventy-seven percent (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 geographic distribution of the awards, 28% were awarded to applicants from Africa, 33% from Asia-Pacific, 27% from Latin America, 10% from developing consuming countries and 2% from other consuming countries. Females had accounted for 33% of the total awards.

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

195. The report was presented by Mr. A.N. Attah (Ghana), Vice-Chairperson of the Council. He referred to document ITTC(XXXVI)/17 and noted that the Fellowship Selection Panel comprising representatives of Ghana, Philippines, Venezuela, Netherlands, Switzerland and USA, met twice during the Thirty-sixth Session of the ITTC. The Panel evaluated a total of 158 applications of which 128 were from Producing Countries and 30 were from Consumer Countries. Mr. Attah indicated that while reviewing these applications, the Panel took into account the balance among the three subject areas and regions as well as the opportunity to promote women's participation. The Panel recommended to the Council to approve a total of 29 applications, at a total cost of US\$151,430.
196. Mr. Luiz César Gasser (Brazil) stressed the importance of the ITTO Fellowship Program for strengthening capacity building at the national level. He indicated that the ITTO Fellowship Programme should be related to national priorities in the same way as projects were related to national priorities. He reiterated the commitment of the Government of Brazil to improve the ITTO Fellowship Programme and indicated Brazil's willingness to work with ITTO towards this improvement.

DRAFT ANNUAL REPORT FOR 2003 (Agenda Item 23)

197. Mr. E. Collins Ahadome (ITTO Secretariat) reported on the activities of the Organization in 2003 as detailed in the Draft Annual Report 2003 [document ITTC(XXXVI)/4]. The key decisions of the Council, policy work, voluntary contributions received by the Organization and a summary of projects, pre-projects and activities funded by the Organization were noted. Also highlighted in the Draft Annual Report for 2003 was the work of the Committees and a summary of the World Timber Situation in 2003.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (Agenda Item 24)

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

198. The Chairperson invited pledges to the Special Account and the Bali Partnership Fund. Mr. Daniel Birchmeier (Switzerland) pledged an amount of US\$200,000 to Sub-Account B of the Bali Partnership Fund.

(b) Review of Resources in the Bali Partnership Fund

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

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

200. The report was presented by Mr. Christopher Ellis (USA), Chairperson of the Panel. The Panel was composed of representatives of Japan, Switzerland, USA, Guatemala, Togo, and Philippines and the Executive Director. The report noted that as at the end of the Thirty-fifth Session of the Council, thirty-one activities, five pre-projects and five projects with a total budget of US\$12,191,291.00 had been funded from the resources of the Sub-Account B of the BPF. The available resources of the Sub-Account B amounted to US\$1.9 million. The Panel noted that since the establishment of the Sub-Account B the total receipts amounted to US\$13.79 million of which US\$11.48 million was from interest earned and the balance of US\$2.31 million was from donors' contributions. The Panel further noted that the current funds available in the "Unearmarked Fund" amounted to US\$7.3 million. The Panel recommended to the Council a list of prioritized activities, pre-projects and projects eligible for financing from the resources of the Sub-Account B of the BPF and from the Unearmarked funds.

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 25)

201. Dr. Yeo-Chang Youn (Republic of Korea), Chairperson of the Committee on Economic Information and Market Intelligence presented the report of the Committee.

202. He referred to document CEM-CFI(XXXIV)/4. He noted that the Committee on Economic Information and Market Intelligence and the Committee on Forest Industry met in joint Session during the Thirty-fourth Sessions of the Committees. He reported that the Committee on Economic Information and Market Intelligence organized the ITTO Annual Market Discussion 2004 which was held in joint Session of the Technical Committees. The theme of the Market Discussion was "Diversity in the Single Market – the Challenge for Tropical Timber" and was moderated by Mr. Barney Chan (Sarawak Timber Association). The Committee considered the completion reports of two pre-projects. The Committee recommended to the Council the approval and funding of three (3) new projects and one new pre-project. In addition the Committee considered one project and one pre-project proposal which had been revised and re-submitted and recommended them to the Council for approval and funding. The Committee also recommended to the Council the approval and financing for immediate implementation of three (3) projects and one (1) pre-project approved at earlier Sessions. The Committee on Economic Information and Market Intelligence also recommended to the Council to provide additional funds to the activity under Decision 4(XXXV) on "Workshop on Capacity Building for the Implementation of Mahogany CITES Listing in Bolivia, Brazil and Peru".
203. On policy work, the Committee considered the following issues:
- (i) Market Access;
 - (ii) Forest and Timber Certification;
 - (iii) Workshop on Capacity Building for the Implementation of Mahogany CITES Listings; and
 - (iv) policy work under the Biennial Work Programme 2005-2005
204. The report of the Committee was adopted by the Council. The full report is contained in Annex IV.
205. Mr. A.S.K. Boachie-Dapaah (Ghana), Chairperson of the Committee on Reforestation and Forest Management presented the report of the Committee. He referred to document CRF(XXXIV)/6. He reported that the Committee reviewed the reports of sixteen (16) completed projects and four completed pre-projects. The Committee received the report on ex-post evaluations carried out on five projects on mangroves and noted the pressures on mangroves worldwide due to rural and urban development and the need for increased information sharing among Members on project experiences. The Committee also noted that ex-post evaluation on five other completed projects had been carried out and the synthesis report of these evaluations would be presented to the Committee at its Thirty-fifth Session in December 2004. The Committee requested the Secretariat to prepare a shortlist of projects for ex-post evaluation to be considered at the Thirty-fifth Session of the Committee. The Committee reviewed six (6) project and four (4) pre-project proposals and recommended their approval to the Council.
206. On policy work, the Committee considered the following issues in accordance with ITTO Biennial Work Programme 2004-2005:
- (i) Criteria and Indicators for Sustainable Forest Management;
 - (ii) Forest Fire Prevention and Management; and
 - (iii) ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests.
207. The report of the Committee was adopted by the Council. The full report is contained in Annex IV.
208. Ms. Astrid Bergquist (Sweden), Chairperson of the Committee on Forest Industry presented the report of the Committee. She referred to document CEM-CFI(XXXIV)/4. She noted that the Committee on Forest Industry and the Committee on Economic Information and Market Intelligence met in joint Session during the Thirty-fifth Session of the Committees. The Committee on Forest Industry received the reports and noted the work completed on three (3) projects and seven (7) pre-projects. The Committee selected three (3) completed projects for ex-post evaluation and recommended to the Council the approval and funding of two (2) new projects and two (2) pre-projects. The Committee also recommended that funding be made immediately available for two (2) projects and three (3) pre-projects approved at earlier Sessions.
209. On policy work, the Committee noted the progress made on the following issues and decided to continue deliberations of these issues:
- (i) Assessment of the Multiple Benefits of Downstream Processing of Tropical Timber in Producer Countries [PPD35/01 (I)];

- (ii) Develop, Publish and Disseminate Information and Increasing Timber Processing and Utilization Efficiency and Reducing Waste;
 - (iii) Promote Private Investment through Facilitating Information Exchange on Investment Opportunities – Organization/Convening of Investment Promotion Forum/Seminar;
 - (iv) Promote the Establishment of Efficient and Socially Sound Community-Based Forest Industries; and
 - (v) Study and Promote Policies and Other Measures to Increase Tropical Plywood Industry Competitiveness.
210. The report of the Committee was adopted by the Council. The full report is contained in Annex IV.
211. Mr. Christopher Ellis (USA), Chairperson of the Committee on Finance and Administration presented the report of the Committee. He referred to document CFA(XV)/7. The Committee reviewed the contributions to the 2004 Administrative Budget and noted that 24% of the assessed contributions of Producing Members had been paid while Consuming Members had paid 81% of their total assessed contributions. Arrearages in contributions from Producing Members amounted to US\$4,527,776.75. The Committee noted with concern the unsustainability of this financial situation and strongly urged Member Countries to settle their obligations as early as possible. The Committee reminded Members that as stipulated in Decision 7(XXXIII), those with accumulated arrearages would not be eligible to have their project or pre-project proposals considered after 2004.
212. The Committee noted the resources of the Special Account and the Bali Partnership Fund and stated that in accordance with Decision 3(XXVIII), the remaining monitoring and evaluation funds transferred to the "Pooled Sub-Accounts" for ex-post evaluation to date amounted to US\$1.58 million and that regular ex-post evaluations of projects were being carried out. The Committee also noted that the resources of the Sub-Account B of the Bali Partnership Fund amounted to US\$1,957,977.29. The Committee encouraged Members to donate to the Bali Partnership Fund and expressed gratitude to the Government of Switzerland for its generous contribution to the BPF Sub-Account B.
213. The Committee reviewed the Auditor's Report for the financial year 2003 and recommended to the Council to approve the report. On the appointment of Auditor the Committee noted that the firm "Price WaterhouseCoopers" had audited the Accounts of the Organization for three consecutive years (2001, 2002, and 2003) and in accordance with Decision 10(XXXI), the Council would need to appoint a new Auditor to audit the Accounts of the Organization for the following term of three consecutive years (2004-2006). The Committee recommended to the Council to appoint the audit firm Grant Thornton-ASG Audit Corporation, Tokyo.
214. The report of the Committee was adopted by Council. The full report is contained in Annex IV.

DATES AND VENUES OF THE THIRTY-SEVENTH, THIRTY-EIGHTH AND THIRTY-NINTH SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 26)

215. The Chairperson confirmed that the Thirty-seventh Session of the Council would be held from 13 to 18 December 2004 in Yokohama, Japan. She noted that the Thirty-eighth Session had been tentatively scheduled to be held in the Republic of Congo from 24 to 26 May 2005. She noted that the proposed dates for the Thirty-eighth Session had coincided with the dates for UNFF 5 (23-27 May 2005).
216. Mr. Luiz César Gasser (Brazil) on behalf of the Producing Member Countries confirmed the unanimous support of the Producer Group to hold the Thirty-eighth Session of the Council in Brazzaville, Republic of Congo. He also expressed the concern of the Producer Group on the duration of the Thirty-eighth Session and indicated 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.
217. The Chairperson drew the attention of the Producer Group to the fact that 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.

218. Ms. Erika del Rocio Lopez Rojas (Mexico) reiterated Mexico's invitation to the Council to host a future Session of the Council. She hoped that the Council would honour this invitation as soon as possible, preferably before the end of 2006.
219. Dr. Alain Marius Ngoya-Kessy (Republic of Congo) expressed gratitude to the Council for the trust and confidence reposed in The Republic of Congo to host the Thirty-eighth Session of the Council. He regretted that the Minister of Forests of the Republic of Congo was unable to attend the Session because of prior engagement. He appealed to the Council to review the duration of the Thirty-eighth Session to four days considering the distance that delegates would have to travel, especially delegates from Asia and Latin America.
220. The Secretariat reported that, in consultation with the Governments of the Republic of Congo and Japan, the Thirty-eighth Session of the Council had been re-scheduled to be held from 21 to 23 June 2005 in Brazzaville, Congo while the Thirty-ninth Session would be held from 7 to 12 November 2005 in Yokohama, Japan.
221. Mr. Satoru Sato (Japan), on behalf of the Government of Japan, confirmed that the Thirty-seventh and Thirty-ninth Sessions of the Council would be held in Yokohama, Japan, from 13 to 18 December 2004 and 7-12 November 2005 respectively and extended cordial invitation to all delegates to attend the Yokohama Sessions.

OTHER BUSINESS (Agenda Item 27)

Statement by the Minister of Environment of Ecuador

222. H.E. Dr. Fabio Valdivieso Eguiguran stated that Ecuador was one of the greatest biodiversity countries in the world. He indicated that there were about 4,000 different species of orchids in Ecuador whose survival was closely related to the existence of tropical forests. He noted that Ecuador had instituted appropriate policies for the sustainable production and development of its forest resources but there was still deforestation due to the enormous pressure exerted on forests for agricultural activities, mainly shifting agriculture. The Minister acknowledged that the greatest enemy to the forests had been internal migration and poverty. The Minister stated that the depredation of forest resources of Ecuador was directly linked to economic conditions and institutional deficiencies. He stated that the Government had made reforestation and afforestation one of its pillars of development because of its impact on reducing poverty and marginalization.
223. H.E. Dr. Eguiguran stated that the Government had prepared a national plan which would be implemented as soon as the necessary financial resources become available. The Ministry of Environment had also established a scheme with four principal elements, including the rehabilitation of degraded and secondary forests, aggressive reforestation programme through the use of native species which had been genetically improved, afforestation programme to increase the area of forest under plantations combined with grazing and agricultural activities to ensure economic viability and increase employment, and forest control through management, monitoring and verification. H.E. Dr. Eguiguran indicated that it was the policy of the Government to build capacity, improve the institutional framework, modernize the wood processing facilities, improve the system of land ownership as well as improve the domestic and international trading system.
224. H.E. Dr. Eguiguran expressed gratitude to the Council for the diagnostic mission to Ecuador. He noted that the recommendations of the Mission were pertinent and indicated that international support would be greatly needed for the implementation of the recommendations. He called on ITTO to play a fundamental role in (1) improving the efficient management of the natural forest; (2) increasing the area of plantations in Ecuador to ensure the economic sustainability of the sector and the development of the forest industry; and (3) improving the country's international trade of forest products.
225. The Minister expressed his gratitude to donor countries who had been providing financial assistance to support the development of Ecuador's forest resources and appealed for more assistance in the future.

Statement by the Minister of Environment and Forestry of Cameroon

226. H.E. Mr. Clarkson O. Tanyi-Mbianyor, Minister of Environment and Forestry of Cameroon reiterated the firm commitment of the Government of Cameroon to sustainably manage its natural resources to combat poverty and together with its partners strike a balance between protecting the natural resource base, conserving biodiversity and improving the quality of life of the people of Cameroon. On the renegotiation of a successor agreement to the ITTA, 1994, the Hon. Minister reassured all parties concerned of his country's readiness and openness to discuss freely. He called upon all stakeholders to exhibit frankness and sincerity during the negotiations. The Hon. Minister urged Consuming Member Countries to continue to support Producing Member Countries to avoid the problems other commodities like gold and oil had faced in the past, with at times regrettable and morally unacceptable consequences. He noted that though the countries in the Congo Basin and Central Africa had accepted certification at the Pan African level, it was important that certification should not add to the cost of producing timber, which would ultimately throw out producers from the world economy where competition and globalization had no mercy for the weak.
227. H.E. Mr. Tanyi-Mbianyor outlined some of the measures his country had undertaken in support of sustainable forest management, including:
- The 1999 Yaoundé Declaration under which all the Heads of States of the Congo Basin made the commitment to protect and sustainably manage their forest resources for the general development of their populations and the international community;
 - The holding of the AFLEG Ministerial Conference in Yaoundé in October 2003;
 - The involvement of independent observers in the process of allocating forest concessions and the control of logging activities in the field;
 - Satellite monitoring of logging and vegetation cover; and
 - The overall re-evaluation of the control strategy through a participatory approach, including all the stakeholders in the consumer chain;
228. The Hon. Minister cautioned that a ban on the trade in tropical timber could lead to a situation where the forest land would be used for other uses not consistent with the conservation of biodiversity.

Statement by the Delegation of Costa Rica

229. Ms. Alexandra Séna Faerron (Costa Rica) on behalf of the Government of Costa Rica expressed gratitude to the Council for the admission of Costa Rica as an Observer at the Thirty-sixth Session of the ITTC. She noted that the ITTC was an important forum for dialogue on issues affecting the world's forests, especially tropical forests. She also indicated that the recognition of the increased role of ITTO in the debate on alternative solutions to the challenges of sustainable forests management had convinced the Government of Costa Rica to consider the possibility of becoming a Member of ITTO. She stated that Costa Rica would also participate as an Observer at the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994. She noted that the issue of finance was one of the foundation stones for the achievement of the goals established by the international community. Ms. Faerron mentioned that Costa Rica had proposed at the UNFF to host an International Expert meeting to discuss financial resources for the sustainable management of forests. She underlined that the objective of the International Expert meeting was to determine the long-term mechanisms for the provision of financial resources for the sustainable management of forests together with the pursuit of the Millennium Development Goals and the WSSD Plan of Action, particularly those relating to environmental sustainability and forests management. She informed the Council that the International Expert Meeting would be held in March 2005 in San Jose, Costa Rica and formally invited ITTO and the Member Countries to participate in this initiative. She hoped that the meeting would result in a positive outcome.

DECISIONS AND REPORT OF THE SESSION (Agenda Item 28)

230. The Chairperson referred to documents ITTC(XXXVI)/20 and ITTC(XXXVI)/21 containing the two draft Decisions for consideration by the Council at its Thirty-sixth Session. The Council approved the two draft Decisions as contained in Annex III. Amendments and editorial corrections were

noted. It was noted that Rule 33 of the Rules of Procedures would be applied to the circulation of the Decisions and the report of the Council Session to Members.

231. The Chairperson noted that pledges to the Special Account and financing from the Unearmarked Funds and the Bali Partnership Fund at the Thirty-sixth Session amounted to US\$5.7 million. She highlighted pledges by the Common Fund for Commodities (CFC) and expressed gratitude to the CFC for their participation in the Session and for pledging to finance ITTO projects. She commended the Governments of New Zealand, Norway, United States of America, Republic of Korea, Switzerland and Japan for pledging voluntary contributions to finance projects, pre-projects and activities at the Thirty-sixth Session of the Council. She hoped that the Council would attract more donors in the future.

CLOSING OF THE SESSION (Agenda Item 29)

Statements by Delegations

232. Mr. A.S.K. Boachie-Dapaah (Ghana) expressed gratitude to the Government and People of Switzerland for the hospitality accorded to delegates. He noted that in spite of the short duration of the Thirty-sixth Session and the absence of substantive decisions, a number of events at the Session had prepared the grounds for the success of the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994 to be held in Geneva from 26 to 30 July 2004. He noted that the CSAG-TAG Panel was a testimony of the ability of stakeholders to work together to achieve common goals. Mr. Boachie-Dapaah called on ITTO to take a lead role in certification by creating a forum for discussions between the various certification schemes joggling for dominance. He indicated that such actions by the various schemes could bring additional costs to producing countries and urged ITTO to seek compatibility and mutual recognition through the spirit of partnership. He hoped the same spirit of partnership would guide the Council during the negotiations of a successor agreement to the ITTA, 1994.
233. Dr. Oscar Antonio Gómez (Colombia) highlighted the study carried out by CIFOR on Forestry Research in the Congo Basin and noted that the lack of political commitment to support forestry research and planning was similar to the situation in Colombia as well as in many other countries. He noted that forestry research was the basis for sustainable forest management. He commended CIFOR for the study and recalled and commended the statement by the delegation of the United States to support such a study in other parts of the world.
234. Drs. R. Robianto Koestomo (APHI) commended the Chairperson of the Council for her able leadership. He noted that the Chairperson had been a strong supporter for a more global and respectable ITTO. He expressed his gratitude to the Council for accepting the final report of project PD42/00 (F). He indicated that the project had demonstrated that ITTO could facilitate the achievement of SFM. He also mentioned that the project had demonstrated that capacity building could result in better understanding of the process to achieve SFM and such awareness would assist the process in the future, at the field level. He acknowledged the financial assistance provided by the Governments of Japan and Republic of Korea for the implementation of the project. He indicated that at the appropriate time, APHI would propose a second phase of the project to achieve SFM by implementing ITTO's C&I at the FMU level. Drs. Koestomo noted that the project would provide ITTO with relevant information on the implementation of its C&I at the FMU level. He also informed the Council that Indonesia had recently ratified the Kyoto Protocol which was an important step especially since Indonesia had formulated a project proposal on Clean Development Mechanism and Land Use and Land Use Change Affecting Forests (LULUCF) to be submitted to ITTO.
235. He thanked the Council for admitting APHI as an Observer at the Thirty-sixth Session.
236. Mr. Daniel Birchmeier (Switzerland) commended the Chairperson for her efficient leadership. He noted that forests covered one-third of the earth's surface and half of the world's forests were in the tropics. He indicated that Members of the Council, therefore, shared a great responsibility for the present and future livelihood of this planet. He acknowledged Switzerland's responsibility and pledged Switzerland's continued active contribution to the sustainable use and trade of forest products.
237. The Council unanimously applauded the Swiss delegation for the excellent hospitality and other hosting arrangements made for the Session.

Statement by the Producer Spokesperson

238. Mr. Luiz César Gasser (Brazil), on behalf of the Producer Group, expressed gratitude to the Government of Switzerland for hosting the Session. He indicated that the Producer Group would have wished that more substantive decisions were adopted by the Council at the Thirty-sixth Session. He commended the Chairperson and Vice-Chairperson of the Council for their able leadership. He also commended the Executive Director and staff of the Secretariat for their hard work and dedication. He called on the Consumer Group to approach the negotiation for a successor agreement to the ITTA, 1994 with openness and a desire to work together with producers to achieve a common goal.

Statement by the Consumer Spokesperson

239. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group, stated that the Thirty-sixth Session of the Council was unique partly because for the first time the Session was being held in a consumer country outside the Headquarters and also because of the shorter duration compared to previous Sessions. She noted that the issues discussed in the Council and the Annual Market Discussion were very interesting. She cited issues like illegal logging, phased approaches to certification and forest law enforcement. Ms. Kauppila also commended the CSAG-TAG Panel and looked forward to the implementation of the recommendations of the Panel. She indicated that lessons could be learnt from the shorter duration of the Session and hoped that the Council would be able to make progress although no formal decisions were adopted at the Session. She noted that the Thirty-seventh Session would provide the Council the opportunity to adopt formal decisions. She commended the Chairperson for her able leadership of the Council. On behalf of the Consumer Group, Ms. Kauppila expressed gratitude to the Government of Switzerland for the warm hospitality. She also expressed appreciation to the Government of Japan, Republic of Congo and Mexico for the kind invitation to host future Sessions of the Council. Ms. Kauppila expressed her personal thanks to the Producer Spokesperson for the spirit of cooperation and looked forward to continuous cooperation during the UN Conference for the Negotiation of a Successor Agreement to the ITTA, 1994, as well as future Sessions of the Council. She commended the Executive Director and Staff of the Secretariat for their hard work and dedication. She also thanked the interpreters and translators for their hard work.

Closing Statement by the Chairperson

240. The Chairperson expressed her gratitude to the Council for the cooperation and support she received during the Session. She also thanked the Vice-Chairperson of the Council for his support. Ms. McAlpine commended the excellent leadership of the Executive Director. She also expressed her gratitude to the Secretariat for facilitating the work of the Council. The Chairperson expressed her profound gratitude to the Government of Switzerland for hosting the Session and the generosity and hospitality accorded to delegates. She thanked the interpreters and translators for their hard work. She expressed her gratitude to the Earth Negotiations Bulletin for the coverage of the Session.

241. The Chairperson officially closed the Thirty-sixth Session of the ITTC.

ANNEX I

LIST OF PARTICIPANTS

Document: ITTC(XXXVI)/Info. 2 Rev.1

Distr.
General

ITTC(XXXVI)/Info.2 Rev.1
23 July 2004

English/French/Spanish

THIRTY-SIXTH SESSION
20 – 23 July 2004
Interlaken, Switzerland

LIST OF PARTICIPANTS

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LISTE DES PARTICIPANTS

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| ** Mr. Luiz César Gasser | First Secretary, Ministry of External Relations, Brasilia |
| ** Ms. Rócia Silva Oliveira | Brazilian Agency for Cooperation, Ministry of External Relations, Brasilia |
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- | | |
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| *** Mr. Ralph Galega Gana | Second Counsellor, Embassy of Cameroon, Tokyo |

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ANNEX II

AGENDA

DOCUMENT: ITTC(XXXVI)/1

Distr.
GENERAL

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21 May 2004

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THIRTY-SIXTH SESSION
20 – 23 July 2004
Interlaken, Switzerland

AGENDA

1. Opening of the Session
2. Ascertainment of the Quorum
3. Adoption of Agenda and Organization of Work
4. Report on Membership of the Council
5. Report of the Credentials Committee
6. Proposed Distribution of Votes for 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. Measures to Improve Project Formulation and Appraisal – Decision 11(XXXIV)
12. Preparations for Negotiating a Successor Agreement to the ITTA, 1994
13. ITTO Objective 2000 – Decisions 2(XXIX) and 9(XXX)
 - (a) Report on Assistance Provided to Producer Countries to Identify Factors Limiting Progress Towards Achieving Objective 2000
 - (b) Report on Progress in the Implementation of National Training Workshops on the Use of ITTO Formats for Reporting on Sustainable Forest Management
14. Forest Law Enforcement in the Context of Sustainable Timber Production and Trade – Decision 6(XXXI)
 - (a) Progress Report on Case Studies on Export and Import Data on Tropical Timber Production in the context of International Trade
 - (b) Report on Studies to Enhance Forest Law Enforcement in Producing Member Countries.
15. CSAG-TAG Panel Discussion
16. ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII)

17. Criteria and Indicators for Sustainable Forest Management – Decision 4(XXXIV)
 - (a) Report on the FAO/ITTO Expert Consultation on Criteria and Indicators for Sustainable Forest Management
 - (b) Report of the Expert Panel on Criteria and Indicators for Sustainable Forest Management
18. Phased Approaches to Certification – Decision 10 (XXXIV)
 - (a) Report on Procedures to Implement Phased Approaches to Certification in Tropical Timber Producing Countries
 - (c) Report on Study to Evaluate the Costs and Benefits of Certification in Selected ITTO Producing Member Countries
19. Monitoring Developments in UNFCCC/IPCC Discussions Regarding Forests – Decision 7(XXX)
20. Report on Public Relations, Education and Outreach – Decisions 3(XXIX) & 4(XXXIII)
21. Promotion of Sustainable Forest Management in the Congo Basin – Decision 10(XXXII)
22. ITTO Fellowship Programme – Decision 4(XXVII)
 - (a) Progress Report on the ITTO Fellowship Programme
 - (b) Report of the Fellowship Selection Panel
23. Draft Annual Report for 2003
24. 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)
25. Reports of the Associated Sessions of the Committees
26. Dates and Venues of the Thirty-seventh, Thirty-eighth and Thirty-ninth Sessions of the Council and the Associated Sessions of the Committees
27. Other Business
28. Decisions and Report of the Session
29. Closing of the Session

ANNOTATIONS TO THE AGENDA

Item 1 - Opening of the Session

The Thirty-sixth 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(XXXVI)/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(XXXVI)/3]

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

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

The proposed distribution of votes for the year 2004, in accordance with Article 10(6) of the ITTA, 1994, is shown in the Annex to this Agenda. In accordance with Article 19(4) of the ITTA, 1994, this distribution of votes will be used for the assessment of the contribution of each Member to the Administrative Budget for 2005.

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

Pursuant to Decision 5(XXVI), and in order to organize its work for the Session, the Council may consider the report of the Fourteenth Meeting of the Informal Advisory Group (IAG), to be convened on Monday, 19 July 2004.

The report of the Fourteenth 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 - Measures to Improve Project Formulation and Appraisal – Decision 11(XXXIV)
[Document ITTC(XXXVI)/5]

Pursuant to its Decision 11(XXXIV) the Council may consider the report of the Expert Panel for Technical Appraisal of Project Proposals on measures to improve the project and pre-project appraisal process, including measures to strengthen assistance to members in project formulation.

Item 12 - Preparations for Negotiating a Successor Agreement to the ITTA, 1994

The Council may consider the results of the Meeting of the Friends of the Chair on preparations for negotiating a Successor Agreement to the ITTA, 1994, to be convened in Interlaken, Switzerland from 24 to 25 April 2004.

Item 13 - ITTO Objective 2000 – Decisions 2(XXIX) & 9(XXX)
[Documents ITTC(XXXV)/17 & ITTC(XXXVI)/6]

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

Item 14 - Forest Law Enforcement in the Context of Sustainable Timber Production and Trade – Decision 6(XXXI)
[Documents ITTC(XXXVI)/7, ITTC(XXXVI)/8 & ITTC(XXXVI)/9]

- (a) Pursuant to its Decision 6(XXXI) the Council will receive progress report on the Case Studies on Export and Import Data on Tropical Timber Products in the Context of International Trade;
- (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 reports on assistance provided to the Governments of Malaysia and Honduras.

Item 15 - CSAG-TAG Panel Discussion

Pursuant to Decision 4(XXXV), a panel jointly organized by the Civil Society Advisory Group (CSAG) and the Trade Advisory Group (TAG) will be convened at the Session. The theme for the CSAG-TAG Panel discussion is "Forest Law and Governance: Combating Illegal Logging and Associated Trade".

Item 16 - ITTO Guidelines For the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII)
[Document ITTC(XXXVI)/10]

The Council may wish to consider the final report of the regional workshops on the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests.

Item 17 - Criteria and Indicators for Sustainable Forest Management-Decision 4(XXXIV)
[Document ITTC(XXXVI)/11]

- (a) Pursuant to its Decision 4(XXXIV), the Council will receive information on the results of the FAO/ITTO Expert Consultation on Criteria and Indicators convened in the Philippines from 2 to 4 March 2004.
- (b) The Council may consider the report of the Expert Panel established under Decision 4(XXXIV) to make recommendations for the revision of ITTO's Criteria and Indicators and Reporting Formats.

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

- (a) The Council will receive the preliminary 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 preliminary report on a study to evaluate the costs and benefits of certification in selected ITTO Producing Member Countries.

Item 19 - Monitoring Developments in UNFCCC/IPCC Discussions Regarding Forests – Decision 7(XXX)
[Document ITTC(XXXVI)/14]

The Council may receive the report on recent developments in UNFCCC/IPCC deliberations regarding forests, including CDM, LULUCF and emissions trading and their potential implications for tropical forests and the world tropical timber economy.

Item 20 - Report on Public Relations, Education and Outreach – Decisions 3(XXIX) & 4(XXXIII)

Pursuant to its Decisions 3(XXIX) and 4(XXXIII), which requested the Executive Director to undertake a range of public relations, education and outreach activities, the Council will be informed on efforts undertaken by the Secretariat to better raise awareness of the purpose and activities of ITTO.

Item 21 - Promotion of Sustainable Forest Management in the Congo Basin – Decision 10(XXXII)
[Document ITTC(XXXVI)/15]

The Council will receive the final report of the workshop organized to develop a regional applied research program for the promotion of sustainable forest management in the Congo Basin. The workshop was convened from 14 to 16 April 2003 in Libreville, Gabon. The workshop preliminary report was presented to the Council at its Thirty-fourth Session in Panama.

Item 22 - ITTO Fellowship Programme – Decision 4(XXVII)
[Documents ITTC(XXXVI)/16 & ITTC(XXXVI)/17]

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(XXXVI)/16]; and (b) the report of the Fellowship Selection Panel to be presented by its Chairperson [Document ITTC(XXXVI)/17]. The Council will announce the final selection of awards based on the Chairperson's report.

Item 23 - Draft Annual Report for 2003
[Document ITTC(XXXVI)/4]

The Secretariat will present to the Council the draft Annual Report for 2003.

Item 24 - Special Account and Bali Partnership Fund

[Document ITTC(XXXVI)/18]

- (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(XV)/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(XXXVI)/18].

Item 25 - 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 26 - Dates and Venues of the Thirty-seventh, Thirty-eighth and Thirty-ninth Sessions of the Council and the Associated Sessions of the Committees

The Council has already approved the dates and venues of the Thirty-seventh Session to be held in Yokohama, Japan, from 13-18 December 2004 and the Thirty-eighth Session to be held in Brazzaville, Republic of Congo, from 24-26 May 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 of the Thirty-ninth Session to be held in Yokohama in the fall of 2005.

Item 27 - Other Business

The Council may consider any matters raised under this item.

Item 28 - 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 29 - Closing of the Session

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

Annex

DISTRIBUTION OF VOTES FOR 2003

| | <u>No. of Votes</u> | |
|--|---------------------|--------------------|
| | 2003 | 2004 (Proposed) |
| <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 |

| | No. of Votes | |
|--------------------------------|--------------|--------------------|
| | 2003 | 2004 (Proposed) |
| <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: 1,000 | 1,000 |

* * *

ANNEX III

TEXT OF THE MAIN DECISIONS

ADOPTED BY THE COUNCIL AT ITS THIRTY-SIXTH SESSION

Documents: DECISION 1(XXXVI) ITTC(XXXVI)/20
 DECISION 2(XXXVI) ITTC(XXXV)/21

Distr.
GENERAL

ITTC(XXXVI)/20
23 July 2004

Original: ENGLISH

THIRTY-SIXTH SESSION
20 – 23 July 2004
Interlaken, Switzerland

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

The International Tropical Timber Council,

Having considered at its Thirty-sixth Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(XXXIV)/4, and CRF(XXXIV)/6; and the report of the Sixth Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTC(XXXVI)/18;

1. Decides:

(i) to approve the following Projects:

| | |
|---------------------|--|
| PD 191/03 Rev.3 (M) | Information System for the Support and Implementation of National/Regional Forest Policies (Malaysia) ITTO Budget: \$659,502.00 |
| PD 192/03 Rev.3 (M) | A Comprehensive Information System for Sustainability of the Wooden Furniture Industry in Malaysia (Malaysia) ITTO Budget: \$121,072.00 |
| 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) ITTO Budget: \$150,968.00 |
| PD 199/03 Rev.3 (F) | Strengthening National Capacity and Regional Collaboration for Sustainable Use of Forest Genetic Resources in Tropical Asia (Malaysia) ITTO Budget: \$343,440.00 |
| PD 210/03 Rev.3 (F) | Participatory Establishment of Collaborative Sustainable Forest Management in Dusun Aro, Jambi (Indonesia) ITTO Budget: \$588,835.00 |
| PD 217/03 Rev.2 (F) | Establishing a Cooperative Framework between ODEF and the Communities Living in the Eto-Lilicope Forest Complex for the Sustainable Participatory Management of this Complex (Togo) ITTO Budget: \$139,898.00 |

| | |
|---------------------|---|
| PD 247/03 Rev.2 (F) | The Development of the Regional Seed Center as a Source of Local Precious Timber Species for Reforestation in Riau Province, Indonesia (Indonesia) ITTO Budget: \$259,727.00 |
| PD 248/03 Rev.3 (F) | Antimary Forest Management Regional Training Center (Brazil) ITTO Budget: \$577,800.00 |
| PD 251/03 Rev.3 (F) | Evaluation of Commercial Stocks and Strategy for the Sustainable Management of Mahogany (<i>Swietenia macrophylla</i>) in Peru (Peru) ITTO Budget: \$351,000.00 |
| 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 (The Philippines) ITTO Budget: \$335,232.00 |
| PD 286/04 Rev.1 (I) | Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia (Indonesia) ITTO Budget: \$765,140.00 |

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

| | |
|---------------------|--------------|
| PD 203/03 Rev.3 (M) | \$150,968.00 |
| PD 199/03 Rev.3 (F) | \$343,440.00 |
| PD 251/03 Rev.3 (F) | \$351,000.00 |
| PD 286/04 Rev.1 (I) | \$765,140.00 |

- (iii) to authorize the release of additional funds in the amount of \$172,307.00 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 191/03 Rev.3 (M) | \$659,502.00 |
| PD 192/03 Rev.3 (M) | \$121,072.00 |
| PD 210/03 Rev.3 (F) | \$588,835.00 |
| PD 217/03 Rev.2 (F) | \$139,898.00 |
| PD 247/03 Rev.2 (F) | \$259,727.00 |
| PD 248/03 Rev.3 (F) | \$577,800.00 |
| PD 215/03 Rev.4 (I) | \$335,232.00 |

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

| | |
|---------------------|--------------|
| PD 167/02 Rev.2 (F) | \$630,907.00 |
| PD 105/01 Rev.3 (F) | \$337,027.00 |
| PD 103/01 Rev.4 (I) | \$349,641.00 |

- (vi) to authorize financing from both the resources of the Unearmarked Funds and from voluntary contribution to the Special Account for the continued implementation for the following Project approved at an earlier Session:

| | |
|-------------------------------------|--------------|
| PD 73/89 (M,F,I) – additional funds | \$250,000.00 |
|-------------------------------------|--------------|

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

| | |
|---------------------|--------------|
| PD 171/02 Rev.4 (M) | \$259,956.00 |
|---------------------|--------------|

2. Decides:

(i) to approve the following Pre-Projects:

| | |
|---------------------|--|
| 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) ITTO Budget: \$30,348.00 |
| PPD 87/03 Rev.2 (F) | Identification of <i>Gonystylus spp.</i> (Ramin), Potency, Distribution, Conservation and Plantation Barrier (Indonesia) ITTO Budget: \$66,766.00 |
| PPD 92/04 Rev.1 (F) | Identification of a Rehabilitation and Management Project for the Degraded Secondary Forests of the Mvila Department in Cameroon (Cameroon) ITTO Budget: \$61,452.00 |
| PPD 94/04 Rev.1 (F) | Evaluation of the Status of Forest Resources in Côte d'Ivoire (Côte d'Ivoire) ITTO Budget: \$52,402.00 |
| PPD 95/04 (F) | Model of Rehabilitation and Sustainable Utilization of Mangrove Forest, at Langkat, North Sumatra (Indonesia) ITTO Budget: \$50,166.00 |
| PPD 88/03 Rev.3 (I) | Strategy for Sustainable Utilization of Non-Timber Forest Products (NTFP) involving Local Communities in West Sumatra (Indonesia) ITTO Budget: \$79,056.00 |
| PPD 97/04 Rev.1 (I) | Improve Strategies and Assess Training Needs to Achieve SFM in Suriname (Suriname) ITTO Budget: \$94,832.00 |

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

| | |
|---------------------|-------------|
| PPD 93/04 (M) | \$30,348.00 |
| PPD 87/03 Rev.2 (F) | \$66,766.00 |
| PPD 92/04 Rev.1 (F) | \$61,452.00 |
| PPD 94/04 Rev.1 (F) | \$52,402.00 |
| PPD 95/04 (F) | \$50,166.00 |
| PPD 97/04 Rev.1 (I) | \$94,832.00 |

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

| | |
|---------------------|-------------|
| PPD 88/03 Rev.3 (I) | \$79,056.00 |
|---------------------|-------------|

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

| | |
|---------------------|-------------|
| PPD 59/02 Rev.2 (F) | \$84,305.00 |
|---------------------|-------------|

- (v) to approve the amendment in the activities of the following Pre-Project which was approved at an earlier Session and authorize financing for implementation as soon as earmarked funds are available in the Special Account:

PPD 45/02 Rev.3 (M) \$32,022.00

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

| | |
|-----------------------------------|--------------|
| PP-A/31-111C [Decision 6(XXXI)] | \$220,000.00 |
| PP-A/33-125 [Decision 4(XXXIII)] | \$240,000.00 |
| PP-A/33-126B [Decision 5(XXXIII)] | \$50,000.00 |
| PP-A/34-131 [Decision 4(XXXIV)] | \$35,000.00 |
| PP-A/34-135 [Decision 10(XXXIV)] | \$50,000.00 |
| PP-A/35-145 [Decision 4(XXXV)] | \$20,000.00 |
| PP-A/35-147 [Decision 4(XXXV)] | \$16,500.00 |
| PP-A/36-151B [Decision 4(XXXV)] | \$118,870.00 |

3. Decides to authorize financing for immediate implementation of the following Activities from resources 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-eighth Meeting PP-A/36-148 | \$93,500.00 |
|--|-------------|

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

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

Item 2 (ii) PP-A/36-149

| | |
|--|--------------|
| Review of the timber market in two significant tropical timber importing countries [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 5] | \$200,000.00 |
|--|--------------|

Item 2 (vi) 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
[ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 5]

| | |
|--|--------------|
| Study on Encouraging Private Sector Investment in Industrial Forest Plantations in the Tropics | \$147,630.00 |
|--|--------------|

Item 2 (viii) PP-A/36-151A

Promote the establishment of efficient and socially responsible community-based forest industries
[ITTO Yokohama Action Plan, Section 3.3, Goal 2, Action 8]

| | |
|--|--------------|
| Study to review experiences of successful community-based forest industries. | \$150,000.00 |
|--|--------------|

Item 2 (ix) PP-A/36-152

Study and promote policies and other measures to increase tropical plywood industry competitiveness
[ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 2]

| | |
|--|--------------|
| Implement studies and organize an international conference, in cooperation with FAO, on export plywood, with a view to produce and | \$150,000.00 |
|--|--------------|

disseminate information to enhance competitiveness of tropical plywood.

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

* * *

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23 July 2004

Original: ENGLISH

THIRTY-SIXTH SESSION
20 – 23 July 2004
Interlaken, Switzerland

DECISION 2(XXXVI)

APPOINTMENT OF AUDITOR FOR THE FINANCIAL YEARS 2004-2006

The International Tropical Timber Council,

Noting the requirements of Rules 7, 17 and 27 of the Financial Rules and Rules relating to Projects.

Decides to appoint the firm "Grant Thornton – ASG Audit Corporation, Tokyo" to audit the Accounts of the International Tropical Timber Organization (ITTO) for the three consecutive Financial Years beginning with the Accounts for the Financial Year 2004, and that the re-engagement of this same Auditor on annual basis is subject to satisfactory performance. The total payment including out-of-pocket and extra expenses, if any, should not exceed fifty per cent of the quoted fees originally submitted to the Organization.

* * *

ANNEX IV

REPORTS OF THE ASSOCIATED SESSIONS OF THE FOUR COMMITTEES

Documents: CEM-CFI(XXXIV)/4

CRF(XXXIV)/6

CFA(XV)/7

Distr.
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CEM-CFI(XXXIV)/4
23 July 2004

Original: ENGLISH

THIRTY-FOURTH SESSION
20 – 23 July 2004
Interlaken, Switzerland

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

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

Table of Contents

Report

- Appendix A:** Report on the ITTO Annual Market Discussion - 2004
- Appendix B:** Technical Assessment of Project and Pre-Project Proposals in the Areas of Economic Information and Market Intelligence and Forest Industry and Summary Table
- Appendix C:** Draft Terms of Reference

REPORT

1. Opening of the Session

The Thirty-fourth Session of the Committees was opened on 20 July 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(XXXVI)/Info. 2.

2. Adoption of Agenda and Organization of Work

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

3. Admission of Observers

The Committees admitted the observers listed in document ITTC(XXXVI)/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, on the Report of the Expert Panel for Technical Appraisal of Project Proposals at its Twenty-seventh Meeting held on 16-20 February 2004 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXIV)/1. Problems and issues identified by the Panel included:

- (i) the large number of proposals - 52 projects and 7 pre-projects for a total of 59 - reviewed by the Panel, which challenged the Panel's capacity to adequately review each proposal;
- (ii) poor problem analysis and translation into objectives and a logical framework for action;
- (iii) missing, incomplete or poorly presented information on background, risks and assumptions, institutional frameworks, terms of reference for personnel and budgets;
- (iv) insufficient consideration of the future sustainability of projects;
- (v) inadequate attention to ITTO's wider goals; and
- (vi) the unsatisfactory quality of new proposals (only one new project proposal was categorized as well formulated requiring only minor modifications).

The Panel further recommended that at its next and future meetings, each presenter among its members should provide comments in written or electronic form in order to facilitate the overall process of appraising proposals and the preparation of the Panel's report.

5. Working Group on Improving Effectiveness and Efficiency of Project Work

The report of the Working Group was presented by Mr. Romeo T. Acosta (Philippines), Chairperson of the Working Group. In his presentation, Mr. Romeo T. Acosta clarified that the approach adopted by the Working Group was to review the different stages of the ITTO Project Cycle since elements indicating success or failure of projects might be found at different stages of the Project Cycle comprising project identification, formulation, appraisal, decision/funding, implementation, evaluation and completion.

Mr. Romeo T. Acosta highlighted the core problems identified by the Working Group as follows:

- Insufficient matching of national policies, strategies and priorities and ITTO objectives and priorities in projects;
- Insufficient stakeholder ownership and coordination of projects;
- Too little emphasis on project impact and sustainability;
- Incomplete, overly complicated and, in some cases, inadequate Manuals, Guidelines, and

Procedures;

- Lack of understanding as to the role of Focal Points, and inadequate institutional capacity within Executing Agencies;
- Not well-defined, unsystematic and non-transparent project appraisal and approval processes;
- Narrow funding base; and
- Ineffective monitoring and evaluation process.

For each stage of the Project Cycle, Mr. Acosta highlighted the problems identified by the Working Group as well as the proposed remedial measures.

The delegate from Switzerland underscored the importance of efficient management of the Project Cycle management in achieving ITTO's objectives. He indicated that ITTO needed a strategic guidance in project management and two aspects seemed particularly important: the ownership of the project and its social impacts, in particular in relation to poverty alleviation and gender equity issue. He also indicated that a single manual for the management of project cycle should be formulated. Considering the importance of improving the project work of the organization he recommended that substantive discussion on this issue be undertaken at the next Session of the Council.

The delegate from the USA underlined the importance of ITTO project work and considered as particularly important the reports submitted by the two Working Groups [document CEM,CRF,CFI,CFA(XXXIV)/2 Report of the Working Group on Improving Effectiveness and Efficiency of Project Work and document ITTC (XXXVI)/5 Report of the Expert Panel on Measures to Improve Project Formulation and Appraisal]. He indicated that although no decision would be taken on this issue at the current Session, some aspects of the recommendations of these reports could be taken up immediately including through strengthening the roles of Focal Points and the Committees.

The delegate from Brazil suggested that both reports [documents CEM,CRF,CFI,CFA(XXXIV)/2 and ITTC(XXXVI)/5] should be consolidated.

In reaction to the specific recommendation calling for analyzing the reasons why potential donors were reluctant to channel funds through ITTO, the representative of the European Union indicated that these reasons vary and might include the type of projects and even its presentation format. He also indicated certain agencies were reluctant to finance small projects in order to reduce overheads. Projects with greater added value were also perceived to be more attractive, such as regional projects and projects that could produce wide ranging results.

The delegate of the Republic of Korea underscored the importance of project work in the strategy of ITTO to achieve sustainable management of tropical forests and to promote the use of tropical timber. He emphasized the need for the ITTO Manuals to be revised and that expertise should be made available at the level of the Executing Agency in order to ensure efficient implementation of projects. He also stressed the need for transparent project appraisal procedures and project monitoring systems.

The Committees agreed that further discussion on this issue be undertaken by each Committee with a view to identifying aspects that could be implemented through existing decisions and programmes, pending consideration by the Council at its next Session.

6. ITTO Annual Market Discussion – 2004 [Joint Session of the Technical Committees]

The Committees noted the report of the ITTO Annual Market Discussion – 2004, held in a Joint Session of the Technical Committees on 22 July 2004, as contained in Appendix A. The theme of the Market Discussion was "Diversity in the Single Market – The Challenge for Tropical Timber". Mr. Barney Chan (Sarawak Timber Association) served as the moderator of the Market Discussion. The following presentations were made during the Market Discussion:

| | |
|--|--|
| Mr. Jean-Jacques Landrot Interafrican Forest Industries Association | "Diversity in the Single Market – the Challenge for Tropical Timber in Europe" (African perspective) |
| Mr. Ed Pepke FAO/UN-ECE | "Diversity in the Single Market – the Challenge for Tropical Timber in Europe" (An Enlarged Europe) |
| Mr. Lau Nygaard | "Diversity in the Single Market – the Challenge for |

DLH Nordisk

Tropical Timber in Europe" (Manufacturers/Importers perspective)

7. Report on Completed Projects and Pre-projects

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

Committee on Economic Information and Market Intelligence

PPD 48/02 (M)

Review of Information on Life Cycle Analysis of Tropical Timber Products (ITTO)

The Committees noted the highlights of the pre-project study covering the review undertaken and its main findings, conclusions and recommendations. The final report of this study as contained in document PPR 67/04 (M) was considered by the Committees. The Committees duly declared the pre-project complete.

PPD 49/02 (M)

Review of the Indian Timber Market (ITTO)

The Committees noted the highlights of the pre-project study covering the review undertaken and its main findings and recommendations. The final report of this study as contained in document PPR 68/04 (M) was considered by the Committees. The Committees duly declared the pre-project complete.

Committee on Forest Industry

PD 47/94 Rev.3 (I)

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

The Secretariat presented a summary of the completion report for this project. The project had investigated the technical, marketing and ecological aspects of increased harvesting intensities in the tropical forests of north-east Honduras. Project objectives had largely been achieved, but not all of the species investigated were commercially viable. In addition, the project suffered a long delay due to the destruction of infrastructure in the project area following Hurricane Mitch in 1998. The Secretariat informed the Committees that the Government of Honduras had submitted a second phase of the project to carry forward the marketing work and investigate several additional species identified in the first phase. This proposal was currently being revised following assessment by the Expert Panel for Technical Appraisal of Project Proposals which recommended that an ex-post evaluation of the first project phase be carried out before commencement of the second phase. The Committees noted that the completion report and final audited financial statements had been submitted in accordance with the project agreement and duly declared the project complete.

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 Secretariat reported that this project has been concluded. The project was a capacity building project aimed at strengthening national training institutions and at providing training in forest industries in four countries, Philippines, Peru, Ghana and Honduras. The project was implemented in two phases, Phase I focusing on Philippines and Peru and Phase II on Ghana and Honduras. The Secretariat reported that Phase I was only very partially successful: after the implementation of initial activities which included the organization of regional workshops, the conduct of national trainers training courses, the development of national training programmes and the organization of the first round of training courses, results were not consolidated and the project was not pursued, in the Philippines because of the withdrawal of the participation of the national implementing agency (TREES) and in Peru because of lack of commitment of stakeholders.

In Ghana and Honduras, similar activities were conducted under Phase II of the project and concrete results were achieved in providing training in planning and management of forest industries, forming clusters between industries, strengthening cooperation between the industries, strengthening the training capacity of the participating institutions and taking steps for the continuation of training activities after the end of the project, thus ensuring the sustainability of the project.

The delegate from Brazil requested further clarification on the reasons behind the relative failure of the project in the Philippines and in Peru, and enquired what measures were taken to prevent the situation. The Secretariat explained that in the case of the Philippines, it was not possible to maintain contact with the national institution, TREES. Investigation involving the National Focal Contact Point was not successful. It appeared that TREES was a unit of the University of the Philippines in Los Banos that withdrew its participation in the project and the staff were out of contact. In the case of Peru, the lack of enthusiasm from the industry and the lack of financial resources to continue with the training activities explained the relative failure of the project. The Secretariat also informed the Committees that the completion report of the project as well as the audited financial report had been received by the Secretariat. The Committees duly declared the project complete.

PD 20/00 Rev.1 (I) Training Workshop on Further Processing of Tropical Timber in the Asia-Pacific Region (Republic of Korea)

The delegate from the Republic of Korea introduced the work of the project conducted by the Korea Forest Research Institute. The Committees noted that the project activities included two regional workshops organized in 2001 and 2002 with the participation of representatives of the government and private sectors of Producing Member Countries in the Asia-Pacific region. An expert meeting was also organized in August 2003 to review the recommendations identified in the workshops and to prepare specific action plans at the national and regional levels leading to the conclusion of the project. The delegate from Brazil stressed the importance of identifying problems and formulating projects at the national level. The Committees expressed its satisfaction with the work carried out under the project and declared the project complete.

PPD 50/91 (I) Provision of Assistance for Reassessment and Reformulation of Zairian Project Proposals PD 205/91 (I) "National Saw Maintenance Centre" and PD 209/91 (I) "Study of Zairian Timber with a View to Promoting Certain Species" (Democratic Republic of Congo)

The Secretariat informed the Committees that this pre-project has been concluded.

Project PD 209/91 Rev.2 (I) "Study of Zairian Timber with a View to Promoting Certain Species" had been reformulated, approved and funded by the Council. The project agreement had been formulated but activities had not been initiated because of civil unrest in the Democratic Republic of Congo.

Project PD 205/91 (I) had been reformulated with the assistance of an international consultant engaged by ITTO and resulted in project proposal PD 177/02 (I) "Establishment of the Kinshasa National Saw Doctoring Center in the Democratic Republic of Congo (DRC)". The project proposal would be assessed by the Expert Panel at its Twenty-eighth Session. The pre-project was implemented by the Secretariat.

The delegate from Brazil suggested that the revision of the Manual for Project Formulation should take into consideration special cases like the prevailing situation in the Republic of Congo and include precise procedures on how to handle such cases. The Secretariat took note of the suggestion. The Committees declared this pre-project complete.

PPD 15/98 Rev.2 (I) Joint ATO/ITTO Conference on Further Processing of African Tropical Timber (Gabon)

The representative from Gabon informed the Committees that two meetings were organized under the pre-project on 26-28 September 2001 and on 26-27 March 2003. The Conference itself was a great success in terms of participation and outcomes. Major outputs included a Regional Plan for the Development of Further Processing in Africa adopted by the Conference and a General Policy Ministerial Declaration signed by Ministers and Heads of Delegation.

The Secretariat informed the Committees that it had received the completion report of the pre-project, the proceedings of the Conference and the audited financial report of the pre-project. The Committees duly declared this pre-project complete.

PPD 11/99 Rev.1 (I)

Regional Development of the Rubberwood Industry in Côte d'Ivoire (Phase I)

The delegate from Côte d'Ivoire made a presentation on the implementation of the pre-project and its achievements. He reported that the main outputs included:

- A thorough information of interested parties on the potential of a rubberwood industry in Côte d'Ivoire;
- A report including data on existing rubberwood resources and their potential to support a sustainable rubberwood industry;
- A report on the technological development of rubberwood industry;
- A report on the economic and financial analysis of the rubberwood sector;
- Rubberwood furniture and other rubberwood products exhibited during the final workshop during which pre-project results and achievements were discussed;
- A project proposal to be submitted to ITTO on the development of rubberwood industry in Côte d'Ivoire.

The Secretariat also informed the Committees that it had received the pre-project completion report, the technical report and the audited financial report. The Committees duly declared this pre-project complete.

PPD 6/00 Rev.1 (I)

Formulation of a Project Proposal to Support the Sustainable Development of Small Forest Industrialist (Peru)

The Committees noted that the main output of the pre-project was a report on the situation of forest areas allocated for long-term concessions and for small-scale timber extraction in Peru. It also noted that based on the results of the pre-project work, the Government of Peru submitted project proposal PD 233/03 (I) titled "Support for the Sustainable Development of Small Forest Industrialists through the Use of Appropriate Intermediate Technologies in Forest Harvesting". The project proposal was approved and funded at the Thirty-fifth Session of the ITTC in November 2003 as PD 233/03 Rev.2 (I) re-titled "Application of Intermediate Technologies for Sustainable Forest Harvesting". The Committees expressed satisfaction with the study carried out under the pre-project and duly declared the pre-project complete.

PPD 7/00 (I)

Feasibility Study for the Production of Sawnwood from Tropical Forest Using Appropriate Technologies (Ecuador)

The Secretariat informed the Committees that this pre-project had been concluded and guidelines for sawing logs had been established. It also made recommendations with regard to the integration of wood industries in order to improve the utilization of wood resources and the promotion of the utilization of small diameter logs. The Secretariat informed the Committees that it had received the completion report of the pre-project as well as the audited financial report. The Committees duly declared this pre-project complete.

PPD 55/02 Rev.2 (I)

Assessing the Contribution of Selected Non-timber Forest Product Based on Community Participation Approach to Support Sustainable Forest Management (Indonesia)

The Committees noted that the outputs of the pre-project were a technical report entitled "The potential of medicinal plants to support sustainable forest management: ecological, economical and socio-cultural aspects" as well as a full project proposal entitled "Promoting Selected Non-Timber Forest Products based on Community participation Approach to Support Sustainable Forest Management", which was reviewed by the Expert Panel for Technical Appraisal of Project Proposal at its Twenty-seventh meeting in February 2004. The Committees further noted that the completion report and the audited financial statement had been submitted in accordance with the pre-project agreement. The Committees expressed satisfaction with the work carried out under the pre-project and declared the pre-project complete.

PPD 57/02 Rev.1 (I) Improvement of Processing Efficiency of Tropical Timber from Sustainable Sources in Indonesia

The delegate from Indonesia introduced the main objectives, activities and outputs of the pre-project conducted by the Indonesian Sawmill and Woodworking Association (ISWA). The Committees noted that a field survey of wood working mills in Kalimantan, East Java, Sulawesi and Sumatra was conducted with the assistance of an international consultant. In general, it was noted that many of the managers at sawmill and plywood factories appeared to have begun recognizing the importance of increasing recovery ratios and quality since the supply of raw materials to the factories had become a serious problem.

The pre-project served as the basis for the formulation of the project proposal PD 286/04 Rev.1 (I) "Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia", to be finally appraised by the Committees at the current Session. The delegate from Brazil emphasised the importance of formulating project proposals to address efficiency problems. The Committees further noted that the completion report and the audited financial statement had been submitted in accordance with the pre-project agreement. The Committees expressed satisfaction with the work carried out under the pre-project and declared the pre-project complete.

8. Ex-post Evaluation

(A) Ex-post Evaluation Missions/Report

The Committees were informed by the Secretariat regarding the engagement of Dr. Chamniern Paul Vorratnchaipan (Thailand) as the consultant to undertake the ex-post evaluation of PD 1/95 Rev.4 (M) "Training Development on the Assessment of Sustainable Forest Management" (Indonesia). The Committees further noted that the report of the ex-post evaluation was expected to be presented for the consideration of the Committees at the next Session.

(B) Selection of Projects for Ex-post Evaluation

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

| | |
|---------------------|--|
| PD 47/94 Rev.3 (I) | Industrial Utilization of Lesser-known Forest Species in Sustainably Managed Forests (Honduras) |
| PD 13/95 Rev.3 (I) | Capacity Building in Training in Planning and Management of Forest Industries in ITTO Producer Member Countries (Phase II) (Finland) |
| PD 7/94 Rev.3 (M,I) | Information and Technical Assistance for Production and Trade on Tropical Timber (Brazil) |

9. Projects and Pre-Projects Awaiting Financing

The Committees took note of the projects and pre-projects awaiting financing as follows:

Committee on Economic Information and Market Intelligence

1. 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)
2. PD 124/01 Rev.2 (M) Phases I Stage 2, II, III Promotion of Sustainable Management of African Forests (ITTO/ATO)
3. PD 171/02 Rev.3 (M) Transparency in Trade Flows and Distribution of Tropical Wood Products in China (China)
4. PD 221/03 Rev.2 (M) Phase I A Consumer Awareness Programme to Address Market Failures for Tropical Hardwoods (ITTO)

5. PPD 45/02 Rev.2 (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
6. 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
2. PD 103/01 Rev.4 (I) Demonstration of Rubberwood Processing Technology and Promotion of Sustainable Development in China and other Asian Countries (China)
3. PPD 52/02 Rev.1 (I) Development of Small-Medium Solar Timber Dryer for Social and Productivity Improvement of Thai Villagers (Thailand)
4. PPD 68/03 Rev.1 (I) Study on the Utilization of Plantation Teak (Myanmar)
5. PPD 81/03 (I) Training Needs Analysis for the Furniture and Lumber Industries in the Philippines

The Committees noted that PD 171/02 Rev.3 (M) had been revised and resubmitted by the Government of China and PPD 45/02 Rev.2 (M) had been revised and resubmitted by the Government of Panama with a view to extending its status as an approved pre-project in accordance with paragraph 2, Annex 2 of Decision 2(X).

10. Projects and Pre-Projects under the Sunset Provision

The Committees took note that the following projects and pre-projects had lost their status as approved projects and pre-projects in accordance with paragraph 2, Annex 2 of Decision 2(X) related to the sunset provision:

Committee on Economic Information and Market Intelligence

1. PD 179/02 (M) A Strategic Plan to Develop Decision Support Tools to Support the Forest Industry Organization of Thailand (FIO)

Committee on Forest Industry

1. PD 75/01 Rev.2 (I) Nomenclature of African Tropical Timber (Congo)
2. PD 96/01 Rev.2 (I,F) Strengthening Capacity Building of Forest and Forest Products Research Base for Sustainable Forest Management in Cambodia (Cambodia)
3. PPD 4/00 Rev.3 (I) Feasibility of Introducing and Developing Non-destructive Testing Technologies and Methods for Assessment and Monitoring for Timber/Wood Structures in Various Structural and End-use Applications in West Africa (Ghana)
4. PPD 46/02 Rev.1 (I) Support for the Formulation of a Project on the Industrial and Commercial Development of Lesser-Known Broadleaved Timber Species on a Sustainable Basis in Guatemala (Guatemala)

11. Consideration of Project and Pre-Project Proposals

The Committees considered the following five project proposals and three 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(XXXIV)/3:

Committee on Economic Information and Market Intelligence

| | |
|---------------------|--|
| PD 191/03 Rev.3 (M) | Information System for the Support and Implementation of National/Regional Forest Policies (Malaysia) |
| PD 192/03 Rev.3 (M) | A Comprehensive Information System for Sustainability of the Wooden Furniture Industry in Malaysia (Malaysia) |
| 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) |
| 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

| | |
|---------------------|--|
| PD 215/03 Rev.3 (I) | Sustainable Utilization and Marketing of Selected Non-timber Forest Products to Support the Handicraft Industry and the Development of Rural Communities (Philippines) |
| PD 286/04 Rev.1 (I) | Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia |
| PPD 88/03 Rev.2 (I) | Strategy for Sustainable Utilization of Non-Timber Forest Products (NTFP) Involving Local Communities in West Sumatra (Indonesia) |
| PPD 97/04 (I) | Improve Strategies and Assess Training Needs to Achieve SFM in Suriname |

The Committees considered in detail the comments of the Twenty-seventh Expert Panel for Technical Appraisal of Project Proposals on these proposals, and the revisions incorporated in the final versions in response to these comments. The final versions of all proposals were duly evaluated by the Committees. In addition, the Committees considered PD 171/02 Rev.4 (M) as revised and resubmitted by the Government of China and PPD 45/02 Rev.3 (M) as revised and resubmitted by the Government of Panama. The detailed results of the Committees' evaluation and appraisal of these proposals are presented in Appendix B.

12. Policy Work

Six issues under the CEM and five issues under the CFI were discussed by the Committees.

Economic Information and Market Intelligence

(i) Market Access

With regard to approved ITTO work relating to market access, the Committees were informed that the final report on the Study to Identify Measures to Bring Increased Transparency to Tropical Hardwood Plywood Trade and Analyse the Causes of Market Fluctuations and Price Instability under PPD 34/01 (M) had been published. It was also noted that the implementation of the Study on Measures to Promote the Expansion and Diversification of International Trade in Tropical Timber pursuant to Decision 12(XXXIV) had commenced and that the preliminary report of the study was expected to be presented to the Council at its Thirty-seventh Session.

The Committees also noted that while the meetings of most WTO negotiating groups had been resumed, a break-through from the impasse following the unsuccessful outcome of the WTO Fifth Ministerial Conference in Cancun, Mexico in September 2003 had yet to be achieved. The meeting was informed that the preliminary report of the study being undertaken pursuant to Decision 12(XXXIV) to be presented at the next Session of the Council would contain information

on the latest developments in the negotiations of the Doha Development Agenda as related to tropical timber and products.

(ii) Forest and Timber Certification

The Committees noted the progress in the implementation of on-going ITTO work on phased approaches to certification pursuant to Decision 10(XXXIV) covering (i) the development of procedures for the implementation of phased approaches to certification, (ii) cost-benefit analysis for the implementation of phased approaches to certification by forest management units and (iii) the convening of the International Workshop on Phased Approaches to Certification in a key consuming member country.

The Committees further noted the presentations made before the Council by Dr. Markku Simula (Finland) on the preliminary reports relating to the development of procedures for the implementation of phased approaches to certification and the cost-benefit analysis for the implementation of phased approaches to certification by forest management units. The final reports on these studies would be submitted at the next Session of the Council.

The Committees were informed that preparations had commenced for the convening of the International Workshop on Phased Approaches to Certification in a key consuming member country with a view to promoting phased approaches to certification in importing and consuming countries. The workshop was scheduled to be held during the first half of 2005 in time for its proceedings to be presented at the Thirty-eighth Session of the Council.

In the context of the implementation of Decision 5(XXXIII) to provide support for the promotion of private sector/civil society partnerships for the advancement of sustainable forest management and certification on a pilot basis, the Committees noted the approval of the partnership involving the Tropical Timber Trust (TFT) and P.T. Hutanindo in Indonesia.

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

The Secretariat informed the Committees of the results of the workshop which was held in Pucallpa, Peru from 17 to 21 May 2004. Over 80 participants from governments, international organizations, NGOs and the trade attended the workshop, which developed a series of recommendations on implementing monitoring and control systems for mahogany production and trade, for technical assistance, and regarding the role of the private sector and regional/inter-agency cooperation. The Secretariat presented the draft report of the workshop and informed the Committees of the workshop recommendation to present the report to the 13th Conference of the Parties to CITES. The estimated budget to edit and publish the workshop report in the ITTO Technical Series was US\$15,000.

The representative of Peru welcomed the report of the workshop. He noted that the bulk of Peru's mahogany exports were based on illegal harvests and sought support for a project currently being considered by ITTO that would improve inventory information on mahogany for better management and control. He noted that his government was already implementing several of the workshop recommendations.

The representative of Indonesia offered to share information on the silviculture and management of its plantation mahogany resources with interested countries.

The representative of IWPA welcomed the report and the stronger relationship between ITTO and CITES that it represented. He noted that the workshop had played an important role in establishing the strong contribution trade could make to the sustainable management of mahogany. He further noted that workshop recommendations were directed at each group of participants (governments, international organizations, trade and NGOs) and that the trade (and IWPA in particular) were already beginning implementation of some of these.

The representative of Fauna and Flora International (FFI) also welcomed the workshop and the recommendations contained in its report. FFI was implementing one recommendation: namely further national or regional workshops on the issue, with a workshop on mahogany and non-detriment findings scheduled to be held in Nicaragua in November 2004.

The representative of Venezuela noted that mahogany had a wide distribution and that efforts should be undertaken to evaluate the capacity of all range states to implement the CITES Appendix II listing requirements.

The representative of USA also welcomed the workshop report, noting that it established that ITTO had expertise highly relevant to CITES. He informed the Committees that his government would support follow-up workshop(s) in Central America and that the USA would liaise with FFI regarding the planned Nicaragua workshop.

The representative of Malaysia noted the workshop recommendation proposing that CITES review its listing procedures for timber species. He called for ITTO to be closely involved in any such review, which could offer further opportunities for ITTO/CITES collaboration. The Committee noted that further consideration of this and other issues related to CITES would be taken up by the Council under item 10 of its Agenda.

The Committee recommended that additional funding of US\$16,500 be made available for this activity under the relevant section of Decision 4(XXXV) to allow for the editing, publication as an ITTO Technical Series, and wider dissemination of the workshop report.

(iv) Discussion of the ITTO Biennial Work Programme 2004-2005

The Committee discussed in detail the draft terms of reference for three items in the approved ITTO Biennial Work Programme for the Committee on Economic Information and Market Intelligence in 2004-2005:

1. Study on Subsidies Affecting Tropical Timber Products
2. Review of the Timber Market in Two Significant Tropical Timber Importing Countries
3. Audit of Existing Tracking Systems in Tropical Forest Industries

The Committee agreed that these items of the Work Programme were very important and that it was necessary to carefully consider the terms of reference to ensure the successful implementation of these studies.

Several delegations raised concerns regarding the scope of the studies as described in the draft terms of reference and agreed that the terms of reference should be more focused.

The Committee decided that the terms of reference for the studies, Study on Subsidies Affecting Tropical Timber Products, Audit of Existing Tracking Systems in Tropical Forest Industries, should be refined and that interested parties could communicate the inputs to the Secretariat which would compile revised terms of reference for consideration by the Committees at its Thirty-fifth Session.

Following the input from an open-ended working group, the Committees considered and approved the terms of reference for the Review of the Timber Market in Two Significant Tropical Timber Importing Countries as contained in Appendix C-1.

Committee on Forest Industry

- (i) 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 Malaysia and Papua New Guinea to carry out the study in July 2003 and a preliminary report was presented at the previous Session of the Committees. Case studies in Brazil, Honduras, Ghana and Cameroon were conducted in May 2004. The Committees further noted that a review on various potential benefits of downstream processing of the six countries was underway. A draft final report would be presented at the next Session of the Committees.

- (ii) Develop, Publish and Disseminate Information on Increasing Timber Processing and Utilization Efficiency and Reducing Waste

The Committees noted the presentation made by the consultant, Dr. Markku Simula, on progress in the implementation of this activity. He introduced the draft final report of the activity, highlighting the methodology used to conduct the study, its findings and main proposed recommendations. The delegate of Switzerland suggested that more emphasis be placed on market aspects and on the impact of price level of raw forest materials to waste generation. The Chairperson invited members to communicate any additional suggestion to the consultant for the preparation of the final report.

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

The Secretariat briefed the Committees on the implementation of this activity under the ITTO Bi-annual Work Programme for 2004-2005. The Committee took note that Forest Trends had been selected to provide consultants to assist ITTO in the implementation of this activity, in particular 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 to be held by 31 March 2005.

- (iv) Promote the Establishment of Efficient and Socially Sound Community-based Forest Industries

The Committees were briefed by the Secretariat of the main objectives of the study and its draft terms of reference. The delegate from Venezuela stressed the importance of promoting community-based forest industries in the tropics. The Committees felt that socially sound in the study title would be better with socially responsible as the latter can reflect important social aspects of the study in a better way. The final terms of reference for the study are attached to the Report as Appendix C-2.

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

The Secretariat briefed the Committee on the background of this activity under the ITTO Biennial Work Programme for 2004-2005. The Committee reaffirmed its support for the implementation of this activity as proposed in the ITTO Biennial Work Programme as contained in Appendix C-3. The Committee also drew the attention of the Secretariat to the need for a careful selection of topics to be discussed at the Conference.

13. Dates and Venues of the Thirty-fifth, Thirty-sixth and Thirty-seventh Sessions of the Committees

The Thirty-fifth Session of the Committees would be held in conjunction with the Thirty-seventh Session of the International Tropical Timber Council in Yokohama, Japan, on 13-18 December 2004.

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

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

14. Other Business

The Committees took note and supported the project idea introduced by Fauna and Flora International (FFI) focusing on a study of timber production and consumption in the musical instrument manufacturing industry. The Committees suggested that the study should also address traditional musical instruments. The Committees advised the FFI to work with a member country in order to develop a full project proposal consistent with the ITTO format and submit it to the ITTO Secretariat through an official country ITTO focal point.

15. Recommendations to the International Tropical Timber Council

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

Committee on Economic Information and Market Intelligence

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|---------------------|--|
| PD 171/02 Rev.4 (M) | Transparency in Trade Flows and Distribution of Tropical Wood Products in China [US\$259,956] |
| 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 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) [US\$150,968] |
| 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 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) [US\$30,348] |

Committee on Forest Industry

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|---------------------|--|
| PD 215/03 Rev.4 (I) | Sustainable Utilization and Marketing of Selected Non-timber Forest Products to Support the Handicraft Industry and the Development of Rural Communities (Philippines) [US\$335,232] |
| PD 286/04 Rev.1 (I) | Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia [US\$765,140] |
| 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] |
| PPD 97/04 Rev.1 (I) | Improve Strategies and Assess Training Needs to Achieve SFM in Suriname [US\$94,832] |

- (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

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|--|--|
| 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 196/03 Rev.1 (M) Upgrading and Strengthening of the National Forest Statistical Information System in Venezuela [US\$384,265]
- PPD 62/02 Rev.1 (M) Establishing a Forest Statistics Management System in the Democratic Republic of Congo [US\$76,373]

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 103/01 Rev.4 (I) Demonstration of Rubberwood Processing Technology and Promotion of Sustainable Development in China and other Asian Countries [US\$349,641]
- PPD 52/02 Rev.1 (I) Development of Small-Medium Solar Timber Dryer for Social and Productivity Improvement of Thai Villagers (Thailand) [US\$90,768]
- 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]

- (iii) The Committees recommended that the Council provide additional funds of US\$16,500.00 to the activity under Decision 4(XXXV) on "Workshop on capacity building for the implementation of mahogany CITES listing in Bolivia, Brazil and Peru".

16. Report of the Session

The Committees adopted this report for submission to the Council.

APPENDIX A

REPORT ON THE ITTO ANNUAL MARKET DISCUSSION - 2004 22 July 2004, Interlaken, Switzerland

The ITTO Annual Market Discussion-2004 generated a lively debate on the issues of incentives and price premiums for certification timber and the verification of legality of supply of tropical timber. These two issues were at the core of all three presentations which addressed the theme of the market discussion "Diversity in the European Single Market – the Challenges for Topical Timber".

Dr. Ed Pepke, of the FAO/UNECE Timber Committee provided a background to the timber sector and timber trade in the EU-15 and the impact of enlargement to the EU-25 and the changing face of the timber sector in the EU.

Mr. Lau Nygaard Vice President DLH Nordisk provided a manufacturer/importer perspective of the challenges of trading in the EU. He also provided a private sector view on issues of trading in the global market where there were very different demands, standards and expectations with regard to the trade in topical timber.

Mr. Jean-Jacques Landrot, as a spokesman for the Interafrican Forest Industries Association (IFIA) provided a perspective on the challenges for African timber producers in the new enlarged EU.

The European Union has entered a new era. The addition of ten new member states has had a significant impact on almost every industry sector in the EU. Companies in the accession countries are facing many challenges and companies in the previous EU-15 also have to assess their business strategies. Countries outside the now enlarged EU are also facing many challenges and looking for the opportunities created by the enlargement of the EU.

For countries outside of the EU, and particularly for tropical timber producing countries, there are many questions.

- With the addition of ten new member states, the EU's total timber growing stock has increased by almost 34% from 13.4 billion cubic metres to 17.9 billion cubic metres. Will this mean less imports of timber?
- Does the expanded market, with a population of 455 million and a combined GDP of about Euro 9,700 billion, represent better opportunities?
- Are there real benefits from access to a unified market with a single set of rules where tariffs in the new members will fall from the current average 9% to around 4%?

Forestry in the EU-25

Forestry, wood products and the paper industries are important sources of income, employment and export earnings in the acceding countries. Collectively the acceding countries have about 23.9 mil. ha of forest which will add to the already 114.2 mil. ha of the EU-15.

Enlargement will increase the EU's total growing stock and the majority of the additional stock is in Poland and the Czech Republic and sawnwood production in the acceding countries was a hefty 15.7 mil. cu.m in 2002 compared to 79.7 mil. cu.m in the EU-15. Significantly half of the acceding country sawnwood production is exported.

In addition, production of plywood, particleboard and fibreboard in the EU-25 will increase by 8.7 mil cu.m adding to the 45.5 mil. cu.m produced in the EU-15.

In the case of furniture, production is fragmented in the acceding countries but Poland is amongst the world's leading producers. Acceding countries are net exporters of furniture and since 1994 exports of furniture from the acceding countries have doubled, notably from Poland. Productivity in the new member countries is said to be slightly below international levels but, importantly for third countries, labour costs are generally low but there is wide diversity between countries.

On the positive side for tropical timber exporters, and of course their competitors, the new EU member countries will have to abandon bilateral trade agreements which are incompatible with EU membership and the acceding countries will have to adopt the EU Common Commercial Policy which could improve market access.

Exporting countries could expect to benefit from an expanded market. However, in spite of a 20% increase in population; the increase in market strength may be below expectations.

The reasons behind the forecast marginal expansion in forest products markets stem from the relatively low GDP, hence demand, levels in the new members. In many of the countries, the potential growth was constrained during the time under planned economies and only in the last decade have some of these countries come completely through the transition period.

But, within an only slightly larger market, third countries will benefit from unified access and a single set of rules and a market in which tariffs will fall from the current average 9% in acceding countries to around 4%.

However the prospects for a significant expansion of markets for tropical timber in the EU-25 will not be immediate because the new members consume considerably less tropical timber than the average in the EU-15. It could be argued that, because the per capita consumption of tropical timber is low in the acceding countries, the potential is greater? Perhaps yes, but over what time period will it be before the market can be developed and consumption levels rise?

It was noted that within the UNECE region, more wood is grown than is consumed and that promoting the consumption of wood, whether softwood or hardwood, is essential to grow the markets in the new member countries. This will be a challenge as central and eastern European countries and the CIS countries are near, and in some cases exceed, pre-transition period levels of production and exports, it is the domestic consumption that is lagging.

Challenges for African Producers

The forestry sector and the timber industry play a very important role in the economies of many African countries, in particular in the countries of the Congo Basin, for example, the contribution to GNP is reported as between 3% and 10%. In the Central African Republic, the timber industry employs nearly a third of the workforce.

Since most of the forestry and milling operations are in the rural areas, the sector is also playing an important role in providing employment opportunities to help stem the migration of rural populations to the cities.

There is considerable diversity in W. African forestry and in the trade in wood products. The forests are very different, the flora and fauna are very different and there are considerable differences in the size, skills and financial as well as technical resources of the various countries in W. Africa. There are, also, essential differences in the capacity to achieve sustainable forest management in the various countries.

The EU market has always been important for African timber producers and there are strong trading links between timber producers in W. Africa and some of the European countries, especially the EU-15 countries. In recent years, China and other Asian countries have become more important markets for African producers and, because of the demand in these countries, African producers have been able to diversify their markets.

Today, the volume of timber that is produced in and exported from W. African countries has declined. Log exports have, in many countries, been replaced by finished or semi-finished product exports. The volume exported, however, remains at around 10 million cubic metres (roundwood equivalent) and Europe still is a major importer of African timber.

There has been a noticeable growth, in recent years, in the production and export of sawn products, complemented by production of higher added value, kiln dried, planed and moulded products. African timbers, due to their natural durability, are particularly well suited for the production of timber products to be used outdoor (marine work, garden furniture, floors, decking etc).

The current low level of industrialization in most African countries provides opportunities for investors. The raw materials are available and regional markets are of growing importance. The timber needs of Nigeria, for example provides opportunities for regionally based timber industries.

But not everything is a success in the W. African timber sector. The IFIA acknowledges that there are issues in the sector that create mistrust on the part of European consumers and the IFIA is taking action at two levels.

Under the African Forest Law Enforcement and Governance (AFLEG) initiative, African countries and the international community, including the European Union, is trying to address the issue of illegal logging. However, establishing a credible process to reassure the market will take time.

In support of greater transparency the IFIA has launched a new initiative, a voluntary scheme which it is hoped can be operational soon. Through this, companies, who wish to participate, will make transparent their records from the logging camps and mills and will submit to third party verification of wood product production and transport.

This initiative is supported by IFIA partners, in particular regional and international organizations, and the IFIA expects the scheme will be in operation by the end of 2004.

While the IFIA recognizes the need for improvement in W. African forest management, it strongly condemns the means used by some NGOs to exert pressure on consumers of tropical timber. These NGOs, say the IFIA, are negatively affecting demand without helping to strengthen the capacity in the producer countries, be it through support for SFM or for support of the verification of legality.

A Private Sector Initiative to Address Consumer Concerns

In recent years, some emerging trends in the international timber trade have affected business strategies in the private sector. In summary, the consumption of timber is increasing and most of the new consumption is in emerging markets. There is a shift in the allocation of labour, with significant relocation of processing capacity moving back down the value chain. Also, there is now much greater market transparency and, in parallel with this, a much greater consumer awareness which is translated into an increased focus on verification.

The private sector has responded to this in several ways. Many companies are establishing procurement and or sales units in the emerging markets; this is especially noticeable in the investments in wood processing in the new countries of the EU. Companies are increasing the added value at source of the raw material and many companies are actively engaged in environmental, legality and chain of custody work in producer countries.

An example of this is the "Good Supplier Programme" initiated by DLH Nordisk, which makes it possible for the company to address some of the concerns in the consumer markets on the performance of suppliers in relation to harvesting, environmental protection, working conditions etc. This initiative is strengthened by support and verification from domestic authorities and environmental organisations.

There are other initiatives, which are closely followed by DLH Nordisk, for example the forest law enforcement and governance (FLEG) initiatives in Asia and Africa, SFM guidelines and certification. However, there are concerns reported here as the costs of certification and of proving legality are high and no-one seems to be prepared to pay a price premium. Under these conditions it is difficult for producers to bear the costs and still be competitive.

The point was made by the speaker from DLH Nordisk that "without enforceable laws, the unscrupulous will exploit lower priced timber from illegal origins and will undermine the market for the reputable producer".

In coming to a just resolution of this issue, the speaker said that it is important that consumers demand disclosure of the true origin of all internationally traded timber. This, it was said, will ensure fair competition and will have the desirable impact of safeguarding the environment.

Conclusion

As stated at the outset, the lack of incentives and price premiums for certified timber and the growing demands for verification of legality of supply of tropical timber were at the core of all three presentations for the Market Discussion and these issues dominated the debate.

Several producer members noted that some countries and especially some in the EU, were demanding certified wood products, but that price structures for certified and non certified wood products, in most cases, were the same and thus do not reflect the extra costs involved in producing certified products. The point was made that a price premium for certified wood products exists only in niche markets and that, in most cases where certified products are being marketed, the costs of certification are being borne solely by the producers of tropical timber.

The issue of verification of legality raised the temperature of the debate. Several interventions focused on, what was claimed to be, misrepresentation of the extent of illegal logging in tropical timber producing countries. Calls were made for those publishing data, purported to be the extent of illegal logging, to substantiate their claims with verifiable data. Others called for an immediate end to the mis-information being promulgated by some on the extent of illegal logging in tropical countries, calling this "criminal interference in the market".

With the challenges for tropical timber in the EU market the central theme of the Market Discussion, the possibility that the EU is likely to introduce new regulations on verification of origin for tropical timber attracted criticism from some speakers.

Any new regulations, it was claimed, would be tantamount to a ban on tropical timber imports. However, it was pointed out that, rather than being a barrier to trade, any new initiative would be framed within the context of keeping the EU markets open to tropical timber. It was admitted that, in the past there had been calls for countries in the EU to ban imports of tropical timber but the new initiative would not have this effect.

From the producers side, a call was made for the careful and phased application of any new EU regulations requiring verification of origin, allowing time for the countries to adjust to such requirements.

Other speakers emphasized that the issue of illegal logging is clearly a national issue and can be best addressed at source and that there is little need for consumer countries to establish new regulations on imports. Speakers urged greater efforts to support national institutions responsible for enforcing the forestry laws.

The ITTO Annual Market Discussion is never dull and a debt of gratitude is owed to the three speakers who generously gave up their time to participate and promote the lively debate. Mr. JJ Landrot is not new to the TAG and his commitment to the cause of promoting African timbers took on a new dimension with his presentation on behalf of the IFIA. Mr. Lau Nygaard offered a new and challenging perspective from an obviously progressive international company and his participation was deeply appreciated. In recent years the cooperation between the FAO/UNCE and ITTO has strengthened and the participation of Dr. Pepke in this year's Market Discussion added a new dimension to that cooperation which will hopefully be continued.

APPENDIX B

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

Committee on Economic Information and Market Intelligence

- (i) PD 171/02 Rev.4 (M) Transparency in Trade Flows and Distribution of Tropical Wood Products in China

The Committees noted that the Government of China had submitted a revised proposal of the project taking into account comments made during the previous Session. The Committees recommended that the proposal be approved for immediate funding and implementation with minor amendments to strengthen the project activity related to dissemination of project results by excluding output 1.8 and reducing the project duration from 24 months to 18 months.

- (ii) PD 191/03 Rev.3 (M) Information System for the Support and Implementation of National/Regional Forest Policies (Malaysia)

The Committees noted that the recommendations and comments made by the Twenty-seventh 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 192/03 Rev.3 (M) A Comprehensive Information System for Sustainability of the Wooden Furniture Industry in Malaysia (Malaysia)

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

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

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

- (v) 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

The Committees noted that the Government of Panama had submitted a revised proposal of the pre-project in order to extend its status as an approved pre-project in accordance with paragraph 2, Annex 2 of Decision 2(X). The Committees recommended that the proposal be approved for immediate funding and implementation.

- (vi) 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

The Committees noted that the recommendations and comments made by the Twenty-seventh 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 215/03 Rev.3 (I) Sustainable Utilization and Marketing of Selected Non-timber Forest Products to Support the Handicraft Industry and the Development of Rural Communities (Philippines)

The Committees noted that the recommendations and comments made by the Twenty-seventh Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. However, the delegate from Switzerland pointed out that the problem tree and objective tree were not consistent. The delegate from Brazil observed that the honorarium allocated for an international consultant seemed to be rather high. Based on these comments, the Committees decided to recommend to the Council the approval and implementation of PD 215/03 Rev.4 (I) with minor modifications, namely, making the objective and problem tree consistent and reducing the honorarium for the international consultant in marketing from US\$10,000 to US\$5,000 per month.

- (ii) PD 286/04 Rev.1 (I) Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia

The delegate from Indonesia introduced the proposal to the Committees and highlighted the modifications made in the revised proposal to address the recommendations of the Twenty-seventh Expert Panel of Technical Appraisal of Project Proposals. The Committees noted that the recommendations and comments made by the Twenty-seventh Expert Panel had been adequately addressed in the revised proposal. The Committees expressed satisfaction with the revised proposal and decided to recommend to the Council the approval and implementation of PD 286/04 Rev.1 (I).

- (iii) PPD 88/03 Rev.2 (I) Strategy for Sustainable Utilization of Non-Timber Forest Products (NTFP) Involving Local Communities in West Sumatra (Indonesia)

The Committees were briefed by the delegate from Indonesia on the background information and main elements of the revised proposal. The Committees noted that the recommendations and comments made by the Twenty-seventh Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees expressed satisfaction with the revised proposal and decided to recommend to the Council the approval and implementation of PPD 88/03 Rev.3 (I) with minor modification in the budget to appropriately account for the ITTO Programme Support Costs (8%).

- (iv) PPD 97/04 (I) Improve Strategies and Assess Training Needs to Achieve SFM in Suriname

The delegate from Suriname introduced the proposal to the Committees by highlighting the main components of the proposal which originated from the recommendations of the ITTO Technical Mission to Suriname in 2003. The Committees noted that the recommendations and comments made by the Twenty-seventh Expert Panel of Technical Appraisal of Project Proposals had been adequately addressed in the revised proposal. The Committees expressed satisfaction with the proposal and decided to recommend to the Council the approval and implementation of PPD 97/04 Rev.1 (I) with a minor modification to incorporate ITTO monitoring and evaluation costs in the budget.

APPENDIX C-1

REVIEW OF THE TIMBER MARKET IN TWO SIGNIFICANT TROPICAL TIMBER IMPORTING COUNTRIES [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 5]

1. The Proposal

It is pertinent that a study be conducted to gain an insight into the current supply and demand status of the timber market in two significant tropical timber importing countries not previously examined by ITTO, and the opportunities in these markets for ITTO exporters. It is proposed that, subject to the agreement of two countries, international/national consultants be engaged to carry out a study in close association with local agencies, institutions and the private sector.

2. Terms of Reference

I. Compilation and Review of Information

The consultant(s) shall:

1. Collect, analyse and present data on imports, exports, production and consumption of timber identifying trends for tropical hardwoods, softwoods and temperate hardwood in the two countries. This analysis should cover industrial roundwood, sawnwood, veneer, plywood, builders joinery, flooring, mouldings, millwork and wood furniture. Any existing studies should be integrated in this analysis.
2. Identify the sources of statistical data used in (1) above and provide an assessment of the reliability and timeliness of this data.
3. Review information on trends in tropical timber trade in the region(s) in which the countries are located.

II. Tropical Timber Consumption Analysis

4. For the main consumption centres, report on trends in the last 3-5 years in consumption of the products noted in (1) above and identify the consumption trends for tropical hardwood products relative to other timbers and place such trends in a regional context.
5. For each of the consumption centres, and for the countries as a whole, identify and report on the end-use distribution for each tropical timber product referred to in 1 above.
6. Analyse factors affecting competitiveness of tropical timber including identification of the significant products (timber, other materials, etc.) with which tropical timber competes.
7. Analyse and report on current import tariffs, product specifications and quality requirements in these timber markets and their implications and opportunities for ITTO exporters.
8. Identify possible non-tariff barriers in the two countries for timber imports and any particular impacts on tropical timber.
9. Survey the perceptions/views of the private sector on likely future trends in the tropical timber markets of the countries studied.
10. Present preliminary findings/analysis to respective countries at the end of the data collection phase.

III. Final Reporting

11. Prepare a preliminary report for the consideration of the Secretariat and present a final report to the Committee on Economic Information and Market Intelligence.
12. If deemed appropriate, present the results of the study at the ITTO Annual Market Discussion and prepare an article for possible publication in ITTO's Tropical Forest Update.

3. Duration

The expected duration of the pre-project is twelve months.

4. **Budget:** US\$200,000

APPENDIX C-2

STUDY TO REVIEW EXPERIENCES OF COMMUNITY-BASED FOREST INDUSTRIES IN TROPICAL COUNTRIES [ITTO Yokohama Action Plan, Section 3.3, Goal 2, Action 8]

1. Introduction

Local communities can play an important role in sustainable forest management by enhancing income generation opportunities from forest resources. Rural people can get income by participating in various forest activities such as plantation and management of resources as well as in the processing and marketing of forest products. They can supply raw materials to wood-based industries in a sustainable way and directly produce small wooden items such as handicrafts and furniture parts. They can also concentrate on the production of selected non-wood forest products (bamboo, rattan, medicinal plants, mushrooms, resin, etc.). There are also emerging opportunities for local communities in managing environmental services of forest (eco-tourism, water utilization, carbon trade, etc.).

The lessons learned from ITTO projects have shown that progress towards sustainable forest management in tropical countries could be accelerated if the urgent needs of local communities for economic, social and environmental sustainability could be met through utilization of sustainably managed forest resources.

In Brazil, the establishment of extractive reserves since 1988 has been a significant step in generating income and offering social and environmental stability for local communities in the Amazon region. The system adopted ensured that the utilization of forest resources resulted in the generation of income and the protection of the rights of the traditional forest communities in the country. ITTO project PD 46/97 Rev. 3 (I) "Community Forest Product Processing in the Puerto Dias Extractive Reserve" is being implemented by Amazon Workers' Association (CTA) with the aim of demonstrating the economic, social and environmental viability of forest utilization in Puerto Dias Extractive Reserve through the establishment of an industrial unit for the production of small wooden items and pre-fabricated houses. Its work would contribute to the development of a model for a community-based forest industry for the Amazon region and for other countries.

The report of the ITTO mission to the Philippines (2003) shows that substantial progress in sustainable forest management in the Philippines has clearly been made with the adoption of community-based forest management (CBFM) and a large area of forest land has been designated as CBFM projects sites. However, while these reflect a major paradigm shift in relation to forest management, the sustainability of CBFM areas is far from clear due to lack of programmes for sustainable income generation by the local communities engaged.

Development of a socially responsible community-based forest industry based on sustainable forest resources could be a driving force towards active progress in sustainable forest management and for reducing poverty in local communities in tropical countries.

However, local communities are mostly lacking of adequate capacity to operate industry activities. Major problems include inadequate technical skills for product processing and development, a lack of business management skills, a lack of marketing skills between producers and collectors/markets and a lack of financial resources.

To address these problems and promote a socially, economically and environmentally sound community-based forest industry, there is a need to review existing experiences in the sustainable utilization of forest resources by successful community management practices. There is also a need to learn from successful experiences in promoting community-based industry initiatives. For instance, it is believed that the Bio-villages Initiative of the M.S. Swaminathan Centre for agriculture products in India would provide guidance in improving the livelihoods of forest dependant communities (Report of the ITTO mission to the Philippines).

Therefore, it is recommended that a study be commissioned to analyze and report on the key factors behind the successes and failures of the existing community-based forest industry in selected ITTO producer countries. The report should synthesize lessons learned in the selected countries regarding their

experiences with community-based forest industry. Strategies to assist ITTO producer countries in the development of community-based forest industry could be formulated.

2. Terms of Reference

The study will

- (i) Report on the status of community-based forest industries in support of sustainable forest management in ITTO producer countries through reviewing relevant literature, including ITTO projects in this area;
- (ii) Identify twenty communities experienced with community-based forest industries in ITTO producer countries and invite papers describing their experiences in developing community-based forest industries in one of the following areas: i) the production of timber and timber products; ii) production of non-timber forest products; and iii) forest environmental services;
- (iii) Conduct field surveys of the development of community-based forest industries focusing on the production of timber and timber products (as well as non-timber forest products - bamboo and rattan, if applicable) in selected ITTO producer countries (not more than six countries);
- (iv) Analyze and report on
 - Factors in the success of community-based forest industry development in the production of timber and timber products in selected ITTO producer countries
 - Common constraints to community-based forest industry development, in the production of timber and timber products, including bamboo and rattan, in selected ITTO producer countries
 - Lesson that could be learned from other sectors with successful community-based industry development
- (v) Recommend strategies that ITTO could adopt to assist producer countries in promoting community-based forest industry development to support the sustainability of the tropical forest sector, including community-based forest management programmes;
- (vi) Prepare and present for the consideration of the Committee a preliminary report at its Thirty-sixth session and a final report at its Thirty-seventh session; and
- (vii) Prepare a final report taking into consideration comments of the Committee and compiling invited papers and submit a final written report along with a print-ready CD-ROM.

3. Duration

The expected duration of the study is twelve months.

4. Budget: US\$150,000

APPENDIX C-3

ORGANIZATION OF A WORLD CONFERENCE ON TROPICAL PLYWOOD [ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 2]

1. Introduction

ITTO's Conferences on Tropical Plywood have been convened to provide a regular forum for evaluating the current status of the tropical plywood industry, identifying the major forces and constraints shaping its future, and highlighting its increasingly important role in sustainable forest management. The venues and dates of the Plywood Conferences organized or sponsored by ITTO are as follows:

- The First World Conference on Tropical Plywood in the Asia-Pacific region held in Indonesia in 1991 in cooperation APKINDO.
- The Second World Conference on Tropical Plywood in the Latin America/Caribbean region held in Quito, Ecuador in May 1995 in cooperation with Ecuadorian Timber Industries Association (AIMA).
- Plywood and Tropical Timber International Congress held in Belem, Brazil on 26-29 October 1999 by Brazilian Plywood and Industrialized Timber Association (ABIMCI) and Timber Exporters Industry Association of Para State (AIMEX) with the sponsorship of ITTO.

According to the ITTO Annual Review and Assessment of the World Tropical Timber Situation, world production of tropical plywood was 23 million³ in 1992 but totaled 20 million m³ in 2002. One of the reasons to this declining trend may result from competition from plywood made of non-tropical woods and from MDF and OSB panels. There is an urgent need to find new uses for tropical plywood, or to increase their productivity, by using new technologies. It was reported that the tropical plywood sector features the following weakness: unstable supply; long delivery times; fluctuating prices; and varying quality standards. Further the tropical plywood sector needs to pay high attention to the environmental aspects of their activities.

Therefore, there is an urgent need to organize, in collaboration with national and regional plywood associations and international organizations (e.g. FAO, ITC, UNIDO), a World Conference on Tropical Plywood with the aim of promoting the sustainable development of the tropical plywood sector by enhancing consultation and cooperation among tropical plywood producers and consumers, increasing the awareness of the tropical plywood sector regarding the environmental aspects of their activities, and disseminating technical, marketing and trade information.

Dates and venue for the Conference will be decided in consultation with key stakeholders.

2. Duration

The expected duration of the activity is twelve months

3. **Budget:** US\$150,000

* * *

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 171/02 Rev.4 (M) | a, h, l, n | 259,956 | 18 | P.R. China | 1 |
| PD 191/03 Rev.3 (M) | a, c, h, n | 659,502 | 30 | Malaysia | 1 |
| PD 192/03 Rev.3 (M) | c, h, k, n | 121,072 | 24 | Malaysia | 1 |
| PD 203/03 Rev.3 (M) | d,f,g,h,m | 150,968 | 15 | Colombia | 1 |
| PPD 45/02 Rev.3 (M) | c, d, e, f, i, l | 32,022 | 3 | Panama | 1 |
| PPD 93/04 (M) | a, b, c, d, e, f, g, h | 30,348 | 6 | Honduras | 1 |
| Committee on Forest Industry | | | | | |
| PD 215/03 Rev.4 (I) | c, f,i | 335,232 | 24 | Philippines | 1 |
| PD 286/04 Rev.1 (I) | d, f, i, j, m | 765,140 | 36 | Indonesia | 1 |
| PPD 88/03 Rev.3 (I) | c,f,i | 79,056 | 6 | Indonesia | 1 |
| PPD 97/04 Rev.1 (I) | d, i, j, k, l | 94,832 | 4 | Suriname | 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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20 – 23 July 2004
Interlaken, Switzerland

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

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Report

**Appendix I Technical Evaluation of Project and Pre-Project Proposals in the Field of
Reforestation and Forest Management**

REPORT

Item 1 - Opening of the Session

The Thirty-fourth Session was opened, on 20 July 2004, by the Chairperson of the Committee on Reforestation and Forest Management, Mr. A.S.K. Boachie-Dapaah (Ghana). The list of participants is reproduced in document ITTC(XXXVI)/Info.2.

Item 2 - Adoption of Agenda and Organization of Work

At its first meeting on 20 July 2004, the Committee formally adopted the Agenda of its Thirty-fourth Session as contained in document CRF(XXXIV)/1.

Item 3 - Admission of Observers

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

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

The Committees noted the presentation made by Dr. Ricardo Umali (Philippines), Chairman of the Expert Panel on the Report of the Expert Panel for Technical Appraisal of Project Proposals at its Twenty-seventh Meeting held on 16-20 February 2004 in Yokohama, Japan as contained in document CEM,CRF,CFI,CFA(XXXIV)/1. Problems and issues identified by the Panel included:

- (i) the large number of proposals - 52 projects and 7 pre-projects for a total of 59 - reviewed by the Panel, which challenged the Panel's capacity to adequately review each proposal;
- (ii) poor problem analysis and translation into objectives and a logical framework for action;
- (iii) missing, incomplete or poorly presented information on background, risks and assumptions, institutional frameworks, terms of reference for personnel and budgets;
- (iv) insufficient consideration of the future sustainability of projects;
- (v) inadequate attention to ITTO's wider goals; and
- (vi) the unsatisfactory quality of new proposals (only one new project proposal was categorized as well formulated requiring only minor modifications).

The Panel further recommended that at its next and future meetings, each presenter among its members should provide comments in written or electronic form in order to facilitate the overall process of appraising proposals and the preparation of the Panel's report.

Item 5 - Report of the Working Group on Improving Effectiveness and Efficiency of Project Work

The report of the Working Group was presented by Mr. Romeo T. Acosta (Philippines), Chairperson of the Working Group. In his presentation, Mr. Romeo T. Acosta clarified that the approach adopted by the Working Group was to review the different stages of the ITTO Project Cycle since elements indicating success or failure of projects might be found at different stages of the Project Cycle comprising project identification, formulation, appraisal, decision/funding, implementation, evaluation and completion.

Mr. Romeo T. Acosta highlighted the core problems identified by the Working Group as follows:

- Insufficient matching of national policies, strategies and priorities and ITTO objectives and priorities in projects;
- Insufficient stakeholder ownership and coordination of projects;
- Too little emphasis on project impact and sustainability;
- Incomplete, overly complicated and, in some cases, inadequate Manuals, Guidelines, and Procedures;
- Lack of understanding as to the role of Focal Points, and inadequate institutional capacity within Executing Agencies;
- Not well-defined, unsystematic and non-transparent project appraisal and approval processes;
- Narrow funding base; and
- Ineffective monitoring and evaluation process.

For each stage of the Project Cycle, Mr. Acosta highlighted the problems identified by the Working Group as well as the proposed remedial measures.

The delegate from Switzerland underscored the importance of efficient management of the Project Cycle management in achieving ITTO's objectives. He indicated that ITTO needed a strategic guidance in project management and two aspects seemed particularly important: the ownership of the project and its social impacts, in particular in relation to poverty alleviation and gender equity issue. He also indicated that a single manual for the management of project cycle should be formulated. Considering the importance of improving the project work of the organization he recommended that substantive discussion on this issue be undertaken at the next Session of the Council.

The delegate from the USA underlined the importance of ITTO project work and considered as particularly important the reports submitted by the two Working Groups [document CEM,CRF,CFI,CFA(XXXIV)/2 Report of the Working Group on Improving Effectiveness and efficiency of Project Work and document ITTC (XXXVI)/5 Report of the Expert Panel on Measures to Improve Project Formulation and Appraisal]. He indicated that, although no decision would be taken on this issue at the current Session, some aspects of the recommendations of these reports could be taken up immediately including through strengthening the role of Focal Points and the Committees.

The delegate from Brazil suggested that both reports [documents CEM,CRF,CFI,CFA(XXXIV)/2 and ITTC(XXXVI)/5] should be consolidated.

In reaction to the specific recommendation calling for analyzing the reasons why potential donors were reluctant to channel funds through ITTO, the representative of the European Union indicated that these reasons vary and might include the type of projects and even its presentation format. He also indicated certain Agencies were reluctant to finance small projects in order to reduce overheads. Projects with greater added value were also perceived to be more attractive, such as regional projects and projects that could produce wide ranging results.

The delegate of Korea underscored the importance of project work in the strategy of ITTO to achieve sustainable management of tropical forests and to promote the use of tropical timber. She emphasized the need for the ITTO Manuals to be revised and that expertise should be made available at the level of the Executing Agency in order to ensure efficient implementation of projects. She also stressed the need for transparent project appraisal procedures and project monitoring systems.

The Committees agreed that further discussion on this issue be undertaken by each Committee, with the view to identifying aspects that can be implemented through existing decisions and programmes, pending consideration by the Council at its next Session.

Item 6 - ITTO Annual Market Discussion - 2004

The Committees noted the report of the ITTO Annual Market Discussion – 2004, held in a Joint Session of the Technical Committees on 22 July 2004, as contained in Appendix A of the Report of the Committees on Economic Information and Market Intelligence and Forest Industry [document CEM-CFI(XXXIV)/4]. The theme of the Market Discussion was "Diversity in the Single Market – The Challenge for Tropical Timber". Mr. Barney Chan (Sarawak Timber Association) served as the moderator of the Market Discussion. The following presentations were made during the Market Discussion:

| | |
|--|--|
| Mr. Jean-Jacques Landrot Interafrican Forest Industries Association | "Diversity in the Single Market – the Challenge for Tropical Timber in Europe" (African perspective) |
| Mr. Ed Pepke FAO/UN-ECE | "Diversity in the Single Market – the Challenge for Tropical Timber in Europe" (An Enlarged Europe) |
| Mr. Lau Nygaard DLH Nordisk | "Diversity in the Single Market – the Challenge for Tropical Timber in Europe" (Manufacturers/Importers perspective) |

Item 7 - Report on Completed Projects and Pre-Projects

The Secretariat informed the Committee that the completed projects and pre-projects are listed in document CRF(XXXIV)/3, "Report on Completed Projects and Pre-Projects in the Field of Reforestation and Forest Management", and are divided into two groups (A) and (B).

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

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

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

7.1 Completed Projects

(A) Completed Projects, Including Financial Audit

1) PD 89/90 (F) Sustainable Forest Management and Human Resources Development in Indonesia - Phases I, II, III (Indonesia)

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

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

The Committee took note that the Completion Report, the Technical Reports, and the Final Financial Audit Report have been submitted by the Executing Agency. The Committee also took note of a recommendation by the Swiss Delegation to conduct an ex-post evaluation of this project. The Committee decided to consider the project as completed.

3) PD 3/98 Rev.1 (F) Teak-based Multistoried Agroforestry system: An Integrated Approach towards Sustainable Development of Forests (Myanmar)

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

4) PD 32/98 Rev.1 (F) Forest Fire Management in Ghana (Ghana)

The Committee took note that the Executing Agency has submitted the Completion Report, Technical Reports and the Final Financial Audit Report. The Committee also took note of the presentation of the project outcomes and their incorporation into a follow-up project funded by the Netherlands by the Executing Agency and commended the Executing Agency for the successful linking of both projects. The Committee decided to consider the project as completed.

5) PD 3/99 Rev.2 (F) An Assessment of the Status of Conservation Areas in Sabah, Malaysia (Malaysia)

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

6) PD 10/99 Rev.3 (F) Selection and Cultivation of Fast-Growing and High-Yielding Strains of Rubber Trees for Timber Production in Hainan, China (China)

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

7) PD 12/00 Rev.3 (F) Developing and Extending of Criteria and Indicators for Sustainable Management of Natural Tropical Forests in China (China)

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

8) PD 42/00 Rev.1 (F) Training of Trainers for the Application of the ITTO, and the National Criteria and Indicators of Sustainable Forest Management at Forest Management Unit Level (Indonesia)

The Committee took note that the Executing Agency has submitted the Completion Report, Technical Reports and the Final Financial Audit Report. The Delegation of the USA suggested to assess the effectiveness of training in future ex-post evaluations. The Committee decided to consider the project as completed.

(B) Completed Projects, Pending Financial Audit

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

The Committee took note that the Final Financial Audit Report has been outstanding for five years. The Delegation of Brazil assured the Committee that the Final Financial Audit Report will be submitted to the Secretariat no later than August 2004. The Committee took note of this information and decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

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

The Committee took note that the Executing Agency has submitted the Completion Report and the Technical Reports. The Malaysian Delegation explained that the Final Financial Audit Report will be submitted to the Secretariat before the end of September 2004. The Committee took note of this information and decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

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

The Malaysian Delegation informed the Committee that the Final Financial Audit Report has been completed and will be submitted to the Secretariat before the end of July 2004. The Committee took note of this information and decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

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

The Peruvian Delegation informed the Committee that the Final Financial Audit Report will be submitted to the Secretariat in September 2004 and that the results of the project are being used in Peru's new forestry legislation. The Committee took note of this information and decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

5) 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 Executing Agency has submitted the Completion Report, Technical Reports and the CD-ROM of the GLOMIS database. The Committee therefore decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

6) 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 has submitted the Completion Report and several Technical Reports. The Delegation of Switzerland noted that the Completion Report lacked an assessment of the lessons learned from the transboundary aspects of the project. The Committee recommended the Completion Report to be amended to incorporate the missing information and decided to consider the project as completed upon the reception of the amended report, of a satisfactory Final Financial Audit Report and of the remaining technical reports by the Secretariat.

7) * PD 38/00 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 (Indonesia)

The Committee took note that the Executing Agency has submitted the Completion Report, Technical Reports and the Final Financial Audit Report. The Committee also took note of the presentation of the project outcomes made by the Executing Agency. The Committee supported the recommendation by the Delegation of Switzerland for a wide dissemination of project results to the general public. The Committee decided to consider the project as completed.

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

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

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

In addition, The Committee took note of the presentation by the Delegation of the Republic of Congo of the results of project PD 12/96 Rev.1 (F) "Development of a Sustainable Management Plan for the Souanke-Sembe-Kelle Area (Phase II)", which was reported as completed during the previous Session and is documented in CRF (XXXIII)/3.

7.2 Completed Pre-Projects

(A) Completed Pre-Projects, Including Financial Audit

1) PPD 30/01 Rev.1 (F) The Study and Demonstration of the Management of Secondary Forests in Tropical Regions for the Purpose of Enhancing Economic and Ecological Benefits (China)

The Committee noted that The Executing Agency has submitted the Completion Report and the Final Financial Audit Report. In addition, a project proposal, PD 294/04 (F) "The Study and Demonstration of the Management of Secondary Forests in Tropical Regions for the Purpose of Enhancing Economic and Ecological Benefits", has been submitted to ITTO to be assessed by the 28th Expert Panel. The Committee therefore decided to consider the pre-project as completed.

(B) Completed Pre-Projects, Pending Financial Audit

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

The Committee took note that the pre-project has been reported as completed during the 33rd Session pending the submission of the Final Financial Audit Report. The Delegation of the Republic of Congo informed the Committee that the Final Financial Audit Report will be submitted to the Secretariat in September 2004. The Committee took note of this information and decided to consider the pre-project as completed upon reception by the Secretariat of a satisfactory Final Financial Audit Report.

- 2) **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 that the Executing Agency has submitted the Completion Report, a Technical Report and a project proposal, PD 272/04 (F) "Development of Natural Principles, Criteria and Indicators for the Sustainable Management of the Republic of the Congo", which has been assessed by the 27th Expert Panel. The Delegation of the Republic of Congo informed the Committee that the Final Financial Audit Report will be submitted to the Secretariat in September 2004. The Committee took note of the information and decided to consider the pre-project as completed pending the Final Financial Audit Report.

- 3) **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, Technical Reports and a project proposal, PD 283/04 (F,M,I) "Dissemination and Monitoring of Forest Policies in Honduras", which has been assessed by the 27th Expert Panel. The Committee decided to consider the pre-project as completed pending the Final Financial Audit Report.

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

Item 8 - Projects and Pre-Projects Awaiting Financing

The Committee took note that the following projects and pre-projects are awaiting financing:

8.1 Projects Awaiting Financing

- 1) PD 38/98 Rev.2 (F) II Technology Development and Demonstration on Reforestation Using Tropical Hardwood Species in Yunnan Province of China, Phase II (China)
- 2) PD 22/99 Rev.2 (F) III Study on the Behaviour of Native Timber Species of Commercial Value in the Tropical Moist Forests of Honduras (Honduras)
- 3) *PD 13/00 Rev.5 (F) Support for the Akposso and Akebou Populations in the Participatory Management of Residual Forests in the Uncultivated Valleys of Akpe and Akama for the Production of Industrial Timber (Togo)
- 4) *PD 98/01 Rev.3 (F) The Ngao Model Forest – A Partnership in Support of Sustainable Forest Management in Thailand (Thailand)
- 5) PD 105/01 Rev.3 (F) Towards Sustainable Timber Production in Ghana: Stage I. Improving Shoot Borer Resistance and Developing Silvicultural Systems to Maximize Mahogany Plantation Success (Ghana)
- 6) PD 156/02 Rev.3 (F) II Conservation and Reforestation of Threatened Mangrove Forest Areas along the Pacific Coast of Panama – Phase II (Panama)
- 7) 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)

* To be sunset before the Thirty-seventh Session of the Council if full financing not secured before the end of July 2004.

8.2 Pre-Projects Awaiting Financing

- 1) PPD 59/02 Rev.2 (F) Pre-Project for the Conservation and Management of Genetic Resources in the Natural Tropical Forests of Ecuador (Ecuador)
- 2) PPD 83/03 (F) Study on Encouraging Private Sector Investment in Industrial Forest Plantations in the Tropics (Global)

The Committee took note of the information by the Secretariat that this study is no longer listed as a pre-project, but as an activity under PP-A/36- requiring financing, as it has been included as an activity in the Work Programme of the Committee for 2004 – 2005 in accordance with Decision 4(XXXV).

Item 9 - Projects and Pre-Projects under the Sunset Provisions

The Committee took note that the following projects and pre-projects have come under sunset provisions since the previous Session:

9.1 Projects coming under the sunset provisions since the last Session

- 1) PD 84/01 Rev.3 (F) Promoting the Sustainable Use and Conservation of Valuable Timber Trees in the Peruvian Amazon through Institutional Capacity Building (Peru)
- 2) PD 128/02 Rev.2 (F) Improvement of National Capabilities to Implement National Forest Inventories in the Amazonian Subregion (Bolivia, Colombia, Ecuador, Peru)
- 3) PD 130/02 Rev.1 (F) Project for a 2,500 Hectare Timber Production Plantation in the Reserved Forest of Haho-Baloe (Plateaux Region – Togo): Phase II (Togo)
- 4) PD 150/02 Rev.1 (F) Plantation Promotion Seminar (Brazil)

9.2 Pre-Projects coming under the sunset provisions since the last Session

- 1) PPD 38/02 Rev.1 (F) Assistance to the Kamina and Neighboring Populations for the Realization of a Participatory and Integrated Project of Forest Management and Reforestation in the Akebou Area (Wawa Prefecture) – Togo (Togo)

Item 10 - Ex-post Evaluation

(A) Ex-post Evaluation

The Committee was informed that the ex-post evaluations of the following five projects on mangroves selected by the Committee at its Thirtieth Session have been completed:

- | | |
|---------------------|--|
| PD 128/91 Rev.2 (F) | Management, Conservation and Development of Mangrove Forests in Panama (Panama) |
| PD 157/91 Rev.2 (F) | Establishment of an International Network for the Conservation and Sustainable Utilization of Mangrove Forest Genetic Resources (Global-India) |
| PD 171/91 Rev.2 (F) | Conservation and Management for Multiple Use and Development of Colombian Mangrove Swamps – Phase I and Phase II Stages 1 and 2 (Colombia) |
| PD 11/92 Rev.1(F) | Development and Dissemination of Re-Afforestation Techniques of Mangrove Forests (Thailand) |
| PD 6/93 Rev.2 (F) | Manual and World Natural Mangrove Atlas for Mangrove Ecosystem Restoration (Global-Japan) |

The Committee took note of the presentation of the synthesis of the evaluations contained in CRF(XXXIV)/4 by the Team Leader of the evaluation team, Dr. James Gasana. The Delegations of Norway, USA, the Republic of Congo, Peru and Indonesia commended the evaluation team for the report and commented on the importance of mangroves for ITTO, the pressures on mangroves worldwide due to rural and urban development and the need for increased information sharing among members on project experiences.

As per request by the Chairperson of the Council, the Committee also discussed the reports by the Expert Panel for Project Appraisal and the Working Group on Improving the Effectiveness and Efficiency of Project Work as contained in documents ITTC(XXXVI)/5 and CEM,CRF,CFI,CFA(XXXIV)/2 respectively.

After a lengthy discussion, the Committee recommended that the Secretariat prepare a systematized list of the recommendations contained in both documents, in order to facilitate the elaboration of a draft decision to be considered by Council at its Thirty-seventh Session.

The Secretariat informed the Committee that four consultants have been engaged to carry out the ex-post evaluations of the following five projects between April and June 2004:

| | |
|------------------------|--|
| 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) | <i>Ex situ</i> Conservation of <i>Shorea leprosula</i> and <i>Lophopetalum multinervium</i> 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 that the draft evaluation reports have been submitted to the Secretariat and that the synthesis report of the evaluations will be presented to the Committee during its 35th Session in December 2004.

(B) Selection of Projects for Ex-Post Evaluation

According to Decision 3(XXVIII), "Ex-post Evaluation of Projects", the Committees are requested to consider as candidates for ex-post evaluation all completed individual projects or group of projects. The Committee recalled that, at its Thirty-third Session, it had decided to select further projects for ex-post evaluation during the Thirty-fifth Session. The Committee requested the Secretariat to prepare a shortlist of projects for ex-post evaluation to be considered at the 35th Session of the Committee.

Item 11 - Consideration of Project and Pre-Project Proposals

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

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

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

• PROJECTS ASSESSED BY THE COMMITTEE

| Project No. | Title |
|---------------------|---|
| PD 199/03 Rev.3 (F) | Strengthening National Capacity and Regional Collaboration for Sustainable Use of Forest Genetic Resources in Tropical Asia (Malaysia) |
| PD 210/03 Rev.3 (F) | Participatory Establishment of Collaborative Sustainable Forest Management in Dusun Aro, Jambi (Indonesia) |
| PD 217/03 Rev.2 (F) | Establishing a Cooperative Framework Between ODEF and the Communities Living in the Eto-Lilicope Forest Complex for the Sustainable Participatory Management of this Complex (Togo) |
| PD 247/03 Rev.2 (F) | The Development of the Regional Seed Center as a Source of Local Precious Timber Species for Reforestation in Riau Province, Indonesia (Indonesia) |

| Project No. | Title |
|---------------------|---|
| PD 248/03 Rev.2 (F) | Antimary Forest Management Regional Training Center (Brazil) |
| PD 251/03 Rev.2 (F) | Evaluation of Commercial Stocks and Strategy for the Sustainable Management of Mahogany (<i>Swietenia macrophylla</i>) in Peru (Peru) |

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

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

| Pre-Project No. | Title |
|---------------------|---|
| PPD 87/03 Rev.2 (F) | Identification of <i>Gonystylus spp.</i> (Ramin), Potency, Distribution, Conservation and Plantation Barrier (Indonesia) |
| PPD 92/04 Rev.1 (F) | Identification of a Rehabilitation and Management Project for the Degraded Secondary Forests of the Mvila Department in Cameroon (Cameroon) |
| PPD 94/04 Rev.1 (F) | Evaluation of the Status of Forest Resources in Côte d'Ivoire (Côte d'Ivoire) |
| PPD 95/04 (F) | Model of Rehabilitation and Sustainable Utilization of Mangrove Forest, at Langkat, North Sumatra (Indonesia) |

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

Item 12 - Policy Work

The Committee recalled that ITTC policy work instructions to Committees, pursuant to Decision4(XXV) include:

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

In accordance with its policy work programme for the year 2004, the Committee considered the following matters:

- (i) Continue to monitor progress in the application of criteria and indicators for sustainable forest management [ITTC Decisions 5(XXX) and 9 (XXX), ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 1]. The Committee discussed the following two items related to Decision 4(XXXIV) and Council Agenda Item 17 with a view to providing inputs into the discussions of Council on these issues:
 - Recommendations of the Expert Panel on Criteria and Indicators for sustainable forest management as contained in document ITTC(XXXVI)/11; and
 - Recommendations of the FAO/ITTO International Expert Consultation on Criteria and Indicators, which took place in Cebu City, The Philippines, on 2-4 March 2004.

The Committee recommended taking into account the experiences of projects that tested, applied and adapted the ITTO Criteria and Indicators into any further work related to the revision of the ITTO Criteria and Indicators.
- (ii) In accordance with the CRF Work Program, the Committee considered the results of the implementation of Decision 6(XXXIII) on prevention and management of forest fire.
 - a) The Committee recalled that, through this Decision, ITTO will provide assistance to up to 10 producer member countries, upon request, to develop strategies for the prevention and management of forest fires. The Committee noted that thus far, only two countries have requested such assistance. The Delegation of the Philippines reported to the Committee on the outcomes of the assistance provided to them, highlighting the problems and main

constraints of forest fire prevention and management, the recommended strategy, a five-year action plan and possible ITTO project themes. A written report by the Delegation of Colombia on the preliminary results of a similar mission and the participation of Colombia in the founding meeting of the South American Wildland Fire Network was distributed to the members of the Committee.

- b) In accordance with Decision 6(XXXIII) and the recommendation made by the Committee during its Thirty-third Session, the Committee considered the official Communiqué of the International Wildland Fire Summit, which took place in Sydney, Australia on 8 October 2003 and which was co-sponsored by ITTO. The Communiqué of the Summit was made available to the delegates during the Thirty-third Session of the Committee and is contained in document CRF(XXXIV)/5. A brief overview of the main recommendations of the Summit Communiqué and the status of the implementation of the recommendations was presented by the Secretariat. The Committee acknowledged the importance of ITTO's work on forest fire prevention and management and decided to endorse the recommendations made in the Summit Communiqué.
- (iii) 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 Papua New Guinea, Philippines, USA, Indonesia and Switzerland as well as an NGO from Cameroon to propose a way forward, to be discussed by the Committee at its Thirty-fifth Session in December 2004.

The Working Group (WG) proposed to revise and update the existing Guidelines to produce a new version of the Guidelines instead of incorporating the revision into a general review of ITTO Guidelines on Natural Forest Management in the Tropics. The WG recalled the reasons for developing the existing Biodiversity Guidelines and emphasized the importance of this particular aspect of the management of tropical forests, which is often not adequately taken into account in forest management operations. The country reports on the application of C&I submitted to ITTO show that all countries have difficulties assessing the biodiversity indicators and that there is a clear need for guidance 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 Production Forests".
- The Guidelines should contain practical guidance on how to include biodiversity aspects into a forest management plan as well as an impact assessment guide.
- The Guidelines should consider the landscape approach to biodiversity conservation and use.
- The Guidelines should consider both the national and the FMU level.

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

1. Engage two consultants, one from a producer member country and one from a consumer member country, to develop a draft of the revised and updated Guidelines. The Terms of Reference of the Consultants should include the following:
 - a) Organize and conduct a workshop with 40-50 participants from producer member countries in order to capture local, national and regional experiences and needs with respect to biodiversity conservation and sustainable use. Participants should be drawn from experts involved in projects that have applied the ITTO Biodiversity Guidelines as well as from local, national and/or regional biodiversity-related organizations and institutions with hands-on experience in biodiversity conservation and sustainable use. Countries that have developed national biodiversity action plans should use them as an input to regional working groups during the workshop.

- b) Prepare a report of the workshop summarizing the lessons learned from the application of the existing Guidelines, local, national and regional needs related to biodiversity conservation and sustainable use and the recommendations by workshop participants for the revision of the Guidelines.
 - c) Assess and analyze new developments in biodiversity conservation and sustainable use since the publication of the ITTO Biodiversity Guidelines, including a review of relevant literature.
 - d) Analyze the programs of other international biodiversity-related organizations such as CBD, WWF, IUCN, TNC and others, including the current certification schemes, as regards possible existing Guidelines, Manuals and related activities; consult with these organizations on their views regarding the structure and content of the revised ITTO Biodiversity Guidelines.
 - e) Take into account the experiences of projects that have implemented the existing Biodiversity Guidelines.
 - f) Prepare draft Guidelines for the Conservation and Sustainable Use of Biodiversity in Production Forests taking into account the information collected through a) to e).
2. Convene an Expert Panel composed of representatives of producer and consumer member countries as well as of the most relevant biodiversity-related organizations (CBD, WWF, IUCN, etc.) to review the draft Guidelines and prepare a final draft for consideration by Council.

The Committee decided to include the following items in the agenda of its policy discussion during the Thirty-fifth Session of the Committee:

1. Scope of Work and Terms of Reference for a 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.
2. Follow-up to ITTO's work on the restoration, management and rehabilitation of degraded and secondary tropical forests as per the CRF Work Programme for 2004-2005, taking into account the potential of the CDM mechanism for forest restoration.

Item 13 – Dates and Venues for the Thirty-fifth, Thirty-sixth and Thirty-seventh Sessions of the Committee

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

Item 14 - Other Business

The Committee discussed no other business.

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 199/03 Rev.3 (F) and allocate US\$ 343,440 for its implementation.
2. The Committee recommended that the Council approve PD 210/03 Rev.3 (F) and allocate US\$ 588,835 for its implementation.
3. The Committee recommended that the Council approve PD 217/03 Rev.2 (F) and allocate US\$ 139,898 for its implementation.
4. The Committee recommended that the Council approve PD 247/03 Rev.2 (F) and allocate US\$ 259,727 for its implementation.
5. The Committee recommended that the Council approve PD 248/03 Rev.3 (F) and allocate US\$ 577,800 for its implementation.

6. The Committee recommended that the Council approve PD 251/03 Rev.3 (F) and allocate US\$ 351,000 for its implementation.

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

1. The Committee recommended that the Council approve PPD 87/03 Rev.2 (F) and allocate US\$ 66,766 for its implementation.

2. The Committee recommended that the Council approve PPD 92/04 Rev.1 (F) and allocate US\$ 61,452 for its implementation.

3. The Committee recommended that the Council approve PPD 94/04 Rev.1 (F) and allocate US\$ 52,402 for its implementation.

4. The Committee recommended that the Council approve PPD 95/04 (F) and allocate US\$ 50,166 for its implementation.

Item 16 - Report of the Session

The Committee accepted this Report for submission to the Council.

Appendix I

TECHNICAL ASSESSMENT OF PROJECT PROPOSALS

1. PD 199/03 Rev.3 (F) **Strengthening National Capacity and Regional Collaboration for Sustainable Use of Forest Genetic Resources in Tropical Asia (Malaysia)**

Conclusion of the Thirty-fourth 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 199/03 Rev.3 (F) and recommended the Council to allocate US\$ 343,440 for its immediate implementation.

2. PD 210/03 Rev.3 (F) **Participatory Establishment of Collaborative Sustainable Forest Management in Dusun Aro, Jambi (Indonesia)**

Conclusion of the Thirty-fourth 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 210/03 Rev.3 (F) and recommended the Council to allocate US\$ 588,835 for its immediate implementation.

3. PD 217/03 Rev.2 (F) **Establishing a Cooperative Framework Between ODEF and the Communities Living in the Eto-Lilicope Forest Complex for the Sustainable Participatory Management of this Complex (Togo)**

Conclusion of the Thirty-fourth 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 217/03 Rev.2 (F) and recommended the Council to allocate US\$ 139,898 for its immediate implementation.

4. PD 247/03 Rev.2 (F) **The Development of the Regional Seed Center as a Source of Local Precious Timber Species for Reforestation in Riau Province, Indonesia (Indonesia)**

Conclusion of the Thirty-fourth 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 247/03 Rev.2 (F) and recommended the Council to allocate US\$ 259,727 for its immediate implementation.

5. PD 248/03 Rev.2 (F) **Antimary Forest Management Regional Training Center (Brazil)**

Conclusion of the Thirty-fourth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. In addition, the Committee approved the amendments to the project proposal proposed by the Delegation of Brazil. Therefore, the Committee approved the amended Project PD 248/03 Rev.3 (F) and recommended the Council to allocate US\$ 577,800 for its immediate implementation.

6. PD 251/03 Rev.2 (F) **Evaluation of Commercial Stocks and Strategy for the Sustainable Management of Mahogany (*Swietenia macrophylla*) in Peru (Peru)**

Conclusion of the Thirty-fourth Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. In addition, the Committee approved the amendments to the project proposal proposed jointly by the Delegation of Peru and the USA. Therefore, the Committee approved the amended Project PD 251/03 Rev.3 (F) and recommended the Council to allocate US\$ 351,000 for its immediate implementation.

TECHNICAL ASSESSMENT OF PRE-PROJECT PROPOSALS

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

Conclusion of the Thirty-fourth 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 87/03 Rev.2 (F) and recommended the Council to allocate US\$ 66,766 for its immediate implementation.

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

Conclusion of the Thirty-fourth 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 92/04 Rev.1 (F) and recommended the Council to allocate US\$ 61,452 for its immediate implementation.

3. PPD 94/04 Rev.1 (F) **Evaluation of the Status of Forest Resources in Côte d'Ivoire (Côte d'Ivoire)**

Conclusion of the Thirty-fourth 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 94/04 Rev.1 (F) and recommended the Council to allocate US\$ 52,402 for its immediate implementation.

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

Conclusion of the Thirty-fourth 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 95/04 (F) and recommended the Council to allocate US\$ 50,166 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-THIRD SESSION OF THE COMMITTEE

| PROJECT DOCUMENT | BUDGET ITTO CONTRIBUTION (US\$) | GEOGRAPHICAL COVERAGE | DURATION (months) | RECOMMENDATION* | |
|---------------------|---------------------------------|-----------------------|-------------------|-----------------|----------|
| | | | | 27th EP | 34th CRF |
| PD 199/03 Rev.3 (F) | 343,440 | Malaysia | 36 | 1+BPF | 1 |
| PD 210/03 Rev.3 (F) | 588,835 | Indonesia | 30 | 1 | 1 |
| PD 217/03 Rev.2 (F) | 139,898 | Togo | 18 | 1 | 1 |
| PD 247/03 Rev.2 (F) | 259,727 | Indonesia | 24 | 1 | 1 |
| PD 248/03 Rev.3 (F) | 577,800 | Brazil | 24 | 1 | 1 |
| PD 251/03 Rev.3 (F) | 351,000 | Peru | 18 | 1+BPF | 1 |
| PPD 87/03 Rev.2 (F) | 66,766 | Indonesia | 12 | 1 | 1 |
| PPD 92/04 Rev.1 (F) | 61,452 | Cameroon | 6 | 1 | 1 |
| PPD 94/04 Rev.1 (F) | 52,402 | Côte d'Ivoire | 6 | 1 | 1 |
| PPD 95/04 (F) | 50,166 | Indonesia | 6 | 2a** | 1 |

* For Categories of Recommendation see Table B.

** Thirty-third 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 27th Expert Panel | Categories of Recommendation from 34th 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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FIFTEENTH SESSION
20 – 23 July 2004
Interlaken, Switzerland

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

FIFTEENTH SESSION OF THE COMMITTEE ON

FINANCE AND ADMINISTRATION

(20 – 23 July 2004, Interlaken, Switzerland)

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL
BY THE FIFTEENTH SESSION OF THE
COMMITTEE ON FINANCE AND ADMINISTRATION**

Item 1: Opening by the Chairperson

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

Item 2: Adoption of Agenda and Organization of Work

2. The Committee amended the Agenda item 5 to read as "Report of the Working Group on Improving Effectiveness and Efficiency of Project Work." The Committee adopted its agenda presented in document CFA(XV)/1/Amend.1. The Chairperson further drew the attention of the Committee to the work of the Panel on Sub-Account B of the Bali Partnership Fund (BPF) for the allocation of funds under Sub-Account B of the BPF, created under Council Decision 4(XXX). The scope of work of the Panel was subsequently expanded at the Thirty-fifth Session of the Council in November 2003, to include allocation from the Unearmarked Funds in the Special Account. The Panel would be chaired by the Chairperson of the Committee and would report directly to the Council. It would convene its first meeting on mid-day 21 July 2004. He informed that the selection of the members of the Panel was to be finalized shortly with a view to commence its work.

Item 3: Admission of Observers

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

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

4. The Chairperson advised the Committee that the Report of the Twenty-seventh Meeting of the Expert Panel for Technical Appraisal of Project Proposals [Document CEM,CRF,CFI(XXXIV)/1] was discussed in the joint Session of the Committees on 20 July 2004, and that the joint Session had taken note of the recommendations of the Expert Panel. The joint Session had not requested the CFA to discuss any recommendations of the Expert Panel.

Item 5: Report of the Working Group on Improving Effectiveness and Efficiency of Project Work

5. The Chairperson noted that this agenda item [Document CEM,CRF,CFI(XXXIV)/2] was deliberated in Joint Committee and asked members if there was a need to discuss it further in the CFA. The CFA took note of the document.

Item 6: Review of Contributions to the Administrative Budgets

6. The Secretariat introduced document CFA(XIV)/3, prepared on 9 July 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 only \$639,573.10 (24%) had been received to date from Producing Members out of the total of \$2,638,000, while \$2,130,450.00 (81%) had been received to date from Consuming Members. As shown in the document, arrearages in contributions from Producing Members amount to \$4,527,776.75 and the outstanding payment of interest charges levied on late contributions under the ITTA, 1983, amount to \$221,995.55. In addition, a former member (Russian Federation) continues to carry an outstanding obligation of \$24,836.72.

7. The delegate of the European Commission informed the Secretariat that the ten new members of the European Commission were in the process of completing the formalities for the accession to the ITTA, 1994, and requested the Secretariat to inform the Community and its new members of their expected obligations. With regard to the late payment to this year's Administrative Budget by a few Members of the Community, they will be requested to expedite payments accordingly.

8. The delegate of The Netherlands reported that the delay in payment of contribution for this year is in the process of being paid. Further, in response to delegate's query regarding ITTO procedures of follow-up of arrears in contributions, the Secretariat explained the procedures and informed that the latest reminder letters were sent in April 2004.

9. In response to the remark of the delegate of the New Zealand regarding the clarification of Russian Federation's in the ITTO and its outstanding contribution, the Chairperson responded that would become clear during the UN Conference on negotiation process to be held from next week, should the member wish to rejoin ITTO its outstanding obligations would need to be settled.

10. In response to the query of the delegate of Brazil regarding its outstanding arrear amount of \$98,077.59 for the year 2003, the Secretariat confirmed its accuracy and provided additional information in the course of this Session.

11. Members noted with serious concern the arrearages in contributions by many Members, mostly Producers, which make the operation of the Organization unsustainable. The Chairperson also expressed concern with regard to the contribution weak status for the year 2004, noting that only 24% of the contributions had been received from Producing Members, and strongly urged the Members to settle their obligations as early as possible.

12. In response to the query from the delegate of the United States of America, the Secretariat informed the Committee about the stipulations of Council Decision 7(XXXIII) "Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization, Part C: Measures Regarding Arrears to the Administrative Account", which:

- (a) allowed writing-off on an annual basis, one-fifth of a Member's arrears of the period 1986-1996 for any Member which has no arrears in its contributions to the Administrative Budget in respect to its obligations related to the year 2002 and beyond; and
- (b) instructed the Secretariat not to process project and pre-project proposals submitted by Members with cumulative arrears beginning from 2002 that are equal or in excess of three times the Member's annual contribution in the year proposals are submitted.

13. The Secretariat reported that a number of Members' arrearages, including interest, had been written off. However, Members were reminded that those with accumulated arrearages as stipulated in Decision 7(XXXIII), will not be eligible to have their project or pre-project proposals considered after 2004.

14. The Committee took note of the report.

Item 7: Current Status of the Administrative Account

15. The Secretariat presented document CFA(XV)/4 reporting the current status of the Administrative Budget for 2004 (as of 9 July 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 \$4,743,203.00 (i.e. \$464,318.00 less than the total amount approved in the budget for 2004). This was due to some cost saving efforts exercised by the Secretariat and that one post of Projects Manager has been vacant since July 2003.

16. The Secretariat added that as it cannot be guaranteed that all assessed contributions will be paid in full, the Secretariat estimated that a deficit in the amount of \$157,503.90 is expected. However, the authorization to the Executive Director in the Decision 2(XXXIV) adopted by the Council at its Thirty-fourth Session held in May 2003, "to transfer, if and when necessary, an amount not exceeding US\$300,000.00 annually from the Working Capital Account to the current account in the Administrative Account to meet the shortfall of funds", at present would be sufficient.

17. The Secretariat also informed the Committee that payments had been received since January to date from Members of arrearages in contributions in previous years in the total amount of \$432,229.54, and the current balance of the Working Capital Account had been increased from \$2,568,761.00 as at 31 December 2003 to \$3,005,226.63 as at 9 July 2004.

18. The delegate of Malaysia requested clarification on the funding for the current ITTC Session in Interlaken, Switzerland. The Secretariat advised that no cost is being paid from the Administrative Account and that the expenses for the Session are covered jointly by the host Government of Switzerland and the Government of Japan. Malaysia proposed and the CFA agreed that appreciation for the generosity of both countries be recorded in the report of this Committee. Malaysia also expressed the hope that other Consuming Members would follow the example set by Switzerland and consider hosting future Sessions of the Council outside Japan.

19. The delegate of Canada enquired about the utilization of the resources of the Administrative Budget for project related work, especially the involvement of project related staff members and their cost incorporated in this budget. The Secretariat advised that all posts in the Secretariat were appointed by the Council. The core staff consists of five Projects Manager who are directly involved with project management in accordance with the structure of the ITTA, 1994. In addition, two professional posts are funded directly from two separate projects. Furthermore, the post of one Finance/Administrative Officer in charge of project financial matters and five support staff are funded separately from the programme support funds of the Special Account and the Bali Partnership Fund and not charged to the Administrative Budget.

20. The Committee took note of the report.

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

21. The Secretariat presented document CFA(XV)/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\$1.58 million and regular ex-post evaluations of projects, as approved by the respective technical Committees, are being carried out.

22. With regard to the resources of the Bali Partnership Fund, the Secretariat informed the Committee that as of the end of the last session, thirty-one 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\$1,957,977.29. 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. The Panel would report directly to the Council.

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

24. The Committee took note of the document.

Item 9: Auditor's Report for the Financial Year 2003

25. The Secretariat introduced document CFA(XV)/2 which was the report of the auditor, PriceWaterhouseCoopers, Tokyo, who was appointed by the Council under Decision 10(XXX) to audit the accounts of the Organization for the financial year 2003. In accordance with this Decision, the audit firm was appointed to audit the Accounts of the Organization for three consecutive years, subject to satisfactory performance, beginning with the accounts for the Financial Year 2001. The Secretariat informed the Committee that the audit work was carried out during February and March 2004 by the auditor and assisted by the Secretariat; that the document included a consolidated financial statements of the four accounts of the Organization – (a) the Administrative Account, (b) the Special Account, (c) the Bali Partnership Fund Account; and (d) the Executing Agencies Account – that had been prepared, in addition to the usual separate account. The consolidated financial statements showed a comprehensive picture of the overall financial status of the Organization.

26. In response to the query of the delegate of Canada with regard to the treatment of the "surplus from the completed projects", the Secretariat explained that in accordance with the "financial rules and rules relating to

the projects" (and Article 20, paragraph 11 of the ITTA, 1994), the balance of any funds remaining is to be returned *pro rata* to each contributor; and the concerned donors are advised by the Secretariat at regular intervals. Moreover, in accordance with ITTC's Decision 3(XXVIII), agreement of the donors is requested for the transfer of their share of the remaining "monitoring and evaluation" funds, to the "Pooled Sub-Accounts" for ex-post evaluations. The Secretariat further informed that donors in general, use the funds from the completed projects for funding of projects, pre-projects or activities approved by the Council.

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

Item 10: Appointment of Auditor

28. The Secretariat introduced the document CFA(XV)/6 and informed the Committee that the Council at its Thirty-first Session through Decision 10(XXXI) decided as follows:

- (1) The Council shall appoint an independent auditor of recognized standing for a term of three consecutive years, subject to satisfactory performance. This auditor should preferably be selected from among the auditing personnel who are nationals of the Members of the Organization. The same auditor shall not be appointed for the following term of three consecutive years;
- (2) Authorize the Executive Director to engage the selected auditor on an annual basis. The re-engagement of the same auditor shall also be on annual basis subject to a maximum of three years in total; and
- (3) Appoint the firm "PriceWaterhouseCoopers, Tokyo" to audit the Accounts of the International Tropical Timber Organization (ITTO) for three consecutive years beginning with the accounts for the Financial Year 2001, and subject to the conditions under paragraphs 1 and 2 above.

29. The Secretariat added that the firm "PriceWaterhouseCoopers" had audited the Accounts of the Organization for three consecutive years (2001, 2002 and 2003). Accordingly, the Council would need to appoint a new Auditor to audit the Accounts of the Organization for the following term of three consecutive years (2004-2006). To facilitate the decision by the Council at this Session, the Organization had contacted the following three audit firms, which are among the biggest audit firms in Japan, and obtained their willingness to audit the Organization's Accounts for the financial years 2004-2006. All three firms submitted the estimates of fees without out-of-pocket expenses. The audit firms and their estimated fees were:

| | | |
|-------|---|-------------------------------|
| (i) | Deloitte Touche - Tohmatsu & Co., Tokyo | US\$135,000.00; |
| (ii) | KPMG - AZSA & Co., Tokyo | US\$120,000.00 (revised); and |
| (iii) | Grant Thornton - ASG Audit Corporation, Tokyo | US\$ 41,000.00. |

30. The delegate from Canada expressed a concern that if the Council appointed an auditor whose proposed fee was relatively low, the firm might be unable to do its work to a standard which meet the needs of the members of the Organization.

31. The delegate from Côte d'Ivoire remarked that two of the quotations for audit fees were excessive and suggested that the out-of-pocket expenses to be charged by the audit firm should not exceed fifty per cent of the audit fee.

32. In response to the query of the delegate from Germany about the past year charges by the former audit firm, the Secretariat responded that their normal audit fees were Japanese Yen 4.5 million (approximately US\$45,000.00) which was in line with the approved Administrative Budget; and a further Japanese Yen 2.5million was paid from the programme support fund in the Special Account for the additional works that were necessary for the increased transactions in the Special Account, the Bali Partnership Fund Account and for the auditing of the new Executing Agencies Account, established in November 2003, through ITTC Decision 3(XXXV). The Secretariat further assured that the audit firm is involved with the audit works and the finalization of the accounts of the Organization, based on the draft set of accounts produced by the Secretariat for audit.

33. The Committee decided to recommend to the Council to appoint the audit firm Grant Thornton - ASG Audit Corporation, Tokyo, to conduct the audit of the financial accounts of the Organization for three consecutive years beginning with the accounts for the Financial Year 2004. However, in accordance with Decision 10(XXXI),

the audit firm is to be engaged on an annual basis and the re-engagement of the same auditor shall also be on annual basis for a maximum of three years in total, subject to satisfactory performance.

Item 11: Dates and Venue of the Sixteenth, Seventeenth and Eighteenth Sessions

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

Item 12: Other Business

35. No other business was discussed by the Committee

Item 13: Recommendations to the International Tropical Timber Council

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

- (1) To adopt the Report of the Independent Public Accountants on the Accounts of the Organization for the Financial Year 2003 as contained in document CFA(XV)/2; and
- (2) To appoint the audit firm "Grant Thornton – ASG Audit Corporation, Tokyo" to audit the Accounts of the International Tropical Timber Organization (ITTO) for three consecutive years beginning with the accounts for the Financial Year 2004, and subject to the provision of Council Decision 10(XXXI) paragraphs 1 and 2.

Item 14: Report of the Session

37. The Committee adopted this report as amended.

* * *

ANNEX V

REPORT OF THE INFORMAL ADVISORY GROUP (IAG)

DOCUMENT: ITTC(XXXVI)/2

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THIRTY-SIXTH SESSION
20 – 23 July 2004
Interlaken, Switzerland

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

**19 July 2004
Interlaken, Switzerland**

**Fourteenth Meeting of the Informal Advisory Group (IAG)
Interlaken, Switzerland, 19 July 2004**

Report of the Chairperson

Introduction

1. The Fourteenth Meeting of the IAG was convened on Monday, 19 July 2004 at the Harder 1&2 Meeting Room of the Conference Center of the Casino Kursaal at 2:45 p.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, Prof. Yeo-Chang Youn (Republic of Korea), Chairperson of the Committee on Economic Information and Market Intelligence (CEM), 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), Mr. Luiz Cesar Gasser (Brazil), Producer Spokesperson, Ms. Aulikki Kauppila (Finland), Consumer Spokesperson, Mr. Satoru Sato (Japan) Representative of the Host Government of the Headquarters and Dr. Manoel Sobral Filho, the Executive Director. Mr. Daniel Birchmeier (Switzerland), Representative of the Host Government of the Thirty-sixth Session of the Council was also in attendance at the invitation of the Chairperson.
2. The IAG considered the following agenda items for discussion:
 - i. Brief background on the IAG:
 - Decision 5(XXVI);
 - Report of the IAG at its Thirteenth Meeting, 2 November 2003;
 - ii. Preparations for the United Nations Conference on the Negotiation of a Successor Agreement to the ITTA, 1994;
 - iii. CSAG/TAG and possible outcomes;
 - iv. Council decision-making process – ITTC Decision 7(XXXIII);
 - v. Consideration of draft decisions/elements of decisions, if any, submitted pursuant to ITTC Decision 7(XXXIII) – “Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization”;
 - vi. List of possible decisions for the Thirty-sixth Session of the ITTC and report to the Council; and
 - vii. Other matters.
3. In its deliberations, the IAG noted and made reference to Decision 5(XXVI) and the Report of the Informal Advisory Group (IAG) at its Thirteenth Session held on 2 November 2003, Yokohama, Japan as contained in document ITTC(XXXV)/2 dated 2 November 2003. 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. The Chairperson informed the Meeting that in view of the convening of the United Nations Conference for the Negotiation of a Successor Agreement to the ITTA, 1994, from 26 to 30 July 2004, the Council had decided on a shorter duration for its Thirty-sixth Session and as such, Members had agreed not to adopt any new substantive decisions at its current Session and would instead take follow-up action of its on-going work under the relevant provisions of its existing decisions, as appropriate.

Preparations for the United Nations Conference on the Negotiation of a Successor Agreement to the ITTA, 1994

4. The IAG noted the preparations for the convening of the United Nations Conference for the Negotiation of a Successor Agreement to the ITTA, 1994 at the United Nations Office in Geneva from 26 to 30 July 2004.

CSAG/TAG and possible outcomes

5. The IAG was informed of the on-going ITTO CSAG-TAG Joint Workshop on Illegal Logging being held at the Hotel Interlaken from 19 to 20 July 2004 in preparation for the CSAG-TAG Panel Discussion to be conducted pursuant to Decision 4(XXXV) under item 15 of the Council's Agenda. In view of the shorter duration of the current Session of the Council, the IAG recommended that follow-up action on the general recommendations of the Joint CSAG-TAG Workshop and Panel Discussion be taken under the relevant provisions of the existing decisions of the Council, the ITTO Biennial Work Programme for 2004-2005 and the Reports of the Committees, as appropriate. In the event that a new substantive decision of the Council on these issues would be required, the IAG further recommended that the proposal for such a decision be submitted for the consideration of the Council at its Thirty-seventh Session.

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

6. The IAG recalled the observation made at its previous meeting that the shorter duration of the sessions of the Council in 2004 and 2005, arising from the run-up to and the commencement of the process of negotiating a successor agreement to the ITTA, 1994, would not enable the Council to fully apply its Streamlining Decision-Making Procedures as provided for in paragraph 4, Part B, Annex 1 of Decision 7(XXXIII). Since the Thirty-eighth Session of the Council had been tentatively scheduled for a duration of three days on 24-26 May 2005, the IAG recommended that the same arrangement of not taking any new substantive decision be adopted by the Council in respect of its Thirty-eighth Session.

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

7. The Executive Director informed the Meeting that in accordance with the relevant provisions of Decision 7(XXXIII), the ITTO Secretariat had received a draft decision on Forest Law Enforcement and Trade Rules submitted by the Government of the United Kingdom and had subsequently circulated the proposal to Members. Since the Streamlining Council Decision-Making Procedures as provided for in paragraph 4, Part B, Annex 1 of Decision 7(XXXIII) could not be applied in the context of the shorter duration of the current Session of the Council, the IAG did not see the possibility of the proposal being taken up by the Council at its current Session. The IAG recommended that the delegation of the United Kingdom be invited to undertake informal consultations regarding the issue with other delegations during the course of the current Session of the Council.

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

8. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Thirty-sixth Session as follows:
 - i. Project, Pre-Projects and Activities
 - ii. Appointment of Auditor
9. 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

10. The Executive Director drew the attention of the IAG to the convening of the Thirty-eighth Session of the Council which had been approved by the Council to be held in Brazzaville, Republic of Congo on 24-26 May 2005. It was noted that the Council would take a final decision on the dates and venue of its Thirty-eighth Session under item 26 of the agenda at its current Session. The IAG gave due consideration to the implications of the duration, venue and dates of the Thirty-eighth Session of the Council in relation to the applicability of the Streamlining Council Decision-Making Procedures as provided for in paragraph 4, Part B, Annex 1 of Decision 7(XXXIII), the ascertainment of the quorum and the convening of the Fifth Session of the United Nations Forum on Forests (UNFF) scheduled to be held at the United Nations Headquarters in New York from 16 to 27 May 2005. In light of this consideration, the IAG recommended that the confirmation of the dates and venue of the Thirty-eighth Session of the Council be taken up by the Council at the early stage of its current Session.