



**INTERNATIONAL TROPICAL  
TIMBER COUNCIL**

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**THIRTY-FIFTH SESSION**  
**3 – 8 November 2003**  
**Yokohama, Japan**

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

**Yokohama, Japan**

**3 – 8 November 2003**

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## REPORT

### OPENING OF THE SESSION (Agenda Item 1)

1. The Thirty-fifth Session of the International Tropical Timber Council was opened by the Chairperson of the Council, Dato' Dr. B.C.Y. Freezailah (Malaysia). The Chairperson welcomed all delegates to the Thirty-fifth Session and on behalf of the Council expressed gratitude and appreciation to the Government of Japan and the City of Yokohama for hosting the Session.
2. The Chairperson acknowledged the participation of H.E. Ms. Yoriko Kawaguchi, Minister of Foreign Affairs of Japan, represented by Mr. Keiji Ide, Director of Developing Economies Division, Ministry of Foreign Affairs of Japan; Mr. Mamoru Ishihara, Director-General, Forestry Agency, Ministry of Agriculture, Forestry and Fisheries of Japan; H.E. Dr. Adou Assoa, Minister of Water and Forests of Côte d'Ivoire; H.E. Dr. Muhammad Prakosa, Minister of Forestry of Indonesia; H.E. Ms. Elisea Gozun, Secretary of Department of Environment and Natural Resources of the Philippines; H.E. Mr. Patrick Pruaitch, Minister of Forests of Papua New Guinea; Mr. Hosny El-Lakany, Assistant Director-General, Forestry Department, Food and Agriculture Organization of the United Nations; and Mr. Pekka Patosaari, Coordinator and Head of the United Nations Forum on Forests (UNFF). The Chairperson also formally welcomed the accession of Nigeria to the ITTA, 1994, as a Producing Member.
3. Dr. Freezailah noted that after seventeen (17) years of operational activities, ITTO had grown into a respected world body promoting trade in tropical timber from sustainably managed forests, taking into account environmental, social and economic dimensions. He indicated that there had been some progress in the achievement of sustainable forest management on the ground as several ITTO Producing Member Countries were already implementing forest certification. He noted, however, that the area of certified tropical forests was relatively small when compared to temperate and boreal forests and the rate of tropical deforestation continued to be worrisome whilst illegal logging and illegal trade of timber plagued some countries. He was optimistic and stated that together with other organizations and processes, civil society and industry, ITTO was undeterred to implement sustainable management of the world's tropical forests, through a new, more focused, effective and better endowed successor Agreement to the ITTA, 1994.
4. In her address to the Council, which was delivered by Mr. Keiji Ide, Director of Developing Economies Division, H.E. Ms. Yoriko Kawaguchi, Minister of Foreign Affairs of Japan, on behalf of the Government of Japan, cordially welcomed all delegates to the Thirty-fifth Session of the Council. She acknowledged that during the seventeen years of its establishment, ITTO had played a significant role in stabilizing and promoting international trade in tropical timber and promoting sustainable forest management through policy guidelines, project implementation and information exchange. She said that Japan highly appreciated this contribution of ITTO and had strongly supported the Organization since its establishment by means of project financing, active participation in policy deliberation, and hosting of Council Sessions as well as the Headquarters.
5. Ms. Kawaguchi reiterated that Japan had repeatedly pointed out the need to take appropriate measures to combat illegal logging and had signed a joint announcement with Indonesia on the importance of combating illegal logging. Japan had also embarked on the Asia Forest Partnership Initiative with a view to promoting sustainable forest management in Asia. Ms. Kawaguchi urged the Council to consider new and emerging issues such as illegal logging, environmental services, and the participation of civil society and the private sector in the activities of the ITTO, during the upcoming negotiations of a successor Agreement to the ITTA, 1994. She pledged Japan's continued support to the ITTO.
6. In his address to the Council, Mr. Mamoru Ishihara, Director General of Forestry Agency of Japan stated that ITTO was the only international organization that had focused its activities on tropical forests and tropical timber. He noted that since its establishment, ITTO had made invaluable contributions to the sustainable management and conservation of tropical forests through its activities, notably, the establishment of ITTO Criteria and Indicators for the Sustainable Forest Management of Tropical Forests and the implementation of over 580 projects, pre-projects and activities. Mr. Ishihara reported that a new law on forestry was enacted in July 2001 to enhance the forest policies of Japan in order to achieve sustainable forest management and conservation

- in the context of the global environment. He reiterated the importance of combating illegal logging and illegal trade which had been widely acknowledged as major impediments to achieving sustainable forest management. He pledged that Japan would continue to promote global effort for sustainable forest management through both bilateral and multilateral cooperation among nations and through the activities of the Asia Forest Partnership. He also pledged Japan's continued support to ITTO's activities.
7. H.E. Dr. Adou Assoa, Minister of Water and Forests of Côte d'Ivoire commended the Government of Japan for its sizeable financial contributions to ITTO. He stated that Côte d'Ivoire had significantly progressed towards achieving ITTO Objective 2000 and noted that this had been made possible through the support of the international community, including the ITTO. He expressed his gratitude to the ITTO and all donor countries for the ten (10) projects and pre-projects financed in Côte d'Ivoire since 1994, in the context of the country's development and sustainable forest management policy. He said that the search for durable solutions to issues relating to encroachment on forest estate and the control of bush fires was priority for the government.
  8. H.E. Dr. Assoa drew the Council's attention to the issue of tropical timber certification which had been the subject of debate for several years. He noted that certification had many benefits for sustainable management of forest resources. However, its application was plagued with problems including:
    - The selection of an internationally recognized standard accepted by all;
    - The inclusion, in this standard, of forest biological diversity and the needs of local communities;
    - The training of national management staff and the establishment of national and sub-regional certification structures; and
    - The clear definition of the impact of certification on the purchase price of certified forest products.
  9. H.E. Dr. Assoa stated that the rapid resolution of these problems represented an important challenge to ITTO and other sub-regional organizations.
  10. In his address to the Council, H.E. Dr. Muhammad Prakosa, Minister of Forestry of the Republic of Indonesia stated that collaborative efforts by both producing and consuming countries were needed to combat illegal logging and associated illegal trade. He said that both producing and consuming countries must have the same vision and standard in order to curb illegal logging and illegal trade. He alleged that large quantities of timber were being smuggled out from Indonesia to Malaysia. He stated that the efforts of Indonesian authorities to combat these illegal activities were being hindered by the fact that Malaysian authorities had been condoning these activities by imposing levies on these illegal logs that entered Malaysian territory. He emphasized that unless a close and sincere cooperation between producing and consuming countries was established, efforts to combat these forest crimes would become very difficult. Dr. Prakosa mentioned that it was not his intention to put the blame on Malaysia for the illegal logging taking place in Indonesia, but simply noting that if real cooperation was to be developed, then all countries involved would have to play their roles to stop the illegal activities. He urged consuming countries to stop importing illegally cut timber and noted that the discrepancy in data on imports and exports was an indication of trade in illegally sourced timber.
  11. H.E. Mr. Patrick Pruaitch, Minister for Forests of Papua New Guinea expressed his Government's appreciation to the Government of Japan and the City of Yokohama for their continued cooperation and support to ITTO in promoting the sustainable management and conservation of tropical forests. He noted that ITTO had been one of the most successful international organizations and had built close linkages with many countries as well as other regional and sub-regional organizations to foster the cause for sustainable forest management. He said that it was pleasing to see that ITTO was broadening its scope of responsibilities to cover forest conservation, non-timber forest products, forest fires, management of mangrove forests and trans-boundary conservation areas. Mr. Pruaitch stated that access to the global timber market was an important issue for PNG and that the PNG government's policy to promote the export of value added products was being hampered by formal and informal trade barriers. He urged the Council to address the issue of free entry of forest products and removing road blocks or trade barriers. "World timber trade is not a level playing field and we would support any assistance given to the producers in this regard", Mr. Pruaitch said. He noted that like many developing

countries, PNG was using its limited resources to enhance sustainable forest management. However, there were serious setbacks.

12. In her address to the Council, H.E. Ms. Elisea Gozun, Secretary of Department of Environment and Natural Resources of the Philippines, expressed her warmest gratitude to ITTO for providing support to about twenty-five (25) completed and on-going projects totaling about US\$7 million to the Philippines. She noted that the ITTO's support had enhanced the country's capability to improve its forestry sector towards sustainable management. Ms. Gozun informed the Council that legally-classified forestlands covered 16.9 million ha or 53 percent of the total land area of the country while alienable and dispensable lands comprised 14.14 million ha or 47 percent of the national land area. From the 15.9 million ha classified forestland, only 5.4 million ha were covered with natural forests. She stated that overexploitation and conversion to other land use were the main reasons for the depletion of natural forests. The contribution of the forestry sector to the GDP had also decreased from 12.5 percent in 1970 to 0.1 percent in 2000 with the country becoming a net importer of timber. Ms. Gozun noted that although the Philippines had declared sustainable forest management as the overarching policy thrust in its forestry sector, sustainable forest management was yet to be fully operational on the ground. She said that the Philippines had adopted community-based forest management as the official strategy for sustainable forest development. Ms. Gozun requested the support of ITTO and other donor partners to continue the pilot studies on multi-stakeholders approaches to total watershed planning to help reduce resource use conflict and provide a supportive land use context for sustainable forest management.
13. Mr. Hosny El-Lakany, Assistant Director-General, Forestry Department of the UN Food and Agriculture Organization (FAO), in his statement to the Council stated that ITTO mirrored the work of FAO on the impacts and interactions between trade and forest management in a very complementary way. He noted that collaborative activities between FAO and ITTO had grown significantly and discussions between the two Organizations were ongoing to increase collaboration. He cited an ongoing FAO project on "Impact Assessment on Forest Products Trade in the Promotion of Sustainable Forest Management" and noted that the collaboration between FAO and ITTO on this rather sensitive topic was based on the mutual understanding of the two Organizations that trade in forest products and services carried a unique potential to foster sustainable forest management. Mr. El-Lakany expressed FAO's appreciation for ITTO's efforts towards realistic forest certification through the phased approach system and noted that it had offered new opportunities to strengthen cross-sectoral cooperation in the framework of ongoing policy processes, such as the national forest programmes and to use existing criteria and indicators for sustainable forest management.
14. Mr. El-Lakany stated that forest law enforcement and governance were among the key challenges today. He informed the Council that FAO would carry out an analysis of best practices and prepare practical guidelines for policy, legal and institutional reforms to improve law compliance in the forest sector. He noted ITTO's expertise and activities in the field of forest law enforcement and governance and looked forward to continued collaboration.
15. Dato' Suboh Mohd Yassin (Malaysia) welcomed the call by the Honourable Minister of Forestry of Indonesia for ITTO Member Countries to collaborate to combat illegal logging and the associated illegal trade. He recalled attempts made by the Government of Malaysia to seek bilateral meetings with the Minister of Forestry of Indonesia to address the issue of illegal logging and associated trade. He cited his government's latest initiative through a letter from the Minister of Primary Industries, H.E. Dato' Seri Dr. Lim Keng Yaik to H.E. Dr. M. Prakosa dated 1 August 2003. He noted that unfortunately, to date, Malaysia had not received any response from the Indonesian side. He indicated that Malaysia was looking forward to holding a bilateral meeting with Indonesia either in Kuala Lumpur or Jakarta on a mutually agreed date.
16. Dato' Suboh noted that the issue of illegal logging had been a subject of deliberation in various fora for quite some time and numerous initiatives had been introduced with a view to alleviating the problems of illegal logging. He stated that illegal logging fundamentally was a matter that fell within the jurisdiction of the sovereignty of the country concerned and, therefore, the responsibility of that country to solve problems of illegal logging within its borders. He noted that assistance from other countries was relevant but there was a limit in terms of the ability of other Member Countries of ITTO as well as other organizations to help. He recalled that Malaysia had experienced similar problems of illegal logging in the past but had taken the necessary steps to

amend its laws making it mandatory for those convicted of illegal logging activities to be imprisoned. He reported that since 1993, twenty-six (26) people had been convicted and imprisoned and noted that these drastic measures had been taken because the Government was committed to sustainable forest management and the protection of the image of Malaysia's timber industry. He mentioned that the strong actions taken by the Government had come to fruition and currently 76.5 percent of Malaysia's land area was under forest and tree cover.

17. Dato' Suboh informed the Council that Malaysia had taken various measures to assist Indonesia with the problem of illegal logging. On 25 June 2002, Malaysia imposed a ban on importation of logs from Indonesia. In addition, on 1 June 2003 Malaysia banned the importation of square logs from Indonesia. He mentioned that since the imposition of the ban on imports of logs and squared logs from Indonesia, Malaysia had made sixteen (16) cases of arrest involving 5570 pieces of logs and 194 cubic meters of square logs. He regretted that these actions taken by Malaysia had not been appreciated by the Government of Indonesia. Dato' Suboh also expressed disappointment at the statement made by H.E. Dr. M. Prakosa calling on the European Union not to accept wood-based products from Malaysia and stated that such actions were a reflection of Indonesia not fully appreciating the dimension of the issues it was facing and also a sign of desperation. He urged the Government of Indonesia to exercise its political will and apply prescriptions that were effective in combating illegal logging. He reiterated Malaysia's willingness to collaborate with Indonesia and stressed that Indonesia should give serious attention to the suggestion to hold a bilateral meeting.

#### **ASCERTAINMENT OF THE QUORUM (Agenda Item 2)**

18. The Executive Director, Dr. Manoel Sobral Filho, reported that the quorum for the Thirty-fifth 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)**

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

#### **MEMBERSHIP OF THE COUNCIL (Agenda Item 4)**

20. The Executive Director reported that on 17 June 2003 the Secretariat was notified by the Treaty Section of the United Nations that on 28 February 2002, the Secretary-General of the United Nations received from the Government of Nigeria the instrument of "accession" to the ITTA, 1994. Nigeria, therefore, became the fifty-eighth Member of ITTO on 28 February 2002 as a "Producing Member". The total membership of the Council stood at fifty-eight (58), comprising thirty-two (32) producing members and twenty-six (26) consuming members, including the European Community. The membership of the Council is attached to the agenda.

#### **REPORT OF THE CREDENTIALS COMMITTEE (Agenda Item 5)**

21. The report of the Credentials Committee was presented by the Chairperson of the Committee, Mr. Gustavo A. Morales (Honduras).
22. He referred to document ITTC(XXXV)/3 and reported that the Committee was composed of representatives from Côte d'Ivoire, Germany, Honduras, Indonesia, Netherlands, Switzerland and U.S.A. The Committee met on 6 November 2003 and examined and accepted the credentials of forty-two (42) countries and the European Community which participated in the Thirty-fifth Session of the Council and the Sessions of the Committees.

#### **DISTRIBUTION OF VOTES (Agenda Item 6)**

23. The Executive Director reported that the distribution of votes for the year 2003 was adopted by the Council, in accordance with Article 10(6) of the ITTA, 1994, at its Thirty-fourth Session. The votes for Producing Members had been redistributed to include Nigeria as a new Member, in accordance with Article 10(7) of the ITTA, 1994, subject to the approval by the Council. The distribution of votes is contained in document ITTC(XXXV)/1 Annex.

**ADMISSION OF OBSERVERS (Agenda Item 7)**

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

**STATEMENT BY THE EXECUTIVE DIRECTOR (Agenda Item 8)**

25. The Executive Director welcomed delegates to the Thirty-fifth Session of the Council. He acknowledged with gratitude the participation of H.E. Dr. Assoa Adou, Minister for Water and Forests of Côte d'Ivoire; H.E. Dr. Muhammad Prakosa, Minister of Forestry of Indonesia; H.E. Mr. Patrick Pruaitch, Minister for Forests of Papua New Guinea; H.E. Ms. Elisea Gozun, Secretary of the Department of Environment and Natural Resources of the Philippines; Mr. Keiji Ide, Director of Developing Economies Division, Ministry of Foreign Affairs of Japan, representing H.E. Ms. Yoriko Kawaguchi, Minister of Foreign Affairs of Japan; Mr. Mamoru Ishihara, Director-General of the Forestry Agency of Japan; and Mr. Hosny El-Lakany, FAO's Assistant Director-General for Forestry. Dr. Sobral also acknowledged with gratitude the unflinching support provided by the City of Yokohama to ITTO. He noted that the City of Yokohama deserved a large share of the credit for the Organization's current high standing in the global forestry community.
26. The Executive Director recalled that at the Thirty-fourth Session of the Council held in Panama, he stressed that the ITTA, 1994, with its unique focus on promoting tropical forest development and tropical timber trade, was a remarkable intergovernmental agreement that was yet to realize its full potential, not because of inaction, but because its full implementation was such a daunting task, almost certainly not consistent with its agreed duration. He stated that a comprehensive report on the Organization's work and progress since January 1997, when the ITTA, 1994 entered into force, would be presented to the Council. He noted that the report contained a wealth of user-friendly information on the Organization's work and progress and would be extremely helpful to governments throughout the process of negotiating a successor agreement. Dr. Sobral also informed the Council that a draft 2004-2005 Biennial Work Programme would be placed before Council for its consideration and approval. He indicated that the draft Work Programme contained several new activities addressing a number of actions listed under the 2002-2006 Yokohama Action Plan and appealed to the Council to allocate funds for its implementation. Dr. Sobral stated that moving away from an annual to a biennial work programme would allow better planning and would reduce the need for piecemeal decisions on individual activities at each Session of the Council.
27. The Executive Director noted that the Annual Review and Assessment of the International Timber Situation to be presented to the Council would offer the it an excellent opportunity to consider issues and developments that were counter to efforts to promote sustainable forest management and the international trade in sustainably produced tropical timber, including illegal logging, illegal trade, forest and timber subsidies, and non-remunerative prices for tropical timber. Dr. Sobral stated that non-rumerative prices for tropical timber were perhaps the greatest force undermining efforts to achieve sustainable forest management because of its tremendous negative impact on the ability of the private sector to invest in better forest management practices. "We must be honest: operations that produce commodity products such as plywood from wood derived from sustainably managed, slow-growing natural tropical forests are simply not financially viable at current market prices which have been depressed since the Asian economic crisis of 1997", Dr. Sobral said.
28. On the issue of illegal logging, the Executive Director noted and commended the newly launched United States' Presidential Initiative to assist developing countries in combating illegal logging, the trade in illegally harvested timber products and corruption in the forest sector. The initiative would focus on critical tropical sub-regions and would aim at identifying and reducing threats to protected forest areas and other high-value conservation forests. Dr. Sobral hoped that Producing Members of ITTO would welcome and benefit from this initiative which would complement their own efforts to improve forest law enforcement. He, however, noted that illegal logging was not by any means a problem limited to developing countries. He cited the case in one major developed country where a dozen forest economists consulted by a major press agency estimated that, nationwide, thieves might be stealing trees worth the equivalent of US\$1 billion a year.

29. Dr. Sobral informed the Council on progress in the implementation of a global study to assess the extent, nature and causes of illegal trade in timber and timber products, in cooperation with other relevant international organizations. He informed the Council that a proposal for cooperation had been received from FAO, focusing on the development and application of guidelines for improving law compliance in the forest sector.
30. On preparations for the negotiation of a successor Agreement to the ITTA, 1994, the Executive Director invited the Council to look forward in its deliberations. He stated that the world would certainly change significantly in the next fourteen (14) years or more and the nature of the demand for products and services produced by tropical forests would also change, probably at an increasing rate, over the next couple of decades. He stated that for ITTO would to be able to offer a useful service in managing the change, it must be flexible. He noted that the ITTA, 1994 had served the Organization well and a few relatively minor amendments would allow this flexibility to be achieved.

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

31. The Chairperson referred to document ITTC(XXXV)/2. He reported that the Informal Advisory Group established under Decision 3(XXII) held its Thirteenth Meeting on 2 November 2003. The meeting was attended by the Chairperson of the Council, the Chairpersons of the Committees or the Vice-Chairpersons in the absence of the Chairpersons, the Spokespersons of the Producer and Consumer Groups, a representative of the Government of Japan and the Executive Director.
32. Issues considered by the IAG included preparations for negotiating a successor Agreement to the ITTA, 1994; outcome of the Working Group held in Curitiba, Brazil from 25 to 29 August 2003; the Council decision-making process; 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-fifth Session of the ITTC. The full report of the IAG is attached as Annex V.
33. Mr. Luis Ernesto Garrera Garavito (Guatemala) sought further clarification on the criteria used to set up the Curitiba Working Group. He noted that there were some inconsistencies between the report of the Curitiba Working Group and paragraph 5 of the IAG report on the inclusion or non-inclusion of coniferous forests in a successor Agreement. He urged the Council to take into account the views of all countries on the inclusion or exclusion of coniferous forests in a successor Agreement. In response, the Chairperson explained that the composition of the Curitiba Working Group was defined by Decision 8(XXXIII). On the issue of coniferous forests, the Chairperson indicated that Member Countries would be given the opportunity to express their views on the issue during the PrepCom II Session.
34. Mr. Daniel Birchmeier (Switzerland) supported the observations made by the delegation of Guatemala. He also drew the Council's attention to paragraph 8 of the IAG report and noted that the IAG had expressed its view regarding the focus of the Agreement. He said that the IAG had over-stepped its role by concluding on specific issues concerning the scope of the Successor Agreement and that issues concerning the focus of the Successor Agreement should be addressed by Members during the presentation of the Curitiba Working Group report to the Council. Mr. Birchmeier proposed that the IAG report should be amended with its paragraph 8 deleted. Mr. Birchmeier also commented on the proposal by Switzerland for a panel discussion to be jointly organized by the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG) at the Thirty-sixth Session of the Council. He suggested that the proposal be included in the ITTO Biennial Working Programme if a specific decision on the proposal was taken by the Council. In response, the Chairperson recalled Decision 3(XXII) establishing the Informal Advisory Group and reiterated the advisory role of the IAG. Dr. Freezailah said that it was up to the Council to accept or reject the advice given by the IAG.
35. Mr. Dike Kari (Papua New Guinea) referred to paragraph 5 of the IAG report and stated that conifers were an important part of the resource base of some Producing Member Countries and, therefore, the recommendation of the IAG for the exclusion of conifers tropical wood should be reconsidered.
36. Mr. Luis Ernesto Garrera Garavito (Guatemala) supported the proposal submitted by Switzerland for a joint TAG-CSAG panel to be held during the Thirty-sixth Session of the Council. On the proposal submitted by Japan, Mr. Garavito said the Council should take measures to improve



project proposals as well as the project cycle and the criteria used by the Expert Panel for Technical Appraisal of Project and Pre-Project Proposals.

37. Dr. Dradjad Wibowo (Indonesia) noted that paragraph 5 of the report of IAG was contentious and proposed that the issue of inclusion or exclusion of coniferous forests should be further discussed by the Council in relation to the Report of the Curitiba Working Group. He proposed that the opinion expressed by the delegation of Switzerland that paragraph 8 of the report be deleted should be referred to the caucuses and Member Countries.
38. Dr. David Brooks (U.S.A.) shared the concerns expressed by the delegation of Switzerland as to whether the IAG had not over-stepped its authority in relation to paragraph 8 of the report. He proposed that paragraph 8 of the report be re-worded to address some of the concerns expressed. On the proposal submitted by Switzerland for a decision on the TAG-CSAG Panel to be convened during the Thirty-sixth Session of the Council, Dr. Brooks indicated that he was sympathetic to the proposal and would support that a specific decision on the issue be taken by the Council.
39. Mr. Germán Espinosa (Ecuador) referred to paragraph 8 of the IAG report and noted the advisory role of the IAG. He stated that further consultations between Producing and Consuming Members were necessary in order to review the Council decision relating to ecosystem/environmental services.
40. Mr. Daniel Birchmeier (Switzerland) stated that previous experience had shown that the IAG report had often been used as a reference document during the Council Session and also during the caucus meetings. He supported the opinion expressed to amend paragraph 8.
41. Mr. Enzo Barattini (European Community) proposed that the Council should only take note of the IAG report and further discussions on the report could be done in the caucuses.
42. Mr. Christopher Ellis (U.S.A.) supported the opinion expressed by the delegation of Switzerland on paragraph 8 of the report. He stated that the paragraph did not reflect accurately the discussions at the IAG meeting, and therefore, he could support the proposal that the paragraph be deleted or revised. However, he agreed with the Chairperson that the IAG report was informal and advisory and, therefore, had served its purpose of opening up for discussing some of the issues raised in the IAG meeting. He supported the opinion expressed by the delegation of the European Community that the Council should take note of the IAG report and not discuss the substance of the report.
43. Mr. Henri-Felix Maître (France) said that the IAG was only an advisory body and, therefore, the Council should take note of the report. He noted that the report was well done and had instigated a debate.
44. Ms. Aulikki Kauppila (Finland) agreed with the opinion expressed by previous delegations that the IAG was an advisory body and, therefore, the Council had the right to express opinions on the report. She indicated her readiness to participate in a small drafting group on paragraph 8 of the report, if that was found to be necessary.
45. Ms. Celestine Ntsame-Okwo (Gabon) said that there was no need for the Council to discuss the substance of the IAG report. She indicated that the issues raised by delegations on the inclusion or exclusion of coniferous forests in the new agreement should be discussed during the PrepCom Session.
46. H.E. Amb. Carlos Antonio Da Rocha Paranhos (Brazil) supported the opinion that the IAG was advisory and the Council should not enter into any negotiations on the substance of the report. He supported the opinion that the Council should only take note of the report.
47. Mr. Mitsunori Namba (Japan) supported the opinion that the Council should not enter into any negotiations on the substance of the IAG report. He said that there was no need to reconvene the IAG to re-examine its report. He appealed to the delegation of Switzerland and other delegations who wanted the report to be revised to reconsider their demand so that the Council could take note of the report and move ahead.

48. The Council decided to take note of the report of the IAG.

**ANNUAL REVIEW AND ASSESSMENT OF THE INTERNATIONAL TIMBER SITUATION (Agenda Item 10)**

49. Dr. Steven Johnson (ITTO Secretariat) presented the Annual Review and Assessment of the International Timber Situation in 2003. He referred to document ITTC(XXXV)/4 and reported that sixteen (16) Member Countries did not respond to the Joint Questionnaire for the Annual Review. He said that that was the lowest response to the Joint Questionnaire (JQ) so far. Among the forty-two (42) countries that responded only twelve (12) could be classified as having provided good responses. For these countries, all the major sections of the questionnaire were completed and the data was internally consistent and more or less consistent with trade partner reports. The countries were Bolivia, Ghana, Honduras, Thailand, Togo, Suriname, France, Japan, Netherlands, New Zealand, Norway, Sweden, the United Kingdom and the United States. He noted that the responses from most Consuming Members did not include any data on tropical timber trade.
50. The report showed that since 1995 Japan's production of plywood had been decreasing while imports had been increasing. However, Japan's imports of plywood also started to drop in 2002. Production had stabilized at about 3 million m<sup>3</sup> per year. Dr. Johnson mentioned that since 2001, coniferous plywood production in Japan had outstripped non-coniferous plywood production. Since 1997, China's exports of tropical plywood had far outstripped its imports to become one of the largest exporters of tropical plywood in the world. Dr. Johnson said that the total value of wood products from tropical countries was approximately 20 billion dollars per year. He said that the proportion of this value attributable to primary products had fallen from over 80 per cent in 1991 to less than 40 per cent in 2003. Hence, the bulk of the value in timber product from tropical countries was made up of further processed products, reconstituted panels, and pulp and paper. He stated that these products were mainly from plantation sources.
51. Mr. Enzo Barattini (European Community) provided some clarification on the statistical data from the EU. He said that there was a single market within the EU and trade between Members were estimated on the basis of VAT, or transportation document since there was no formal control of such trade. He indicated that for the EU single market, trade figures were only accounted for on a global level.
52. Prof. Yeo-chang Youn (Republic of Korea) urged the Council to consider how data could be provided by Member Countries in an efficient manner. He proposed that the Council could design a new data collection system. He commented on the 1/1 ratio conversion data attributed to the Republic of Korea in terms of products versus log and stated that Korea plywood companies were currently using coniferous logs as core material and that this substitution of softwood for tropical wood as raw material for plywood production should be reflected in the data analysis.
53. Dr. David Brooks (U.S.A.) commended the Secretariat for the Annual Review and Assessment of the International Timber Situation. He noted with some concern the deteriorating situation regarding reporting of data to the Secretariat and drew attention to the fact that reporting data on Members' collective production, consumption and trade in tropical products was one of the commitments and obligations of Members under the ITTA, 1994. He underlined the importance of providing information to enable Members to effectively understand the trends and conditions of the markets for timber and timber products. Dr. Brooks wanted to know whether the ITTO programme of work was sufficiently robust on the question of efforts to assist Members in building and sustaining their capacity to collect and report data and whether there were other creative and effective mechanisms that could be used. He proposed that the Trade Advisory Group (TAG) could play a role by effectively exhorting governments to be better at collecting and reporting these data on a timely manner.
54. Dato' Suboh Mohd Yassin (Malaysia) referred to the production data for Malaysia which showed a gap between production and consumption and mentioned that in 2002 the production of logs from plantation sources amounted to approximately 3 million m<sup>3</sup> which might not be included in the data, provided to ITTO by the Forestry Department of Malaysia.
55. Mr. Luiz César Gasser (Brazil) commended the Secretariat for the Annual Review and Assessment of the International Timber Situation and the challenges involved in the data collection. He indicated that Brazil was committed to providing the necessary data and informed

the Council that the data would soon be made available to the Secretariat. He said that the preparation of the data in response to the JQ was a difficult task which must be recognized by all Member Countries.

56. Mr. Don Wijewardana (New Zealand) reiterated the importance of trade data in the work of ITTO and urged countries to endeavour in providing the necessary data. He noted that the analysis of the data provided useful materials for deliberation in the Council.
57. Ms. Jan McAlpine (Vice-Chairperson) underlined the fact that ITTO had been recognized throughout the world as one of the most substantive sources of trade data in tropical timber and timber generally. She noted that this work formed the basis of policy not only for the ITTO but for decisions made on funding of projects throughout the world. She reiterated the need to consider what future work should be done within the biennial work programme to address the gaps in data reporting.
58. Dr. Manoel Sobral Filho (Executive Director) provided further information on measures to improve data reporting by Member Countries. He indicated that although there were no specific activities in the biennial work programme regarding improvement of the statistical work, there were some on-going activities such as ITTO's interaction with the inter-agency statistical working group. He also noted that ITTO had recently concluded an ex-post evaluation on a number of projects implemented in some Member Countries to improve their statistical collection, collation and analytical capability. Dr. Sobral mentioned that in the past, ITTO had undertaken a comprehensive programme of regional workshops, in some cases in collaboration with FAO, and provided training for personnel involved in statistical work in Producing Member Countries. He noted that without these activities, data reporting in Member Countries would have been much weaker. He, noted that these activities had all been implemented in Producing Member Countries.

#### **CITES LISTING PROPOSALS BY MEMBERS – DECISION 3(XVI) (Agenda Item 11)**

59. Dr. Steven Johnson (ITTO Secretariat) recalled Decision 3(XVI) which requested Members to inform the ITTO at the earliest opportunity of any proposals by Members to include internationally traded tropical timber species in the CITES Appendices. He reported that the Secretariat had not been advised by any Member on such proposals. Dr. Johnson also reported on progress in the implementation of Decision 7(XXXIV) which requested the ITTO Secretariat to collaborate with CITES in convening a meeting of the Mahogany Working Group. He reported that the CITES Secretariat together with ITTO convened the Second Meeting of the Mahogany Working Group in Belem, Brazil in October 2003. The Working Group discussed the implementation of the listing of mahogany in Appendix II, specifically on how to support and meet the administrative and scientific requirements for making non-detriment findings. The Working Group also discussed data and statistics and stressed that ITTO could provide assistance in statistics. The CITES statistical data had been based almost solely on the data from the certificates submitted by Members. THE Working Group recommended that ITTO and CITES should continue to collaborate. Another meeting of the Working Group would be convened in due course to review the implementation of the mahogany listing. The Working Group also recommended that the trade and industry should be represented on the Mahogany Working Group.

#### **NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994 – DECISION 6(XXXIV) (Agenda Item 12)**

##### **a) Report on Experiences in Implementation of the ITTA, 1994**

60. The report was presented by Mr. Shaharuddin Muhammad Ismail (Consultant). The report covered the following areas:
  - Notable achievements under ITTA, 1994;
  - Shortfall in implementation of ITTA, 1994;
  - Areas for potential further review under a new ITTA; and
  - Technical questions for UNCTAD.
61. Mr. Shaharuddin stated that under the ITTA, 1994, ITTO had implemented over two hundred and eighteen (218) projects and activities at a total cost of US\$123 million (US\$18 m/yr). He noted that the ITTO had been an effective forum for international cooperation. The Council had over the

period of the current agreement adopted one hundred and thirty-eight (138) Decisions. He cited Decisions on some tough issues like market access, certification and forest law enforcement and governance as notable achievements. He noted that ITTO had been an effective forum for policy development and had also trained over six thousand (6,000) professionals during the period of implementation of the ITTA, 1994 and employed over five hundred (500) professionals in the field. He reported that one hundred and ten (110) observer governments and organizations had attended Sessions of the Council during the period of implementation of the ITTA, 1994.

62. Mr. Shaharuddin cited the following as some of the achievements of ITTO under the ITTA, 1994:
- Communication and outreach activities had been greatly enhanced;
  - Trade Advisory Group initiative to develop generic tropical timber promotion project to address misperceptions in the timber trade;
  - Development of policy guidelines on fire management and rehabilitation of secondary and degraded forests;
  - Revision of ITTO Criteria and Indicators
  - Establishment of thirty-eight (38) sustainable forest management demonstration areas in Member Countries;
  - Establishment of eight (8) transboundary parks; and
  - Implementation of nine (9) country missions with six (6) more planned.
63. Mr. Shaharuddin noted with delight that the first study on the status of tropical forest management by the ITTO was underway.
64. The report cited the following shortfalls in the implementation of ITTA, 1994:
- Failure by Members to pay on time and in full annual assessments to the Administrative Account;
  - ITTO Objective 2000 had not been fully achieved;
  - Narrow funding base within and outside the ITTO. Only four (4) Consuming Member Countries had contributed ninety-seven percent (97%) of the total financial resources to project financing;
  - Forty percent (40%) of approved projects were not funded;
  - Failure by Members to provide good timely responses to the Joint Questionnaire, which negatively impacted on the Annual Review and Assessment of the World Timber Situation and the Annual Market discussions;
  - Relatively less activities on forest industry;
  - Many poor quality project proposals; and
  - Expansion of tropical timber trade from sustainable sources not fully achieved.
65. Mr. Shaharuddin listed the following areas for potential review under the successor ITTA:
- Streamlining/updating/reducing overlap in Objectives (Article 1);
  - Updating ITTO Objective 2000 (Articles 1 and 21)
  - Clarify use, and review calculation of special vote (Articles 7, 9, 16, 25, 26 and 46);
  - Clarify, simplify and update calculation of votes (Articles 10-12); and
  - Updating list of key organizations for cooperation with ITTO (Article 14).
66. The report pointed out that suspension of voting rights had not proved an effective disincentive to non-payment of assessed contributions to the Administrative Budget and whether measures already adopted by Council in Decision 7(XXXIII) that projects submitted by Members with cumulative arrears of three years or more would not be processed by the Secretariat should be provided for in the Successor agreement to the ITTA, 1994
67. Other issues raised in the report include:
- Whether and how to strengthen requirements for the integration of ITTO's policy and project work;
  - How to equitably distribute projects among ITTO's three focal areas (Economic Information and Market Intelligence, Reforestation and Forest Management and Forest Industry), or identify new areas more equitable in scope by combining market intelligence and forest industry into a single area;
  - Whether to require Members to clearly prioritize and limit the number of projects submitted to the Secretariat as urged by the Council Decision 7(XXXIII);

- Whether to streamline Committees' functions in the successor agreement to avoid duplication and confusion with the Council's functions and provide flexibility to the Council to elaborate Committees' functions as needed;
- Whether to maintain the provision on studies on "progress in sustainably managing timber producing forests" given that the UNFF had been mandated to review national progress toward sustainable forest management, as well as progress in implementing the IPF/IFF proposals for action; and
- Whether to review the scope of the successor agreement within four or more years after entry into force, given that the review under the ITTA, 1994 led to no further action.

**b) Report on a Study on Internationally Traded and Potentially Tradable Environmental Services Provided by Tropical Forests**

68. The report was presented by Dr. Andy White (Forest Trends) The report focused on the current status and future potential markets for the ecosystem services of tropical forests.
69. The report identified three major forest ecosystem services:
- Watershed protection services;
  - Biodiversity protection services; and
  - Carbon sequestration.
70. On type of markets and payment schemes for ecosystem services of tropical forests, the report listed the following:
- Public payments to private land and forest owners to maintain or enhance ecosystem services;
  - Open trading under a regulatory cap or flow;
  - Self-organized private deals; and
  - Eco-labelling of forest or farm products.
71. On the status of watershed protection markets, the report indicated that the private sector accounted for 65 per cent of buyers; about forty-four (44) per cent of all payment mechanisms were intermediary-based transactions; sixty-eight (68) per cent of markets were local, eleven (11) per cent were national and three (3) per cent were international. Most markets were emerging, while most mature markets existed in developed countries, e.g. U.S.A. The report further noted that global demand for clean water was immense and the current trends suggested that demand for water would either double or triple current use over the next 50 years. It pointed out that the majority of the world's population were living downstream of forested watersheds, making them susceptible to the costs of watershed degradation. The report stated that about forty (40) per cent of the world's largest cities rely on protected areas and multiple use forests for their drinking water, and investments in sustainable watershed management were often substantially cheaper than investments in new water supply and treatment facilities.
72. On the status of biodiversity protection services, the report noted that in a study by the Institute for Environment and Development (IIED) covering seventy-two (72) market cases, private corporations were found to be the main buyers of biodiversity protection services. It noted that seven-three (73) per cent of the markets were international, 6 per cent were regional and 8 per cent were local. Most of the private corporations were interested in eco-labelling schemes for crops or timber, investments in biodiversity-friendly companies, horticultural companies concerned with ecosystem services, or pharmaceutical bioprospecting.
73. On the status of carbon markets, the report indicated that the private sector was the principal buyer of carbon and was playing a dominant role as seller and intermediary. Most carbon deals were internationally brokered and the growing concern over global warming was the main market driver. The report further stated that given the restrictions on forest carbon trading in the Clean Development Mechanism (CDM), and assuming a value of US\$10/ton of carbon, the upper bound market would be US\$300 million per year during the first commitment period of 2008-2012. The European Emissions Trading System (ETS), expected to become operational in January 2005, would also affect some 10,000 installations across 25 countries, instantly creating a market that some experts had estimated could be worth around US\$30 billion each year. The report stated that over the next 20 years, 48 major tropical and subtropical developing countries would have the potential to reduce about 2.3 billion tone of carbon if all types of biocarbon projects were eligible. Given a price of US\$10/ton of carbon and a discount rate of 13 percent, this mitigation

would generate a Net Present Value (NPV) of about US\$16.8 billion collectively for these countries.

74. The report stated the following as potential risks of ecosystem services markets:
- In areas where land and forest tenure were not formalized, politically powerful groups might claim lands belonging to the poor in order to receive ecosystem service payments;
  - Local people should be involved in negotiating the specifics of use and management contracts, to avoid the risk that critically important local ecosystem services might be lost e.g. afforestation of a local watershed with fast-growing tree plantations for carbon sequestration could dry up local water sources; and
  - Where payments were independent upon delivery of specific ecosystem outcomes, factors outside the control of producers (such as fire, disease, extended droughts, invasive species) might result in failure to achieve contractual obligations and non-payment.
75. The report listed the following key findings:
- (i) Total value of potential ecosystem services in tropical countries was presently modest, behaving more as niche markets than commodities;
  - (ii) Markets were expected to grow both in developing and developed countries;
  - (iii) Potential ecosystem services could provide a small but significant income stream to low-income people;
  - (iv) Governments were playing a critical role as direct buyers of forest ecosystem services and as catalysts for many private sector direct payment schemes; and
  - (v) Ecosystem service payments would in most cases cover only a modest share of the costs of good forest management but could catalyze change.

**(c) Report of the Inter-Sessional Working Group on Preparations for Negotiating a Successor Agreement to the ITTA, 1994**

76. The report was presented by Dr. Jürgen Blaser, Chairperson of the Working Group. The Working Group comprised three representatives from Producing Members, three representatives from Consuming Members, the Chairperson and Vice-Chairperson of the Council, the Producer and Consumer Spokespersons, the Chairperson and the Vice-Chairperson of the reNegotiation Process, a representative from UNCTAD and the Executive Director of the ITTO.
77. Dr. Blaser enumerated the following tasks of the Inter-sessional Working Group:
- Overview on tropical coniferous resources and their importance in tropical timber trade;
  - Review of ITTO past and current work on non-timber forest products and other non-timber forest values;
  - Assess inclusion of Non-Timber Forest Products (NTFP), environmental services and other non-timber forest values in the ITTA, 1994 and make recommendations on how these elements could be further strengthened in the context of sustainable forest management in tropical forests;
  - Identify areas in which the ITTA, 1994 has not been implemented in a satisfactory way and make recommendations on elements that could enhance implementation of a new agreement;
  - Advise Co-Chairs on:
    - Possible language for the Preamble of the Successor Agreement;
    - Text of a short list of overarching objectives that could reflect and encompass the 14 objectives of the ITTA, 1994;
    - Definitions as requested by PrepCom I; and
    - Prepare a work plan proposal for the PrepCom II.
78. On the issue of tropical conifers, the Working Group concluded that there were no compelling reasons for the exclusion of coniferous in the ITTA definition of tropical timber. On extent to which NTFPs, environmental services and other non-timber forest values had been covered by the ITTA, 1994, the Working Group considered a possible role of ITTO and indicated that such a role could include, inter alia; information exchange, statistics, market analysis, market observations, pilot projects in sustainable forest management and environmental services, and capacity building.
79. The Working Group reviewed ITTO's past and current work on NTFP's and other non-timber forest values and concluded that the ITTO had already been playing an active role in respect of

NTFPs and non-timber forest values. Given ITTO's unique advantages from its trade/forest position, the ITTA could explicitly refer to forest products and services in general terms.

80. The Working Group reviewed all the articles of the ITTA, 1994 and recommended whether an article (i) was still relevant and acceptable without or with minor changes; (ii) needed updating; and (iii) needed essential modification to make the implementation of the successor Agreement more efficient and effective.
81. The report of the Working Group contained proposed preambular text and overarching objectives for the Successor Agreement to the ITTA, 1994.
82. Discussions of this agenda item were deferred to PrepCom II.

#### **REPORT OF THE EXPERT PANEL ON MANAGEMENT OF PROJECT IMPLEMENTATION (Agenda Item 13)**

83. The report was presented by Mr. Michael Hicks (U.S.A.), Chairperson of the Expert Panel. The Panel was composed of Mr. Malcom Jamieson (Australia); Mr. Alhassan Attah (Ghana); Mr. Gustavo Morales Galindo (Honduras), Messrs Mitsunori Namba and Taira Iwasaki (Japan), and Mr. Michael Hicks (U.S.A.).
84. The report noted that there were currently 185 projects and pre-projects under implementation out of which 75 were experiencing some form of delay. Forty-five (45) percent of the projects experiencing delay were one (1) year past their planned completion date, and one (1) project was over seven (7) years past its planned completion date.
85. The report identified the following causes of delay in project implementation:
  - Poor project design, including unrealistic time frames, weak logical framework, lack of stakeholder involvement in project design and underestimating the complexity of the project;
  - Poor communication within the project and with the ITTO Secretariat;
  - Lack of coordination at all levels;
  - Lack of capacity and necessary experience within the Executing Agency;
  - Non-compliance with ITTO rules and procedures;
  - Difficulties and lack of understanding of the procedures in recruiting consultants and project personnel and building a project team; and
  - External factors, including natural disasters, civil and political unrest and exchange rate fluctuations.
86. The report identified the following as key challenges to the implementation of ITTO projects:
  - Adoption of effective plans and channels of communication by Executing Agencies;
  - Ensuring that Executing Agencies and various stakeholders engaged in implementation of projects were aware of, understood and complied with ITTO Project Agreements, manuals, rules and procedures;
  - Improving the quality of project management by developing capacity in Member Countries; and
  - Identification and evaluation of risks on an ongoing basis.
87. The Panel recommended that the Council should take the following actions:
  - (i) Updating and consolidating existing manuals and guidelines relating to project formulation, hiring of consultants in project management and reviewing the format for the yearly plan of operation with a view to making these more user-friendly;
  - (ii) Strengthening the role of the Expert Panel for Technical Appraisal of Project Proposals in identifying possible causes of delay, including utilizing the expertise and knowledge available in the Secretariat;
  - (iii) Request Members of the Expert Panel for Technical Appraisal of Project Proposals to provide their comments in writing;
  - (iv) Strengthening training, particularly in area of project management; and
  - (v) Continue the engagement of ITTO Regional Officers to enhance the project monitoring capacity of the Secretariat; and
  - (vi) The Committees should take a more active role in evaluation of project proposals and in the review of ongoing projects experiencing serious delay.

88. The report recommended that the ITTO Secretariat should:
- (i) Provide a list of international consultants by area of expertise and country on an ongoing basis to Member Countries;
  - (ii) Require Executing Agencies to return project agreements within three (3) months and to submit yearly plan of operation/work plan within three (3) months of submission of the project agreement; and
89. The Panel recommended that Executing Agencies should:
- (i) Adhere strictly to ITTO Project Agreements, rules and procedures;
  - (ii) Utilize personnel trained in project formulation in the formulation of project proposals;
  - (iii) Spell out the roles and responsibilities of parties and include Memorandums of Understanding (MOUs) in project proposals;
  - (iv) Establish and maintain effective management of the project and channels of communication; and
  - (v) Organize project start-up workshops/meetings with the participation of all stakeholders.
90. The report recommended the following actions to be taken by Member Countries:
- (i) Urge Member Countries and focal points to establish a strong working relationship with the Executing Agencies and the Secretariat;
  - (ii) Adhere to the Council's Rules and Procedures regarding changes in official contact point;
  - (iii) Undertake necessary consultations and communications to facilitate proper project implementation;
  - (iv) Make effective use of electronic communications;
  - (v) Ensure that Executing Agencies follow ITTO rules and procedures; and
  - (vi) Reconfirm project conditions when a project is reviewed for approval.
91. The report urged donors to explore ways to facilitate the transfer of funds and the harmonization of reporting requirements with ITTO and to submit pledged funds timely.
92. Mr. Mitsunori Namba (Japan) commended the Panel for the report and recalled that at the Thirty-fourth Session of the Council, the delegation of Japan proposed the convening of the Expert Panel on management of project implementation with the view to identifying the causes of delay in the implementation of projects and thereby facilitating the improvement of project implementation activities of the Organization. He expressed satisfaction with the report and commended the Panel and the Secretariat for the excellent work. He hoped that Member Countries would implement the recommendations contained in the report.
93. Mr. Daniel Birchmeier (Switzerland) commended the Panel for the report. He expressed his agreement with the analysis and recommendations contained in the report, particularly those relating to start-up and final stages of projects. He, however, called attention to the problems in project implementation taking into consideration some of the results of the ex-post evaluations carried out. He supported the recommendations contained in the report, particularly on strengthening training to cover all aspects of project management. He proposed that project monitoring should be included in the training programme.
94. Mr. Luis Ernesto Garrera Garavito (Guatemala) reported that Member Countries in Latin American held a video conference to discuss the issue of project delays, including internal procedures of Member Countries to start up project execution. He stated that the transfer of funds to Executing Agencies was identified as an important factor in project delays.
95. Dr. Dradjad Wibowo (Indonesia) commended the Expert Panel for the report. He noted that there were seventeen on-going projects in Indonesia with six of these projects not experiencing any delays. He proposed that a budget component for monitoring by the local focal points should be introduced into projects without steering committees to allow local focal points to monitor and prevent delays at the local level. Mr. Wibowo also stated that in certain cases, the Executing Agencies were not responsible for the delays. He attributed some of the delays to the standard or criteria applied by the Expert Panel for Technical Appraisal of Project Proposals. He cited the case of a project in Indonesia where the Expert Panel reduced the proposed budget to a level that was not enough to implement the project. He said that the duration for a consultancy service was reduced to two months, making it impossible for the Executing Agency to identify a consultant who was willing to carry out the assignment within two months.



96. Mr. Enzo Barattini (European Community) commended the Expert Panel for the report. He stated the issue of project implementation and causes of delays were of utmost importance to the European Community. He noted that other organizations and agencies were facing similar problems and looking for solutions. He called for greater efficacy in implementation capacity in Member Countries and the capacity of Member Countries to evaluate and report to the Council. He stated that the report would be a useful guide in the negotiation of the Successor Agreement to the ITTA, 1994.
97. Mr. A.S.K. Boachie-Dapaah (Ghana) commended the Expert Panel for the report. He endorsed the recommendations on the consolidation of existing manuals on project formulation and implementation and the need to focus future training on project management rather than project formulation. He noted that the report identified project design as a contributory factor to project delays and urged the Council to re-examine the project appraisal process. He further proposed that an evaluation of the process of dissemination of information, particularly in respect of the ITTO rules, procedures and guidelines, should be carried out by the Council.
98. Dato' Suboh Mohd Yassin (Malaysia) commended the Expert Panel for the report. He stated that project implementation constituted an important component of ITTO's work, in support of Member Countries' efforts towards achieving sustainable forest management. He indicated that the completion of projects in a timely manner was, therefore, very essential. He noted that the report identified a number of constraints in project implementation and made useful recommendations for future actions in order to overcome these constraints. He urged all parties to play their respective roles in determining the success of projects and contributing towards the achievement of ITTO's objectives of sustainable forest management.
99. Ms. Rócia Silva Oliveira (Brazil) commended the Expert Panel for the report. She referred to the statement made by the delegation of Guatemala and reiterated that Brazil convened a video conference of Latin American Member Countries of the ITTO to discuss the issue of execution and management of project implementation. She reported that seven Member Countries participated in the video conference and commended the World Bank for its assistance in the organization of the video conference. She also thanked the International Institute for Education Studies in Brazil for their support. She highlighted some concerns on the report of the Expert Panel. She referred to item 14 on page 3 and noted that the report highlighted the inability of Executing Agencies and pointed out that these inabilities must be shared by the Council, Member Countries and all parties involved in the project cycle. She also referred to item 14(ii) which stated *inter alia* "Lack of coordination at all levels was found to be a major cause of delay in projects, particularly those that involved more than one entity and/or country". She stated that it was important not to construe in a precipitated manner a wrong interpretation which might not encourage the formulation of projects by two or more countries or institutions. She said that one of the conditions in Brazil's programme which would be implemented starting from 2004 would be that projects must be presented by at least one or two institutions. Ms. Oliviera indicated that the strengthening of national capabilities, the necessary transfer of technical knowledge, and the improvement in capacities of Executing Agencies in the management of projects and programmes was a fundamental part of the spirit of technical cooperation and the main element for the sustainability of a project. She urged the Council to look at the lack of capabilities of Executing Agencies as a challenge and not as a problem.
100. Dr. David Brooks (U.S.A.) commended the Expert Panel for the report. He noted that project work was a fundamental aspect of the ITTO's work. He reiterated the importance of effective implementation of projects and stated that the report provided a number of challenges for all the parties involved in the project process. He indicated that the U.S. delegation would study the report and identify the type of contributions that the United States could make to further reinforce and make the project work of the Organization much more effective.
101. Mr. Erik Lammerts van Bueren (Netherlands) commended the Expert Panel for the report. He stated more attention should be paid to the design of projects and not just on project implementation. He disagreed with the recommendation that the Committees should take a more active role in evaluation of project proposals and in the review of ongoing projects experiencing serious delay. He referred to the 1998 report of the Expert Panel on Strengthening and Streamlining the Work of the Committees which stated *inter-alia* "In general the Committees have neither the time nor the expertise to appraise technically the large number of project proposals submitted to the Organization". Mr. Lammerts van Bueren indicated that that statement was still

true. He urged the Council to explore other means to improve project formulation and monitoring of projects under implementation. He proposed that the Committees should engage in more generic policy discussions rather than on individual projects. He proposed that the Council should launch an activity to compile, analyze and translate lessons and experiences learnt from projects into implications for project design, implementation and monitoring and disseminate such information among Member Countries.

102. Mr. Germán Espinosa (Ecuador) expressed satisfaction with the report. He supported the statements made by the delegations of Brazil and U.S.A. and indicated that the results of well-designed and well formulated projects would depend on the quality of management by the Executing Agencies. He urged ITTO to develop management capabilities using available tools and technologies to be able to foresee any management weaknesses.

**ITTO GUIDELINES FOR THE RESTORATION, MANAGEMENT AND REHABILITATION OF DEGRADED AND SECONDARY TROPICAL FORESTS – DECISION 3(XXXII) (Agenda Item 14)**

103. The report was presented by Dr. Eva Müller (ITTO Secretariat). She referred to document ITTC(XXXV)/9 and indicated that the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests were published in English in November 2002 and subsequently translated in French and Spanish. The Guidelines and information brochure had been widely distributed. Dr. Müller mentioned that five (5) sub-regional workshops to promote the understanding of the Guidelines were convened in Chiang Mai, Thailand (31 March – 4 April 2003); Tarapoto, Peru (16-20 June 2003); Kumasi, Ghana (21-25 July 2003); Coclé, Panama (18-22 August 2003) and Libreville, Gabon (1-5 September 2003). The sixth sub-regional workshop would be convened in Bogor, Indonesia in mid-January 2004. The sub-regional workshops were convened in close collaboration with IUCN, CIFOR and Intercooperation. She mentioned that participants found the Guidelines useful for policy decision making and project planning. Participants valued the landscape approach to forest restoration and secondary forest management, and several Member Countries requested for more in-depth national level workshops.
104. Dr. Müller also reported that ITTO was collaborating with IUCN, WWF, UK Forestry Commission, ICRAF, FAO, CIFOR, CBD, UNFF, WCMC and others in the Global Partnership on Forest Landscape Restoration.
105. Dr. James Gasana (Switzerland) expressed satisfaction with the results achieved through the organization of the sub-regional workshops to promote the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests. He noted the positive response by Member Countries and participants to the workshops and pledged Switzerland's continued support.
106. Mr. Tim Rollinson (United Kingdom) said that the UK, as a partner in the Global Partnership on Forest Landscape Restoration, welcomed and supported the role of the ITTO in the Global Partnership. He also supported the proposed global workshop to be held in early 2005.
107. Mr. Xia Jun (People's Republic of China) noted the importance of secondary tropical forests and its role in monitoring rural development, biodiversity conservation and poverty alleviation in local communities. He noted that the workshops had achieved positive results. To facilitate the application of the guidelines by Member Countries he proposed that support would have to be provided for the national workshops and training in the use of the guidelines. He stated that Member Countries would have to implement projects to assess the application of the guidelines. These projects should focus on the demonstration of technology and the study of the institutional and monitoring mechanism for the restoration, management and rehabilitation of degraded secondary tropical forests. He said that, on the basis of these activities, the sub-national and management unit guidelines might be developed.
108. Mr. A.S.K. Boachie-Dapaah (Ghana) commended the Secretariat for the report. He expressed Ghana's appreciation for the workshop held in Kumasi from 21 to 25 July 2003. He supported the recommendation that ITTO should complement the Guidelines with the development of operational and technical manuals on restoration, management and rehabilitation of degraded and secondary tropical forests. He hoped that the workshop participants would establish networks to share and exchange information and experiences on the management and rehabilitation of degraded forests.

109. H.E. Dr. Adou Assoa (Côte d'Ivoire) underlined the importance of the ITTO Guidelines and noted that in West Africa very little primary forests remained. He said that most of the forests in Côte d'Ivoire had been degraded and called for rehabilitation projects in the Niger Basin.
110. Mr. Takehiro Osugi (Japan) noted and commended the Secretariat for the collaboration with other relevant organizations such as IUCN, WWF, CIFOR and FAO. He also expressed satisfaction with the progress made in the implementation of ITTC Decision 3(XXXII).
111. Ms. Jennifer Conje (U.S.A.) expressed satisfaction with the progress made in the implementation of Decision 3(XXXII). She underlined the growing importance of restoration, management and rehabilitation of degraded and secondary tropical forests. She pledged additional financial support by the United States towards the completion of the regional workshops and the publication of the workshop materials in CD-Rom. She indicated the United States' support for ITTO's participation in the Global Partnership on Forest Landscape Restoration. She mentioned that the United States would make a financial contribution towards the initiative. She hoped that the Partnership, along with ITTO's participation, would act as a catalyst for building broad political support for rehabilitating and restoring degraded forest landscapes across the world and would lead to an effective action on the ground.
112. Ms. Sri Murniningtyas (Indonesia) supported the recommendation to publish the workshop materials and manual as a CD-Rom and urged that the guidelines should also be disseminated at the field level and in remote places in the form of printed materials.

#### **PROMOTION OF SUSTAINABLE FOREST MANAGEMENT IN THE CONGO BASIN – DECISION 10(XXXII) (Agenda Item 15)**

##### **Report on the Review and Assessment of Experiences in Forest Management Partnerships in the Congo Basin**

113. The report was presented by Mr. Cleto Ndikumagenge (consultant). He referred to document ITTC(XXXV)/11. Mr. Ndikumagenge provided a brief background information about the forestry sectors in the countries in the Congo Basin. He mentioned that the moist dense forests of the Congo Basin spans some 204 million ha and represented one of the major tropical forest areas in the world. The Congo Basin forests included in the study were: Cameroon (19,598,000 ha), Gabon (17,859,000 ha), Congo (19,537,000 ha), Central African Republic (29,930,000 ha) and Democratic Republic of Congo (109,245,000 ha). The study covered the following areas:
- Procedure for the granting of forest concessions;
  - Distribution of the forestry departments;
  - The Technical aspects of concessions;
  - The degree of implications on the various stakeholders;
  - The legal provisions to protect the right of communities; and
  - The kind and level of partnerships.
114. The following observations were drawn from the assessment of management in the forestry sector within the countries included in the study:
- Knowledge of the resources through inventories which should be the basis of any sustainable forest management and plans remained fragmented and insufficient in all the five countries;
  - In spite of the strong will on the part of the Congo Basin countries towards the achievement of the ITTO Objective 2000 relating to the sustainable management of forest resources, forest management plans remained under implemented in the countries in the sub-region. The insufficient implementation of forest sustainable management related activities was due to internal and external factors as well as constraints specific to each country;
  - There were only two certified forests in the Congo Basin (CEB-Thanyr in Gabon and CIB in Congo). The ATO/ITTO Principles, Criteria and Indicators was the first step towards the establishment of a pan-African certification which would be recognized by the various accrediting bodies;
  - Control and monitoring of development work during implementation remained insufficient due essentially to inadequate organization within a number of forestry administrations and inadequate physical and financial resources;

- Industrial timber logging had been the main forest management activity and its effects were being felt both in the domestic economy and the socio-economic conditions of local communities;
  - The interests of neighbouring communities in the forest logging areas were being taken into account by the five countries under study in their current or planned legislation and regulations. Based on established specifications between concession operators and the forestry administration, concessionaires had been extending support to the development of socio-economic and cultural facilities (schools, medical centers, wells, bridges, roads, etc.) for the benefit of the people;
  - Provided industrial timber logging would be sustainably operated, it remained the main source of forest enhancement and protection against slash and burn cultivation and mining; and
  - Access roads to forest concessions sometimes opened up protected areas to poaching, illegal logging and mining.
115. The review and assessment of partnerships focused essentially on those undertaken between the five countries and ITTO, WWF, WCS or AFD and others and through various projects. The report noted that ITTO's partnership with the five countries under study had up till now developed the largest number of projects covering forest inventories; pilot management of transboundary forests and reserves, forest stratification and mapping, agro-forestry, capacity building of training structures, support for improved forest management, promotion of sustainable utilization of forest resources, promotion of reforestation and restoration of degraded forests, improved capacity to maintain and enhance forest products other than timber in production forests, and capacity building of institutions.
116. The report identified the following difficulties in the ITTO partnership with the five countries under study:
- Delays in the release of funds by the Government counterpart;
  - Lack of personnel and adequate technical capacities;
  - Lack of monitoring/evaluation of field activities;
  - Lack of structure to take over upon project completion;
  - Failure to build on completed projects; and
  - Disappearance of the dynamics initiated by the activities realized under projects.
117. The review and assessment also identified partnerships between the Congo Basin countries and WWF in areas of biodiversity conservation and management. Partnership with Wildlife Conservation Society (WCS) involved primarily rural development and environmental conservation and protection, ensuring mainly the sustainable management of protected areas. Partnership between the Congo Basin countries and the French Development Authority (AFD) had been at the level of forest resource management. For example, the establishment of a loan fund for forestry development aimed at assisting concessionaires to cover the costs incurred by forest management, institutional support and re-financing of management plans in Gabon and Cameroon.
118. Other partners operating in with the Congo Basin countries. include UNDP, IUCN, the Conference on Moist Dense Forest Ecosystems in Central Africa (CEFDHAC), the ATO, Conference on Ministers in Charge of Central African Forests (COMIFAC), the Partnership for the Congo Basin Forests (PFBC), Central African Regional Program for Environment (CARPE), the Global Forest Information Service (GFIS), and the Regional Program for Environmental Information (PRGIE).
119. The study concluded that forestry policy and legislation aimed at the sustainable management of forest resources were available in most of the five Congo Basin countries and the necessary management tools had been developed by some of the countries. However, a large gap between law and regulation provisions and field conditions was still being observed in these countries. Such a gap was essentially due to insufficiencies in the institutional structures, lack of human, physical and financial resources and to the isolated manner in which some of the partnerships operated. The study recommended that support should aim primarily at reducing this gap taking into account current level reached by each country in the management process of its forest resources.

120. Mr. Christopher Ellis (U.S.A.) underlined the significance of the report. He called for an elaboration of the role of NGO activities and their specific contributions to sustainable forest management in the Congo Basin. He noted that the control and monitoring of the implementation of development work remained insufficient due essentially, to the inadequate organization within a number of forestry administrations and insufficient physical and financial resources. He said that the United States deeply shared this concern with its partners in the Congo Basin. He indicated that at the heart of the Congo Basin forest partnerships were people who depended upon the resource and were the legal custodians of these vital resources. He commended the efforts of the Congo Basin countries, through COMIFAC, to address the need for sustainable management of the forest resources of the Congo Basin. He noted that the USAID's Central African Regional Programme for the Environment, in conjunction with NGO partners working in Congo Basin countries represented a significant but not the only part of the United States' contribution to the Central African efforts. Mr. Ellis said that working with the United States Forest Service, US Parks Service and US Fish and Wildlife Service, the Department of State hosted several forest and park officials in September 2003 as an initial step towards exchanging management experiences with its Congo Basin partners. He pledged the United States' commitment to do more to assist its partners further in developing their forest management administration and their forest resources. Particularly, the United States was interested in building community level and local level partnerships among forest and park management officials. Mr. Ellis also noted that the recently concluded Africa Forest Law Enforcement and Governance (AFLEG) Ministerial Declaration provided a solid framework for further elaborating on the development assistance needed for some of the vital aspects of sustainable management of the Congo Basin forest resources. He urged all ITTO Member Countries to play a role in this respect, especially in sponsoring exchanges that would help to improve the understanding of the impediments to sustainable forest management in the Congo Basin and to help to develop creative ways to build capacity in the region. He commended the Ministerial Declaration to all ITTO Member Countries to study carefully and identify how it could be built into their own efforts to assist the countries in the Congo Basin. Mr. Ellis reiterated that the United States would be particularly interested to know how ITTO could assist the Congo Basin countries to identify and develop specific actions including the assessment of laws and regulations and capacity issues. The United States would also explore how it could make specific and substantive contributions through the US President's Initiative against Illegal Logging which was launched by the US Secretary of State in July 2003, and all ITTO's contributions to capacity building in the area of illegal logging, specifically through elements of Decision 6(XXXI) – Forest Law Enforcement in the context of Sustainable Timber Production and Trade. Mr. Ellis pledged the commitment of the United States to more engagement with its Congo Basin partners.
121. Mr. Jacques Kanwe (Republic of Congo) noted that the report mentioned the absence of management plans in most of the countries of the Congo Basin. He said that the report should also have mentioned the commitment of the countries in the setting up of their management plans. He cited the case of Congo and stated that it was practically the only country in the Congo Basin to have made a commitment to make management plans for at least 15 per cent of the total forest area. He also reported that the first management plan would be adopted in January 2004.
122. Mr. Frederik Vossnaar (Netherlands) commended the consultants for the report. He said that partnerships were a new and innovative way of facilitating partnership development and noted that many of the situations described in the report could be valuable to countries participating in different partnerships.
123. Mr. Enzo Barattini (European Community) noted that the report had underscored the efforts and difficulties confronting the countries of the Congo Basin in order to attain efficient management of their forestry and environmental resources. He mentioned that the European Community had been very active in the Congo Basin and said the Congo Basin sub-regional actions were in keeping with the objectives of the European Community to support the development plans of these countries. He cited the initiatives taken by the European Community in support of the African Ministerial Conference on Forest Law Enforcement and Governance and hoped that all these partnerships in the Congo Basin would lead to positive and tangible results.

**FOREST LAW ENFORCEMENT IN THE CONTEXT OF SUSTAINABLE TIMBER PRODUCTION AND TRADE – DECISION 6(XXXI) (Agenda Item 16)**

124. A summary of preliminary findings from the case studies on Assessing Export and Import Data on Tropical Timber and Tropical Timber Products was presented by Dr. Steven Johnson (ITTO Secretariat).
125. Dr. Johnson noted that as part of Decision 6(XXXI), the Council requested the Executive Director to invite Member Countries to participate in voluntary case studies to assess the reasons for discrepancies between import and export statistics for tropical timber trading partners. Twelve (12) Member Countries had so far volunteered to participate in the case studies. The countries were Bolivia, Brazil, Cameroon, China, Republic of Congo, Indonesia, Japan, Malaysia, Papua New Guinea, Thailand, U.K. and U.S.A. In addition to these countries, Myanmar indicated in January 2002 that it was undertaking domestic consultations to facilitate its participation but had not yet confirmed its intention to participate.
126. The following general findings and recommendations were drawn from the reports completed to date:
- More extensive and effective liaison between consultants undertaking the studies was desirable;
  - ITTO should establish standards for the measurement and reporting of forest products trade;
  - In China, trans-shipment through Hong Kong SAR, misclassification and illegal trade of forest products contributed to trade statistics discrepancies;
  - Substantial discrepancies could exist between sources for trade statistics within a country;
  - More detailed studies of the role of illegal trade and factors contributing to it, and how to combat it should be conducted;
  - The studies should be extended to cover secondary products;
  - National data collection methods involve the potential for significant inaccuracies that were unlikely to be removed without unrealistic increases in resources and capacity or a chain of custody system for timber products;
  - Customs authorities were primarily concerned with keeping contraband goods out of their country and collecting duty;
  - Attempting to collect and collate absolutely accurate international trade data, particularly in a market that was as un-integrated as the timber trade, was not a practical way to highlight the size of the illegal forestry sector;
  - Multiple manipulations of raw trade data should be avoided;
  - ITTO should utilize the World Trade Atlas System as far as possible for collating trade data;
  - ITTO should use importer statistics when export statistics were unreliable; and
  - ITTO should undertake a comparative study of customs procedures in producing and consuming countries.
127. Mr. Takehiro Osugi (Japan) noted that the results of the four completed case studies had revealed variations in exchange rates, differences in measurement units, harmonized system of different designation between importing and exporting countries, as well as illegal trade as factors contributing to trade discrepancies. He indicated, however, that with regard to implementation of legislation for the management of tropical forests, the reports analyzed the issue of illegal exports of timber and suggested measures to reduce illegal exports. He reported that an agreement was signed on 24 June 2003 between Japan and Indonesia for cooperation to fight against illegal exports of timber. Mr. Osugi reported that the Japan-Indonesia Cooperation Agreement would form part of the final report of the Case Study in Japan. The three main areas to be addressed in the case studies would be: (i) the study and analysis of export and import data of tropical timber; (ii) the strengthening of organizations and training of human resources to implement forestry legislation and combat illegal trade; and (iii) further research on illegal trade in timber. Mr. Osugi reiterated that illegal export of timber and timber trade were major obstacles to the achievement of sustainable forest management. He recalled that since the G8 Summit in 2000 in Okinawa, the Government of Japan had continued to stress the problem of illegal export of timber at various international conferences and had advocated a boycott of illegal timber. He also recalled that at the G8 Summit in 2002, in Canada as well as at the WSSD meeting in Johannesburg in September 2002 it was recognized that there was the need for international consensus to fight illegal timber exports. He repeated that on 24 June 2003, a joint declaration and an Action Plan

- was signed between Japan and Indonesia at the Ministerial level, with the aim to implement bilateral cooperation between the two countries by establishing a mechanism in Indonesia for the identification of timber from illegal sources and to study possible measures on the distribution and export of illegally extracted timber and to monitor the mechanism with the participation of civil society. He indicated that for the implementation of the various activities included in the Action Plan, Japan would use various means, including funding different projects through ITTO, bilateral cooperation instruments between the two countries and a follow-up on activities of the Asian Forestry Partnership. He hoped that ITTO would make available all the reports of the case studies for the improvement in the statistical data on the trade in timber and documentation of origin of timber.
128. Mr. Luiz César Gasser (Brazil) reported that Brazil had volunteered to take part in the case studies to assess the reasons for discrepancies between import and export statistics for tropical timber. He mentioned that the studies were in the final stage and would be presented to the Council in due time. He supported the proposal to publish the report of case studies.
129. Mr. Enzo Barattini (European Community) commended the Secretariat for the report. He noted the importance of trade statistics in ITTO's work and stated that the report had shown the need for better understanding of trade flows and a better implication for Member Countries assessment of the trade. He said that the European Community attached great importance to the issue of forest enforcement and governance and noted that improvement in forest sector governance was a key issue in reducing poverty in wood producing countries. He welcomed the commitment of governments to improving governance as shown by their involvement in regional processes for forest law enforcement and governance in Africa and East Asia, as well as meaningful concrete follow-ups of these processes. Mr. Barattini said there was a need for joint actions by producing and consuming countries and pledged that the European Community was willing to work in partnership with producing countries to support governance reforms and work to end the trade in illegal timber. In pursuance of this objective, the European Union recently endorsed an Action Plan for Forest Law Enforcement Governance and Trade. He said the Action Plan had built on the commitments made at the Johannesburg Summit and provided a strong basis for working in partnership with wood producing countries to stop illegal logging and the associated trade. He indicated that through this Action Plan, the Commission would support initiatives to improve governance for forest resources and would introduce a scheme to eliminate imports of illegal timber into the EU markets for countries willing to cooperate with Europe on this issue. Mr. Barattini reiterated that, this would allow the EU to support efforts to strengthen governance in wood producing countries through legal instruments and achieve a leverage of the EU market. He said that genuine and strong political commitment from all producing countries was needed to ensure the success of this initiative.
130. Mr. John Bazill (European Community) stated that the main themes of European Community's Action Plan on Forest Law Enforcement and Governance were: (i) the improvement of capacity building in producing Member Countries through development cooperation; (ii) trade and potential measure that could be taken to address the problem of illegal trade through voluntary partnerships with interested countries; (iii) role of procurement in public and private sectors; and (iv) financing and investment.
131. Mr. Brian Woodward (U.S.A.) commended the Secretariat and the consultants for the report. He indicated that the United States was glad to have contributed to the analysis of such an important issue. He commended the U.K., Indonesia and People's Republic of China for their contributions. He called for a cautious approach in attempting to solve some of the problems identified in the studies. He noted that undertaking costly projects and making dramatic policy recommendations could turn out to be inefficient and ineffective and create unnecessary barriers to tropical timber trade. He indicated that ITTO was not in a position to set standards for reporting on trade. He, however, acknowledged that the case studies had indicated very significant discrepancies in reporting on tropical timber trade. The studies also offered very useful measures and ideas on how to approach the problem and also demonstrated the value of further and careful work to compile and review trade data. On the issue of illegal logging, Mr. Woodward underlined the commitment of the United States in tackling the problem. He noted that in July 2003, the U.S. Secretary of State announced a presidential initiative to be implemented through a variety of activities, including through ITTO with emphasis on building capacity in developing countries.

132. Mr. Don Wijewardana (New Zealand) underlined the importance of trade data in tropical timber and tropical timber products. He commended the Secretariat and the consultants for the report. He urged the ITTO to play an active role in the fight against illegal trade because individual countries alone could not deal with the problem. He noted that the first step in dealing with the problem of illegal trade was to obtain accurate data. He called on other Member Countries to cooperate by providing data and reports. He stressed that it was important to obtain a clear picture as to the nature and extent of the problem. He proposed that the individual reports should be synthesized drawing out the common problems and conclusions.
133. Mr. Zoo-rhin Kwak (Republic of Korea) commended the Secretariat for the report. He reported that in May 2003, the Government of the Republic of Korea signed an agreement with the Government of Indonesia in an effort to combat trading of illegally harvested logs. He pledged the commitment of the Government of the Republic of Korea to participate in the activities being organized by ITTO to tackle the problem of illegal logging and illegal trade.
134. Mr. Dani Pitoyo (Indonesia) commended the Secretariat and the consultants for the report. He reported that Indonesia had signed Memoranda of Understanding (MOUs) with a number of countries to combat illegal logging. He associated himself with the statements made by the delegation of Japan, European Community and Republic of Korea. He underlined the position of the Government of Indonesia in curbing the problem of illegal logging and illegal trade and referred to the statement made by the Hon. Minister of Forests of Indonesia reiterating the concerns of the Government of Indonesia. He drew the Council's attention to the newspaper publication on the floods in Sumatra that had killed over 200 people and attributed the problem to illegal logging. He supported the proposal for further studies and stated that the studies would draw the world's attention to the seriousness of the problem of illegal logging.
135. Mr. A.S.K. Boachie-Dapaah (Ghana) commended the Secretariat for the report. He encouraged countries taking part in the studies to critically review the studies and make their comments prior to the publication and distribution of the reports. On the issue of ITTO establishing standards for measurement and reporting on forest products trade, he was of the opinion that ITTO should rather cooperate with other agencies particularly those in the CPF in adopting uniform systems in reporting forest products trade. He indicated that where difficulties arose in adopting a uniformed system, the CPF could agree on unified conversion rates for the various forest products. Mr. Boachie-Dapaah further noted that an expansion of the study to include secondary products would only be meaningful after harmonization of terms and measurements, given the varied nature of products and their classification. He pointed out that the problem of inconsistent classification had been acknowledged in the report of the studies conducted in the United States. He proposed that the work on the primary products be developed fully as well as work on the harmonization of wood products classification. On the issue of ITTO undertaking a comparative study on customs procedures, he urged ITTO to initiate discussions with the World Customs Union to avoid overlap. He disagreed with the recommendation to work with import statistics only and stated that the reliability of export statistics depended on structures and institutional capacity in exporting countries. He called on ITTO to undertake an evaluation of its training programme on trade statistics and urged Member Countries to work closely with countries that showed significant differences in their trade statistics to identify the source of the problem. He associated himself with the issues raised in the U.K. study particularly the point raised in bullet 3 of the Executive Summary, which stated, inter alia, "Attempting to collect and collate absolutely accurate international trade data, particularly in a market that is as un-integrated as the timber trade, is not a practical way to highlight the size of the illegal forestry sector". He endorsed the proposal to establish an expert group to assess the need for reform of the HS codes relating to the timber trade.
136. Mr. Germán Espinosa (Ecuador) commended the Secretariat for the report. He noted that the report had raised many issues of concern and concluded that the systems of measurement, control and monitoring in the countries studied showed that there was great deal of disorder. He attributed this to the differences in standardization of measurement systems leading to differences on fundamental issues such as illegal trade in timber. He noted that countries whose systems were better organized could establish the system of assessment of legality or illegality in the timber trade. He underlined the necessity of fighting illegal logging but noted that the struggle against poverty was equally important. Mr. Espinosa mentioned that Producing Countries seemed to encounter some difficulties in selling timber in certain markets and urged the Council to address the issue of standardization of systems in the new agreement, which could also be reflected in national legislations, leading to practical steps in the struggle against illegal logging.



137. Mr. Daniel Birchmeier (Switzerland) commended the Secretariat for the report. He noted that the case studies were a useful approach to address some of the most pressing issues in the timber trade. He stated that the joint initiative between Japan and Indonesia was a good model for cooperation and supported the initiative. He said that it was a possible way to address the serious problem of illegal logging. He made two proposals: (i) to include in their bilateral Action Plan capacity building in monitoring illegal logging activities; and (ii) include in the Action Plan follow up activities of the Bali Declaration on Forest Law Enforcement and Governance.
138. Ms. Sai Guohua (People's Republic of China) commended the Secretariat and the consultants for the report. She indicated that the studies had revealed that misclassification of tropical wood products by customs was one of the reasons for discrepancies in trade data. She mentioned that the customs office of the People's Republic of China had accepted the proposals to broaden the categories of wood products and increase the tariff reference numbers in their computing systems in order to distinguish between the different kinds of woods imported and exported. On the issue of illegal logging and illegal trade, Ms. Guohua mentioned that the Chinese Government was making more efforts in combating these. She stated that convicted illegal loggers were being given heavy penalties. In 2000, the Government of China signed a Memorandum of Understanding with the Government of Indonesia in an effort to combat illegal logging and illegal trade in tropical timber and tropical timber products. She also mentioned that wood processing factories were being required to obtain product certification and the Government of the People's Republic of China would further strengthen its monitoring systems to closely monitor and ensure more serious evaluation of all activities in order to combat illegal logging and illegal trade.
139. Mr. Olav Bakken Jensen (Norway) commended the Secretariat for the report. He stated that Norway was not a major importer of tropical wood. Nevertheless, there were in Norway environmentally and socially conscious consumers who were very vocal. He said that the Government was very responsive to public concerns on illegal logging and parliament had debated the issue in 2003. The Government was seeking multi-lateral and bi-lateral cooperation and was particularly concerned about lost of revenue to governments in developing countries apart from environmental problems. He mentioned that the Government of Norway was seeking cooperation with the European Union on its Action Plan. The Government also signed a Memorandum of Understanding on combating illegal logging with the Government of Indonesia during the WSSD meeting in Johannesburg in 2002 and was now in the position to draw up follow-up actions. He indicated that the Government would seek similar cooperation with other countries. On the issue of the upcoming negotiations of a successor agreement to the ITTA, 1994, he hoped that forest law enforcement and governance and illegal logging and illegal trade would be included in the successor agreement. He drew the Council's attention to the pattern of finding alternatives to tropical wood that had emerged in Norway. He said that the Industry was in the process of developing a wood polymer technology, at an industrial scale. The technology involved using ordinary softwood and turning it into a product similar to tropical hardwood. He noted that that was good news for the consumers but not for the producing countries. He urged producing countries to tackle the problem of illegal logging with urgency to avoid further developments of such alternatives.
140. Mr. Chen Hin Keong (Traffic International) thanked the Government of Japan and the City of Yokohama for hosting the Session. He also commended the Secretariat for the report. He reported that Traffic International was implementing a project in Malaysia to review the forest law enforcement and governance in the context of sustainable forest management . The project was pursuant to ITTC Decision 6(XXXI) which, among others, called for studies aimed at assisting Producing Member Countries to enhance forest law enforcement, taking into account, where necessary, illegal timber trade and its impact. Mr. Chen mentioned that Peru had already implemented a Forest Law Enforcement and Governance (FLEG) project and noted that given its progress and track record Malaysia believed that the review would provide a balanced picture of the Malaysian situation with regard to FLEG. He said that Traffic International would strive to carry out an impartial study for presentation to the Council at its Thirty-sixth Session in July in Switzerland. He underlined that such studies were important towards documenting the extent of illegal logging and timber trade problems as well as identifying corrective actions. He encouraged more countries to undertake such studies. Mr. Chen also raised the issue of transparency within the timber trade and underlined that the key to market confidence was the ability of countries to collect and make available good trade statistics. He commended the ITTO's statistical work.

141. Dato' Suboh Mohd Yassin (Malaysia) commended the consultants for the report. He hoped that the study being carried out by Traffic International could contribute to further work in the area of FLEG. He reiterated the importance of cooperation between Member Countries to combat illegal logging and illegal trade and looked forward to working closely with other Member Countries as well as relevant international organizations and other stakeholders. Dato' Suboh commented on the issue raised by the delegation of Norway on the development of alternatives to tropical wood. He noted that that was a very interesting development and stressed that such developments should be done in a fair manner rather than in a way that posed difficulties to Producing Member Countries. He explained further that rubberwood, although very popular in certain markets, was facing regulations in certain countries in Europe based on the allegation that rubberwood treated with borax could cause infertility. He was, however, pleased with measures taken by the European Union on the issue. He stressed that the heart of the matter was competition and called for fair competition in the timber trade.
142. Dr. Steven Johnson (ITTO Secretariat) noted that several delegations had expressed interest in a synthesis report and informed the Council that the budget for the implementation of the case studies as stipulated in Decision 6(XXXI) had been exhausted. He appealed to the Council to approve additional funds to cover the publication of a synthesis report and a case study in one additional country. He proposed an additional funds of US\$50,000.

#### **ITTO WORK PROGRAMME (Agenda Item 17)**

##### **(a) Progress Report on the Implementation of Work Programme for the Year 2003**

143. The report was presented by Dr. Manoel Sobral Filho, the Executive Director. He referred to document ITTC(XXXV)/13 and stated that the Secretariat had identified the implementation status for each activity in the programme and that the document contained comprehensive information on current work by the Council, Committees and the Secretariat.

##### **(b) Draft Biennial Work Programme for 2004-2005**

144. The Executive Director referred to document ITTC(XXXV)/14 and stated that pursuant to Decision 9(XXIV) the Secretariat had prepared the draft biennial work programme within the context of the ITTO Yokohama Action Plan. The Work Programme had been classified under Administrative Activities, Strategic Planning Activities and Project Activities under the responsibility of the main implementation parties, namely, the Council, the Committees and the Secretariat.
145. Mr. Enzo Barattini (European Community) commended the Secretariat for the draft biennial work programme for 2004-2005. He noted that all the activities contained in the work programme were interesting and positive. He, however, expressed concern about the financial implications of the work programme in relation to the capacity of the Organization to carry out all the activities in the work programme. He called for a careful analysis of the work programme.
146. Ms. Sai Guohua (People's Republic of China) expressed some concerns over the biennial work programme. She indicated that the work programme would introduce a significant increase in the biennial Administrative Budget of the Organization, which would imply a significant increase in Member Countries assessed contributions to the Administrative Budget. She called for a re-examination of the work programme. She proposed that the activities should be prioritized, focusing on urgent activities which were closely linked to the Organization's mandate and dealing with new challenges.
147. Dr. Manoel Sobral Filho, Executive Director, explained that the work programme would be entirely financed from voluntary contributions through the Special Account and the Bali Partnership Fund and not from the Administrative Account. He proposed that the Council should consider the merits of the proposed activities, keeping in mind that by 2006, the Council would need to assess the extent to which the ITTO Yokohama Action Plan had been implemented. He was confident that the necessary financial resources needed to implement the work programme would be forthcoming from the major donors to the Organization.
148. Dr. David Brooks (U.S.A.) expressed the United States' support for the biennial work programme. He proposed that the Technical Committees and the CFA should examine the activities contained

in the work programme with a view to prioritizing the activities. He commended the Secretariat for the draft biennial work programme.

149. Dr. Dradjad Wibowo (Indonesia) commended the Secretariat for the draft work programme. He sought further clarification on whether there would be additional strategic policy activities in the next two years. He proposed that the Technical Committees should be given the discretion to prioritize the activities.
150. Ms. Jan McAlpine (U.S.A.) reiterated the need to integrate more effectively the Yokohama Action Plan with the work programme of the Organization on a strategic basis. She noted that the biennial work programme was a significant step forward towards a strategic integration of the Action Plan with the actual work of the Organization. She urged the Council to be ambitious and to address the major issues on tropical timber trade and sustainable management of tropical forest. She commended the Executive Director and the Secretariat for the work programme.
151. Amb. Carlos Antonio Da Rocha Paranhos (Brazil) noted that the biennial work programme represented a bold step by the Organization. He indicated that the Council should not depend exclusively on voluntary contributions to finance its work programme. He called for a new approach to funding based on the Organization's priorities.

#### **ITTO OBJECTIVE 2000 – DECISIONS 2 (XXIX) AND 9(XXX) (Agenda Item 18)**

##### **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 Peru – Report of the ITTO Diagnostic Mission*

152. The report was presented by Mr. Tapani Oksanen, leader of the Mission. He referred to document ITTC(XXXV)/15. The diagnostic mission was carried out in two phases. The first phase involved an inception mission to design the work programme. This was carried out in February 2003. Other members of mission were Dr. Chris Elliot of WWF International and Dr. Amantino Ramos de Freitas, a private consultant.
153. The objective of the mission was to assist the Government of Peru to identify factors limiting sustainable forest management in Peru and to formulate actions to overcome these. Mr. Oksanen reported that the mission assessment's was based on work carried out in Peru in the context of the formulation of the new forest legislation (2001) and its regulations (2002), as well as the draft National Strategy (2002). The mission's work was carried out through a set of meetings with key groups of stakeholders, including central, regional and local government authorities, the scientific community, national NGOs, small and medium scale industrialists, concession holders, local and indigenous communities, producers' associations and donor/financing agency representatives.
154. The report highlighted the political, economic and social context of Peru and noted that decentralization and transfer of authority from the central government to the regional governments, including responsibility for the administration of forest resources was constrained by low capacity. The report noted that the forestry sector of Peru had a very high potential. Eighty per cent (80%) of the country had been classified as forestland, consisting of 78.8 million ha of natural forests of which 74.2 million ha were located in tropical forest region, east of the Andes, 3.6 million ha in the coastal regions, and 1.0 million ha in the mountain region, making Peru the second most forest rich country in South America and eighth globally.
155. The mission noted that the forest sector's contribution to the GDP was only 1%, based mainly on three products: sawn timber, veneer and parquet. Many key contributions were not attributed to the forest sector in national accounts such as non-wood forest products, firewood, local construction materials, ecological tourism, etc. The forest sector constituted a treasure house of biodiversity with 10% of the global total flowering plants with a well developed and relatively well funded protected areas system.
156. The mission identified the following major challenges facing the forest sector due to past policy failures:
  - Deforestation/forest conversion continuing at a rate of some 260,000 ha/year;

- High level of illegality and informality in forest operations – especially regarding the two major commercial species, mahogany and cedar;
- Increasing pressures on the protected areas as well as forest areas belonging to indigenous communities as the availability of valuable timber decreases outside of these areas;
- Old industrial facilities with low productivity and less than perfect product quality; rough sawn-wood still constitute about 80% of total production;
- Weak public image of the forest sector combined with weak capacity of the sector institutions to address the major issues alone, and to effectively coordinate action with other institutions and actors;
- High pressures by the informal and illegal operators resisting change towards sustainable forest management – combined with decentralization and weak capacity of regional governments;
- Lack of sufficient political support to the sector (with the exception of biodiversity conservation and protection) to enable effective action; and
- Inability of the sector to demonstrate its potential role in the development of the country and especially on its potential role in alleviating rural poverty.

157. The Mission made the following recommendations:

- (1) For the Government of Peru:
  - Continue involvement of civil society and the private sector in the reform process but clarify roles/mandates of informal consultative and formal decision making bodies to avoid confusion;
  - Establish clear and transparent monitoring system regarding the outcomes of policy implementation;
  - Improve the profile of the forest sector in Peru's macroeconomic landscape and generate political support for the reform process;
  - Improve cross-sectoral coordination on critical issues such as land allocation/registration and infrastructure;
  - Resolve urgent institutional bottlenecks and strengthening the capacity of regional governments;
  - Strengthen efforts to improve the performance of concession holders: coordination between FONDEBOSQUE and CEDEFOR is key in this regard;
  - Assess viability of large-scale plantations for industrial use and work to remove constraints to investment (legal obstacles to land purchase);
  - Promote value-added processing of larger volumes and number of species; and
  - Tailor financing mechanisms for forest sector development with a long-term vision needed to be developed.
- (2) For ITTO, the main recommendation would be to support the reform towards production forestry with priority given to the following:
  - Macroeconomic analysis of the forest sector to assess its contribution to social and economic development;
  - Support Peruvian application to the ITTO fund for inter-ministerial coordination;
  - Assistance to OSINFOR to develop mechanisms for auditing concession and for timber tracking;
  - High standard feasibility studies on proposed reforestation/afforestation projects/economic, social and environmental viability;
  - Development of training options for middle management forestry professionals linked to the concessions; and
  - Support to the CITES scientific and management authorities;
  - Studies in markets and competitiveness to identify specific opportunities for Peruvian forest industries;
  - International market studies for new species, developing niche markets; and
  - Study on financing mechanisms for the forest sector in Peru, and removal of structural barriers to access to credit.

158. Ing. Enrique Toledo Gonzales-Polar (Peru) expressed his gratitude to the ITTO for undertaking the diagnostic mission to Peru. He also thanked the members of the mission for the excellent work. He provided complementary information to the mission's report. He stated that one of the

big challenges for Peru was how to attain sustainable forest management. He said in 2000, Peru initiated a reform process of its forest sector. He explained that the previous forest policy of Peru was based on small concessions of up to 1,000 ha and did not oblige the concession holders to undertake sustainable management. However, the new forest policy and forest legislation had been based on criteria and indicators. He noted that the process of change involved costs and reported that there was currently 5 million ha of forest under concessions with small and medium size concessionaires for a period of up to 40 years. He indicated that it was the aim of the government to cover up to 10 million ha. He reiterated that that had been a major change which implied that there was the opportunity to establish clear rules for sustainable forest management, promote investment, and consolidate the forestry economy. Ing. Toledo said that Peru had undertaken several economic studies of products and profitability and found that: (i) improving the yield of the forest; (ii) competitiveness in the management of companies; and (iii) added-value promotion were the only way forward. On the issue of combating illegal logging, Ing. Toledo said that five Ministers in Peru had agreed to establish a multi-sectoral Committee to tackle the problem. He also reported that Peru was carrying out studies on plantation development. He said that 10.5 million ha had been earmarked for plantation development and that forestry development in Peru had been a huge challenge. He noted that for the first time in the history of Peru, the government, producers and the conservation institutions as well as the institutions involved in promotion of development had been working together towards the development of the forest sector and the achievement of sustainable forest management.

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

159. The report was presented by Mr. David Cassells, leader of the mission. He referred to document ITTC(XXXV)/16. The mission was undertaken from 4 to 20 July 2003. The report provided a brief background information on the state of the forestry sector of the Philippines. As of December 2001, forestlands covered 15,855 million ha or 53 per cent of the total land area of the country. The total forested area comprised 5.4 million ha or 18 per cent of the country's aggregated land area. Deforestation was at an annual rate of 89,000 ha or 1.4% per annum. Philippines had become a net importer of timber and timber products with log imports totaling 551,000 m<sup>3</sup> and log production of 571,000 m<sup>3</sup>.
160. The mission noted that the rate of progress towards sustainable forest management was far too slow to meet environmental, social or economic objectives. The mission identified the following constraints to sustainable forest management:
- Incomplete enabling environment;
  - Weak implementation of existing policies;
  - Unclear sustainability of community based forest management areas; and
  - Lack of enabling environment for responsible private sector investment.
161. The mission made the following general recommendations for the government:
- Securing the early passage of a comprehensive legislative framework for sustainable forest management to enhance policy stability;
  - Moving to speedily resolve the preliminary delineation of forest boundaries;
  - Developing, testing and refining multi-stakeholders approaches to total watershed land-use planning to help finance land allocation and demarcation on a prioritized basis;
  - Examining the impact of trade policies such as log and lumber export bans and parallel regional policies on resource sustainability and investments to better inform policy development;
  - Refining approaches to environmental and social impact assessment to build stronger stakeholder consensus and confidence; and
  - Creating high level national and regional "Objective 2000" or "Sustainable Forest management" Committees to facilitate multi-stakeholder dialogue on sustainable forest management, mobilize social action for sustainable forest management and monitor progress towards sustainable forest management.
162. The mission stated that in order to overcome weaknesses in implementation of existing policies, the Government of the Philippines would need to take the following possible actions:
- Adopting "minimum necessary regulation" approaches to forest and environmental management;

- Undertaking detailed institutional analyses for DENR to facilitate the redesign of more effective institutional arrangements for forest conservation, management and development; and
  - Examining options for developing more effective financial instruments to support sustainable forest management and efficient programme implementation.
163. The mission recommended possible actions for the government to increase sustainability of community-based forest management (CBFM) investments, including:
- Testing and adapting available livelihood approaches and analysis techniques to allow for more effective planning and management of CBFM programmes; and
  - Adopting the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests to help restore and maintain forest cover and support forest-based industries and the livelihoods of forest-dependent communities in CBFM areas.
164. On the issue of creating a more enabling environment for private sector investment in plantation development, the mission urged the government to give priority to:
- Adopting the ITTO Guidelines on the Establishment and Sustainable Management of Planted Forests to guide the development of an economically viable, environmentally sound and socially responsible forest plantation sector in the Philippines;
  - Encouraging the formation of public/private/community partnerships to work towards plantation development in accord with constitutional provisions; and
  - Encouraging industry to adopt pro-active approaches to corporate environmental and social sustainability.
165. In order to improve the forest resource management, the mission recommended that the government should:
- Develop contemporary resource management and information systems to better guide forest policy and practice, including a robust management information system (MIS);
  - Develop partnerships to encourage increased research and development and the development of capacity at all levels; and
  - Build on the successes of CBFM in Nueva Viscaya with the management of fire in shifting cultivation areas adjoining forests.
166. Mr. Cassells noted that in identifying possible areas of support by ITTO, the mission considered both the key challenges and obstacles to SFM in the Philippines and ITTO's areas of comparative advantage in the Organization's programmes of work. Suggested priority areas for ITTO assistance include:
- Continue support for the development of economic and market information services to support forest-based industries and the livelihoods of forest-dependent communities in CBFM areas;
  - Support pilot studies on multi-stakeholder approaches to total watershed planning to help reduce resource use conflict and provide a supportive land use context for SFM;
  - Provide support for institutional analyses as well as analyses of improved financial mechanisms to assist the Philippines to more effectively govern and manage its natural resources and progress towards SFM;
  - Support national efforts to test and adapt livelihood approaches and analysis techniques to allow for more effective management and planning of CBFM programmes;
  - Support studies to examine the impact of trade policies such as log and lumber export bans and parallel regional policies on resource sustainability and investment;
  - Support efforts in the Philippines to adapt the ITTO Guidelines on the Sustainable Management of both secondary and planted forests to local conditions;
  - Support efforts in fire management and control in shifting cultivation areas by facilitating capacity building and the exchange of experiences with relevant organizations;
  - Support the development of contemporary resource and management information systems to better guide forest policy and practice; and
  - Support the creation of high level national and regional "Objective 2000" or "SFM" Committees to facilitate multi-stakeholder dialogue on SFM, mobilize social action for SFM and monitor progress towards SFM.
167. Mr. Romeo Acosta (Philippines) expressed gratitude to ITTO for supporting the diagnostic mission to the Philippines. He noted that the timing of the mission coincided with the last stages

of the review of the Philippines Forestry Master Plan. He reiterated that the Philippines was focusing on community-based forest management to address the forest resource management problems. He indicated that there was a lot more to be done to make CBFM sustainable as a forest management strategy and as a viable economic enterprise.

168. Mr. Dike Kari (Papua New Guinea) commended the mission for the report. He indicated that the diagnostic missions appeared to be the means for ITTO to evaluate the progress made by Member Countries towards achieving sustainable forest management. He proposed that the diagnostic missions be incorporated into the ITTO Work Programme in order that a number of Member Countries could be visited in any particular year. He also proposed that the diagnostic missions should not only focus at the national level but also at the project or field level.
169. Dr. Petrus Gunarso (Indonesia) expressed some concerns over the issue of sustainable forest management at the forest management unit level. He indicated that there were many problems associated with the ability of the forest management unit to take action on its own. He said that sustainable forest management at the ground level should be discussed more in the Council.

**(b) Report by Members on Progress towards Achieving ITTO Objective 2000**

170. The Chairperson, Dr. B.C.Y. Freezailah, reported that national level workshops had been conducted to train officials, forest managers, forest concessionaires and others directly involved in sustainable forest management, in the effective use of the ITTO Reporting Formats for ITTO Criteria and Indicators for Sustainable Management of Tropical Forests. As of November 2003, workshops had been organized in Bolivia, Cameroon, Colombia, Côte d'Ivoire, Papua New Guinea, Philippines, the Republic of Congo, Togo and Vanuatu. Workshops in Ecuador, Panama and Peru, had been scheduled in late 2003 and early 2004.

**SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND (Agenda Item 19)**

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

171. The Chairperson invited pledges to the Special Account and the Bali Partnership Fund. Mr. Daniel Birchmeier (Switzerland) pledged an amount of US\$100,000 to Sub-Account B of the Bali Partnership Fund.
172. Mr. Allen Grant (Australia) pledged an additional US\$21,200.00 to PD222/03 Rev.1 (F) – Harmonization of Forest Related Terms and Definitions (Philippines).
173. The Chairperson announced that the total amount of US\$ 9,712,670.19 had been pledged by donors to finance projects, pre-projects and activities, at the Thirty-fifth Session of the Council. He acknowledged with deep gratitude the generosity of the Governments of Japan, Switzerland, U.S.A., Norway, Finland, Australia, Republic of Korea, Sweden and U.K in making the pledges.

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

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

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

175. The report was presented by Mr. Christopher Ellis (U.S.A.), Chairperson of the Panel. The Panel was composed of representatives of Japan, Switzerland, U.S.A. Guatemala, Togo, and Philippines, and the Executive Director. The report noted that as at the end of the Thirty-fourth Session of the Council, thirty-one activities, five projects and five pre-projects with a total budget of US\$11,283,941.00 had been funded from the resources of the Sub-Account B. The available resources of the Sub-Account B of the Bali Partnership Fund amounted to US\$2.4 million. The Panel noted that since the establishment of the Sub-Account B the total receipts amounted to US\$13.4 million of which US\$11.2 million was from interest earned and the balance of US\$2.2 million was donors' contributions. The Panel recommended to the Council to expand the scope of the Panel to cover the allocation of resources from the "Unearmarked Funds" in the Special Account, as an interim reassurance. The Panel noted that the current funds available in the "Unearmarked Funds" amounted to US\$4.7 million. The Panel recommended to the Council that

the limit for financing at the Thirty-fifth Session should not exceed US\$830,000 from the Sub-Account B of BPF and US\$953,500.00 from the "Unearmarked Funds". The Panel recommended to the Council a list of prioritized actions, projects and pre-projects eligible for financing from the resources of the Sub-Account B of the BPF and the Unearmarked Funds.

176. Mr. Mitsunori Namba (Japan) underscored the importance of implementation of projects and noted that Japan had made voluntary contributions to the implementation of ITTO project work since the inception of the ITTO. He mentioned that at the Thirty-fifth Session of the Council, Japan had pledged to finance sixteen (16) country-specific projects and ten (10) activities totaling approximately US\$6.0 million. He indicated Japan's willingness to continue to cooperate with the ITTO and noted, however, that the number of donor countries was very limited. He appealed to other donor countries to make voluntary contributions towards the implementation of ITTO project work.

#### **ITTO FELLOWSHIP PROGRAMME – DECISION 4(XXVII) (Agenda Item 20)**

##### **(a) Progress Report on the ITTO Fellowship Programme**

177. The report was presented by Mr. E. Collins Ahadome (ITTO Secretariat). He referred to document ITTC(XXXV)/19 and reported that one hundred and eight-nine (189) fellowships amounting to US\$1,037,101.00 had so far been awarded under the Freezailah Fellowship Fund. Seventy-six per cent (76%) of these awards were in the field of Reforestation and Forest Management, 17% in Forest Industry and 7% in Economic Information and Market Intelligence. In terms of geographical distribution of the awards, 28% were awarded to applicants from Africa, 34% from Asia-Pacific, 26% from Latin America, 9% from developing consumer countries and 3% from other consuming countries. Women accounted for 33% of the total awards.
178. Pledges to cover awards and other costs for 2004 were made by:
- |               |                |
|---------------|----------------|
| Japan         | US\$150,000.00 |
| United States | US\$75,000.00  |
| U.K.          | US\$2,693.19   |

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

179. The report was presented by Ms. Jan McAlpine (U.S.A.), Vice-Chairperson of the Council. She referred to document ITTC(XXXV)/20 and reported that the Fellowship selection panel comprising representatives of Ghana, Philippines, Venezuela, Netherlands, Switzerland and U.S.A. met twice during the Thirty-fifth Session of the ITTC. The Panel evaluated a total of ninety (90) applications from Producing Member Countries. Ms. McAlpine stated that while reviewing these applications, the Panel took into account balance among the three subject areas and regions as well as the opportunity to promote the participation of women. The Panel recommended to the Council for approval and award twenty six (26) applications at a total cost of US\$155,810.00.
180. Ms. McAlpine proposed to the Council to retain the current membership of the Panel for the Thirty-sixth Session of the Council, in view of the short duration of the Thirty-sixth ITTC Session.
181. The Council unanimously approved the report of Fellowship Selection Panel.
182. Mr. Luiz César Gasser (Brazil) commended the Panel for the report. He underlined the importance of the ITTO Fellowship Programme and noted that there should be continuous effort to improve the programme. He urged delegations to disseminate more information about the ITTO Fellowship Programme in Member Countries. He proposed that in order to achieve a high impact of the programme in Member Countries, a strategy should be developed by the Council. He stated that Brazil was ready to cooperate and work together with the ITTO in order to strengthen the fellowship programme.

#### **REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 21)**

183. Mr. Henri-Felix Maître (France), Chairperson of the Committee on Reforestation and Forest Management presented the report of the Committee.



184. He referred to document CRF(XXXIII)/9. He reported that the Committee reviewed four (4) completed projects and two (2) pre-projects where the field activities had been completed, and the final report and other technical documentation had been submitted to the Secretariat, including the audited financial report of the project's accounts and nine (9) completed projects and three (3) pre-projects whose financial audit report were still pending. The Committee received the reports of ex-post evaluations carried out on five projects classified under the theme "demonstration areas/model forests for SFM" and four (4) projects classified under the theme "reduced impact logging". The Committee further selected five completed projects under the theme "plantation forestry" for ex-post evaluation. The Committee took note of the status report [document CRF(XXXIII)/4] on seventy-four (74) projects, in the field of Reforestation and Forest Management which were either (1) in the process of implementation (71), (b) awaiting the signing of an agreement (2) or (c) falling under the sunset provision since the last Session (1). The Committee also took note of the report of sixteen (16) pre-projects that were under implementation.
185. On policy work, the Committee considered the following issues in accordance with its work programme for 2003;
- (ii) Continue to monitor progress in the application of criteria and indicators for sustainable forest management; and
  - (iii) In cooperation with relevant organizations, monitor the political implications for the resource base of climate change and related policy developments and the contribution of the resource base to the mitigation of the effects of climate change.
186. The Committee recommended to the Council the approval and funding of eleven (11) projects and four (4) new pre-projects.
187. The Committee elected Mr. A.S.K. Boachie-Dapaah (Ghana) and Ms. Jennifer Conje (U.S.A.) as Chairperson and Vice-Chairperson respectively for 2004.
188. Mr. Luiz César Gasser (Brazil) referred to page 19, bullet point one, under the sub-titled "Composition of the Working Group" and proposed that the paragraph should be amended to read "3 representatives from producing countries, one from each producing region, to be appointed by the caucus".
189. The Chairperson, Dr. B.C.Y. Freezailah informed the Council that the reports of the Committees had already been adopted by the Committees and therefore any proposed amendments would be reflected in the report of the Council.
190. The Executive Director, Dr. Manoel Sobral Filho informed the Council that the caucuses had always selected representatives to Working Groups and the procedure had not changed, at least since the last five years.
191. The report of the Committee was approved by the Council. The full report is contained in Annex IV.
192. The report of the Joint Session of the Committee on Economic Information and Market Intelligence and the Committee on Forest Industry was presented by Dr. Gilbert Kaya (Republic of Congo). He referred to document CEM-CFI(XXXIII)/7.
193. The Committees considered the report of two (2) completed projects and three (3) pre-projects as contained in document CEM-CFI(XXXIII)/2. The Committees took note of the report on lessons learned from ex-post evaluations and underscored the importance of proper management of projects and recognized that the problems and lessons learned were similar in all the three technical areas of the Organization. The Committees selected one completed project for ex-post evaluation and considered the report of projects, pre-projects and activity in progress as contained in document CEM-CFI(XXXIII)/4. The Committees took note of progress in the implementation of seventeen (17) projects, six (6) pre-projects and an activity in the field of Economic Information and Market Intelligence and thirty-six (36) projects and seventeen (17) pre-projects in the field of Forest Industry. The Committees further noted that one (1) project and two (2) pre-projects in the field of Forest Industry were pending agreement.

194. On policy work, the Committees discussed nine (9) issues in the field of economic information and market intelligence and three (3) issues in the area of forest industry. Issues discussed included market access, forest and timber certification, life cycle analysis (LCA) of timber products, proposed listing of timber species in the Appendices of CITES, trade in secondary processed wood products (SPWP) and assessment of the multiple benefits of downstream processing of tropical timber in producing countries.
195. The Committees recommended to the Council the approval and funding of three (3) projects and one (1) pre-project in the field of economic information and market intelligence and two (2) projects in the field of forest industry.
196. Prof. Yeo-chang Youn (Republic of Korea) and Ing. Renzo Silva (Venezuela) were elected as Chairperson and Vice-Chairperson respectively for the Committee on Economic Information and Market Intelligence. Ms. Astrid Bergquist (Sweden) and Ms. Celestine Ntsame-Okwo (Gabon) were elected as Chairperson and Vice-Chairperson for the Committee on Forest Industry respectively.
197. The report of the Joint Session of the Committees was approved by Council The full report is contained in Annex IV.
198. The report of the Committee on Finance and Administration was presented by Mr. Christopher Ellis (U.S.A.), Vice-Chairperson of the Committee. The Committee reviewed the draft Biennial Administrative Budget for 2004-2005 and recommended to the Council to approve a revised Administrative Budget for Financial Year 2004 of the amount of US\$5,207,521 as contained in document CFA(XIV)/2 Amend 3. The assessed contributions from Members would be US\$5,276,000 to take account of the discounts to be given to Members for timely payment of their contributions in 2003.
199. The Committee reviewed the current status of the Administrative Account and recommended to the Council to authorize the Executive Director to transfer, if necessary, an additional amount not exceeding US\$600,000 from the Working Capital Account (WCA) to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme for the year 2003. The Committee reviewed and noted the resources in the Special Account and the Bali Partnership Fund. Mr. Ellis reported that the Committee further recommended to the Council to authorize the increase in the Programme Support Cost to 8% (from the current 6%), except in the case of ITTO-executed projects, pre-projects and activities where the figure would be 13% (from the current 11%). The Committee also recommended to the Council that the scope of the Panel on Sub-Account B of the BPF be expanded to cover the allocation of resources from the "Unearmarked Funds" in the Special Account and the BPF, as an interim measure.
200. The Committee elected Mr Christopher Ellis (U.S.A.) and Mr. Shaharuddin Mohamad Ismail (Malaysia) as Chairperson and Vice-Chairperson respectively for 2004.
201. The report of the Committee was approved by the Council The full report is contained in Annex IV.

#### **ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON OF THE COUNCIL FOR 2004 (Agenda Item 22)**

202. Mr. Luiz César Gasser (Brazil) on behalf of the Producer Group nominated Mr. Alhassan Attah (Ghana) as the Vice-Chairperson of the Council for 2004.
203. Ms. Aulikki Kauppila (Finland) on behalf of the Consumer Group nominated Ms. Jan McAlpine (U.S.A.) as the Chairperson of the Council for 2004.
204. The Council unanimously approved both nominations.
205. Ms. Jan McAlpine (Chairperson-Elect) thanked the Council for the honour of being elected as Chairperson of the Council for 2004. On behalf of the Council, Ms. McAlpine presented a gift to the outgoing Chairperson of the Council, Dato' Dr. B.C.Y. Freezailah, in recognition of his dedication and leadership to the Council. She recalled Dr. Freezailah's contributions to the ITTO, first as the founding Executive Director for many years, and then as the Chairperson of the Council.

206. Mr. Alhassan Attah (Vice-Chairperson Elect), in accepting his nomination as the Vice-Chairperson, thanked the Council for the honour conferred on him and his country. He noted with appreciation the confidence placed in him by the Council and looked forward to working closely with the Chairperson and the Council in advancing the objectives of the ITTO. He drew the Council's attention to the challenges as the Council embarked on the process of negotiating a Successor Agreement to the ITTA, 1994. He called on the Council to be unified in meeting the challenges and also show willingness to compromise and cooperate in times of difficulties thereby reaching common understanding to enhance the work of the Organization. He recalled his first interaction with ITTO thirteen (13) years ago and hoped to enjoy the support and cooperation of the Executive Director and staff of the Secretariat in advancing the work of ITTO.

**DATES AND VENUES OF THE THIRTY-SIXTH, THIRTY-SEVENTH AND THIRTY-EIGHTH SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES (Agenda Item 23)**

207. The Council confirmed that its Thirty-sixth Session would be held from 20 to 23 July 2004 in Interlaken, Switzerland. The thirty-seventh Session of the Council would be held from 13 to 18 December 2004, in Yokohama, Japan. In consultation with the Government of the Republic of Congo, the Thirty-eighth Session of the Council would be held from 24 to 26 May 2005, in Brazzaville, Republic of Congo.
208. Mr. Daniel Birchmeier (Switzerland), on behalf of the Government of Switzerland, extended a warm invitation to all delegates to attend the Thirty-sixth Session of the ITTC to be convened from 20 to 23 July 2004 in Interlaken, Switzerland.
209. Mr. Mitsunori Namba (Japan), on behalf of the Government of Japan confirmed that the Thirty-seventh Session would be held from 13 to 18 December 2004, in Yokohama, Japan and extended a cordial invitation to all delegates.
210. Mr. Jacques Kanwe (Republic of Congo) confirmed that the Thirty-eighth Session of the Council would be convened from 24 to 26 May 2005, in Brazzaville, Republic of Congo. He stated that hosting the Thirty-eighth Session of the Council would be an excellent opportunity for the Republic of Congo to showcase its dense tropical forests. He thanked the Council for the honour.

**OTHER BUSINESS (Agenda Item 24)**

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

211. The statement was presented by Mr. Pekka Patosaari, Director and Head of the United Nations Forum on Forests.
212. In his statement to the Council, Mr. Patosaari expressed his appreciation to the Council and ITTO for the continued support to the work of UNFF. He acknowledged ITTO's staff secondment to the UNFF Secretariat, ITTO's active participation in the Collaborative Partnership on Forests (CPF), ITTO's support in preparing the UN Secretary General's report for UNFF Sessions and support to country-led initiatives and capacity building in countries. He said that that was a clear manifestation of good partnership and serious effort towards a common goal of promoting sustainable forest management. He also mentioned that the UNFF would continue to need the expertise of ITTO in its work. He cited ITTO's tremendous work in the field of criteria and indicators which began even before the Helsinki and Montreal Processes; statistics and data on production, imports and exports of timber products; promotion of sustainable forest management, particularly with projects at the community level; assessment of project implementation and planning and executing pilot studies on some of the areas that the UNFF would require ITTO's assistance.
213. Mr. Patosaari recalled the establishment of the UNFF in 2000 by the International Community through the United Nations Economic and Social Council and the UN General Assembly to facilitate progress and to strengthen political commitment towards sustainable forest management. He stated that the UNFF provided a genuine forum for policy dialogue on forests and had been mandated to give guidance to the CPF. The UNFF focus had been on sustainable forest management on all types of forests with a global scope, a universal membership and a highly unique and unprecedented feature where all UN Member States were also Members of the UNFF. Mr. Patosaari underlined the strong multi-stakeholder participation of the UNFF.

214. Mr. Patosaari briefed the Council on UNFF's work and informed the Council that UNFF3 was held in Geneva in May 2003. The session discussed the economic aspects of forests, including trade in forest products and services. UNFF3 also agreed on the establishment of three ad-hoc expert groups on (i) approaches and mechanisms for monitoring assessment and reporting; (ii) financing transfer of environmentally sound technologies; and (iii) the tasks of consideration with the view to recommending the parameters of a mandate for developing a legal framework on all types of forests. He informed the Council that the meetings of the first two expert groups would be held in Geneva in December 2003 while the meeting of third expert group would be held after UNFF4, in May 2004 in Geneva. Mr. Patosaari said that UNFF 4 would address several issues relating to the implementation of the IPF/IFF proposals for action, emerging issues and enhanced cooperation and collaboration. It would also receive recommendations from the two ad-hoc expert groups on the important issues of finance, technology transfer and monitoring, assessment and reporting. Mr. Patosaari said that UNFF5 would be a turning point for the international arrangement on forests and would review the effectiveness of the arrangement and address the institutional framework of the Forum. He indicated that the international community would in the very near future make important decisions on the course of action to be taken to address forest issues world wide. In this context, Mr. Patosaari noted that the on-going process for the negotiation of a Successor Agreement to the ITTA, 1994 was of great interest to the international community. He underscored the fact that the international community through the World Summit on Sustainable Development held in Johannesburg in 2002 strongly emphasized the vital role of sustainable forest management for sustainable development and poverty eradication. The international community made a commitment for the implementation of internationally agreed actions related to the conservation and sustainable development of all types of forests and stressed the need for halting global forest biodiversity loss by 2012. The Johannesburg summit also invited countries to work jointly in developing an action plan for forest law enforcement, governance and trade and strengthening international cooperation to address violation of laws and forest crimes. Mr. Patosaari noted that further studies was needed to gain better understanding of linkages between illegal logging, trade and investment flows. Steps to eradicate illegal activities should include establishing the environment for legitimate business activities and investments in sustainable forest management.
215. Mr. Patosaari informed the Council that the output of the African Forest Law and Governance meeting held in Cameroon was in line with the objectives of the Congo Basin initiatives and with the Bali Declaration. The meeting emphasized the social, economic and environmental importance of African forests and the multiple obstacles to forest law enforcement. He noted that these decisions taken at the regional level greatly supported the overall objectives for sustainable forest management and human welfare. He stated that the emphasis was on the fundamental role of governments to provide effective governance, including laws, policies and institutional capacity to enforce those laws and for policy implementation.

**Statement by the Trade Advisory Group**

216. The statement was presented by Mr. Barney Chan, General Manager, Sarawak Timber Association. He noted that the year 2003 had been difficult for the trade. Demand for tropical timber had been severely affected in many of the major markets as the world economies struggled to shed off economic recession. The Severe Acute Respiratory Syndrome (SARS) and the Middle East conflicts had all had a serious impact on consumer confidence and had affected the timber trade. Currency fluctuations had also made trading difficult, Mr. Chan reported. He further noted that while there were signs of improvement in the prices for logs and sawnwood in some producing regions, the tropical plywood sector was still reeling from desperately low prices. Mr. Chan stated that at these price levels, production was becoming unprofitable to the point where mills were either cutting back on production or being forced to close down. The consequences of these had been serious job losses in the sector.
217. On the issue of illegal logging and trade in illegal timber, Mr. Chan acknowledged that the problem was existing. No country was immune and the causes were complex and unique to each particular situation. He noted that illegal activities were especially rampant where there had been a breakdown in the rule of law and in areas of civil unrest. "TAG condemns those who engage in illegal activities", Mr. Chan said. He expressed concern about the fact that discussions on illegal logging were becoming increasingly politicized and stated that there appeared to be a rush to judgment to indict the whole industry for the illegal activities of a few. "This is wrong", Mr. Chan said. He stated that industry must be an equal partner in the pursuit of solutions to the problem of

illegal logging. He underlined that verifying the legality of the origin of wood was a priority issue for industry and invited ITTO to join industry in addressing the concern.

218. On plantation development, the TAG supported the comments of the Chairperson of the Expert Panel on Project Appraisal regarding the imbalance in project funding. He proposed that in order to generate good industry/marketing projects, there was the need to identify ways to harness the expertise in project formulation that was existing in government circles with the practical experiences of the private sector. He also called for more projects in the area of plantation development. He stated that industrial plantations would be playing a more important role in the future and the impact of small landowner and community timber plantations could have an important role in generating income for the rural populations.
219. Mr. Chan expressed TAG's regret that the industry was excluded from a meeting of the CITES Mahogany Working Group that took place in early October to assess preparations for the implementation of Appendix II for Big-leaf mahogany.
220. On the issue of the negotiation of a Successor Agreement to the ITTA, 1994, the TAG fully supported maintaining two Sessions of the Council per year since it provided the TAG the opportunity to keep on top of issues affecting the sector and to react immediately. The TAG called for a fast track mechanism for small projects and activities under the discretion of the Executive Director, thus enabling ITTO to respond even faster to emerging and urgent issues.

#### **Statement by Representative of the Civil Society Advisory Group**

221. The statement was presented to the Council by Mr. Yati Bun, Executive Director, Foundation for People and Community Development, Papua New Guinea. He expressed the CSAG's appreciation to the Council and the Secretariat for the warm welcome accorded to members of the CSAG. He said that the CSAG greatly appreciated the opportunity to advise the Council. He indicated that the CSAG would provide an opportunity for local voices and experiences to be heard in the Council and also take steps to better reflect the interests and aspirations of civil society. The CSAG would focus particularly on the equity dimensions of the tropical timber trade both as a threat and an opportunity to advance national and international commitments to sustainable development. He announced to the Council the election of a new co-chair, Mr. Alberto Chincilla, Executive Director of CICAFOC, Central America and an alternate co-chair for producer countries, Mr. Yati Bun, Executive Director of FPCD, Papua New Guinea. Dr. Andy White, Forest Trends, would continue to serve as co-chair representing consumer countries. The CSAG also recognized the substantial contribution of Mr. Stewart Maginnis, Director, Forest Conservation Programme, IUCN who served as a founding co-chair of CSAG. The CSAG drew the Council's attention to two key shifts in the tropical forest landscape since the negotiation of ITTA, 1994: (i) indigenous and other communities now legally own as private property or officially administer at least 22% of all tropical forests, making forest communities leading decision makers in the fate of tropical forests; (ii) the trade in primary tropical products had declined dramatically since the early 1990s and the major and growing sources of investment for the sustainable use of tropical natural forests were communities themselves. Payments for ecosystem services and markets for non-timber forest products were growing dramatically and trade in these new products and services were becoming the leading sources of incentives for sound stewardship of tropical forests. "Unfortunately, producer governments and ITTO are not yet best equipped to orient and encourage this new trade and finance so that they serve the interests of people and the sustainable management of the resource", Mr. Yati Bun said. He noted that the success of the Successor Agreement would be contingent upon the degree to which it reflected and embraced these new realities.
222. The CSAG made the following recommendations for the consideration of the Council:
- The new proposed overarching objective in Article 1 was an important step forward, but should be further improved with two additions: (i) clarification that a key objective of the agreement was to encourage and shape forest trade so that it would contribute to producer country goals of economic, social and environmental development; (ii) partial revision of the objectives to demonstrate and show an understanding of the role of indigenous and other communities as critical, yet under supported, actors, and a recognition of the role of indigenous and other forest communities as tropical forest owners and managers; and
  - The policy work of the ITTO should continuously track the rapid changes in the tenurial arrangements of tropical forests, emergence of new producers and their appropriate place in the supply chain through the ITTO project portfolio. The CSAG called on ITTO to carry

out pilot projects to help assess the dynamism and economic efficiency of community producers and the obstacles they face in fully integrating with domestic and international market and trade of tropical forest products and services.

223. The CSAG looked forward to increased engagement in the Council as well as in the PrepCom and the UNCTAD negotiations on the Successor Agreement to the ITTA, 1994.

#### **DECISIONS AND REPORT OF THE SESSION (Agenda Item 25)**

224. The Chairperson referred to document ITTC(XXXV)/22 to ITTC(XXXV)/25 comprising four (4) Decision proposals for consideration by the Council at its Thirty-fifth Session. The Council approved the four Decisions as contained in Annex III. Amendments and editorial corrections were noted. Rule 33 of the Rules of Procedures was to be applied to the circulation of the Decisions and the report of the Council to Members.

#### **CLOSING OF THE SESSION (Agenda Item 26)**

##### **Statements by Delegations**

225. Mr. David Drake (Canada) on behalf of the Canadian Forest Service expressed appreciation of the support provided by ITTO for the participation of delegates from developing countries at the XII World Forestry Congress, which took place in Quebec City, Canada. He expressed Canada's gratitude for the excellent work of ITTO in identifying and funding a select group of high-calibre individuals to participate in the congress under ITTO's auspices. Mr. Drake also acknowledged the presence of ITTO at the World Forestry Congress and commended the ITTO's side-event. "The ITTO plays a valuable role in addressing a broad array of tropical forest issues. It was thus most appropriate that the ITTO had an effective presence at this gathering of the world's forest community", Mr. Drake said. Mr. Drake reported that over 700 delegates participated in the World Forestry Congress and noted that the Congress provided an invaluable vehicle for participants to learn of forest innovations from around the world and to share experiences in addressing important forest challenges. He mentioned that Canada was looking forward to working with ITTO and other organizations in helping to achieve the vision for the world's forests.
226. Ms. Sri Murniningtyas (Indonesia) commended the Chairperson and Vice-Chairperson for their able leadership. She also congratulated the Chairperson – elect and Vice-Chairperson elect. She reiterated the need to enhance firm and collaborative effort by ITTO Member Countries to relieve constraints to the achievement of ITTO goals. She noted that illegal logging and the associated illegal trade still remained one of the top listed constraints to sustainable forest management and mentioned that strong efforts undertaken by a single producing country alone to combat forest crime would never be optimal without full and solid cooperation from other Member Countries. Ms. Murniningtyas said as long as the opportunity to market illegal forest products existed, it would trigger widespread illegal logging practices. She called for collaborative actions by all Member Countries to stop these illegal activities. She said the Government of Indonesia believed that the issue could not be addressed by a single institution and single approach. The Indonesian Government had been adopting various possible strategies, approaching the problem from various angles, including the establishment of an Agency for the Revitalization of Forest Industries (BRIK) whose functions, among others, had been to control and scrutinize the legality of raw materials used by timber industries. Ms. Murniningtyas stated that deforestation in the tropics had been at an alarming rate as a result of illegal logging, causing floods, landslides, droughts and other natural disasters. The Indonesian Government had developed coordinated efforts towards reforestation and rehabilitation of degraded forests by establishing a coordination team for reforestation and forest rehabilitation involving the Ministry for Public Welfare, Ministry for Economic and Ministry for Politic and Security. She reported that the National Movement for Forest and Land Rehabilitation would be implemented in 21 critical river basins covering a total area of 3 million ha for a period of 5 years.
227. Ms. Murniningtyas commended the Executive Director and staff of the Secretariat and interpreters for their hard work and professionalism in conducting and facilitating the Session.
228. H.E. Mr. Jean-Christian Obame (Gabon) commended the Chairperson and Members of the Council for the efficiency and the spirit of consensus that had prevailed throughout the Session. He also expressed his gratitude to the Government of Japan and the City of Yokohama for their continued support to ITTO, as well as for the hospitality accorded to delegates. He reiterated the importance of ITTO to Gabon in promotion and sustainable management of Gabon's forests. He

underlined Gabon's high expectation during the negotiation of the Successor Agreement to the ITTA, 1994. He said that there were many challenges to be addressed in the Successor Agreement to enable ITTO to reconcile the statutory interests of its Member States, both Producing and Consuming Members while playing an active role in implementing the resolutions of the United Nations Forum on Forests. He called for a strong spirit of consensus and partnership to enable ITTO to obtain the necessary logistics and strategic resources to achieve its objectives, both at the regional and global levels. H.E. Mr. Obame thanked ITTO for establishing ITTO Regional Office for Africa in Libreville, Gabon. He noted that the African regional office would assist the African Member States to be better prepared to achieve the ITTO Objective 2000. He underscored the importance of the regional office in catalyzing the process of technology transfer and processing of timber resources. He congratulated all the newly elected officers of the Council and Committees and thanked ITTO for the honour of appointing a delegate of Gabon to the position of Vice-Chairperson of the Committee on Forest Industry.

229. Dr. David Brooks (U.S.A.) expressed his appreciation and gratitude to the Government of Japan and the City of Yokohama for their continued support to ITTO. He commended the leadership of the Chairperson and Vice-Chairperson of the Council. He noted with pleasure the long spirit of cooperation and collaboration that had characterized all the deliberations of the Council. He underlined the importance of ITTO to the United States which had been expressed through the enthusiasm of the delegation of the United States to participate in the work of the Organization and through the financial support of the United States for the activities and project work of the Organization. He looked forward to the same enthusiasm and support throughout the process of the negotiation of a Successor Agreement and throughout the life of the Successor Agreement. He also looked forward to future collaboration with Members of the Council in the coming years.
230. Mr. A.S.K. Boachie-Dapaah (Ghana) commended the Chairperson for his able leadership. He acknowledged the hard work of the Chairperson in keeping the Council united even on difficult and sensitive issues. He congratulated the newly elected Chairperson and Vice-Chairperson of the Council. He thanked the Council for the honour done to Ghana by electing Mr. Alhassan Attah (Ghana) to the high office of Vice-Chairperson of the Council. He commended the Executive Director and Staff of the Secretariat for the excellent organization which had contributed to the success of the Council Session.
231. Mr. Dike Kari (Papua New Guinea) commended the Chairperson and Vice-Chairperson for their able leadership. He also thanked the Executive Director and staff of the Secretariat for their hard work. Mr. Kari commended the hard work of the Chairpersons of the Committees, the consultants, Members of the Trade Advisory Group, and the Civil Society Advisory Group and the presenters of the side-events. He underscored the importance of the ITTO diagnostic missions and the ex-post evaluations carried out on a number of projects. He was pleased with the market studies that had been carried out and underlined the importance of such studies to Producing Member Countries. Mr. Kari expressed his gratitude to the Government of Japan and the City of Yokohama for their continued support to ITTO and the hospitality accorded to delegates.
232. Dato' Suboh Mohd Yassin (Malaysia) expressed his appreciation to the Government and people of Japan for their continued and strong support that had enabled ITTO to function very effectively. He commended the Chairperson and Vice-Chairperson for their stewardship in guiding the Council to a successful Session. He indicated that the Council was at a cross road as it had begun embarking on the process of renegotiation of a successor agreement to the ITTA, 1994. He noted that the Council had made some progress but admitted that a lot still was needed to be done to achieve fully the objectives of the ITTA. He acknowledged that there were many challenges, especially considering the financial situation of the Organization and urged the Council to remain focused in order not to be blurred by new issues that might negatively impact on the functioning of the Organization. He proposed that in considering the negotiation of the Successor Agreement the Council should not burden the Organization with new issues that might affect the Organization's effective functioning. Dato' Suboh concurred with the statement by the delegation of Indonesia that the issue of illegal logging must be tackled through close collaboration between Member States and through various approaches. He stressed that from Malaysia's experience, the problem of illegal logging could be addressed effectively by tackling the source of the problem. He reiterated that Malaysia had unilaterally taken steps to ban the importation of logs from Indonesia with effect from 25 June 2002 and banned the importation of squared logs from Indonesia with effect from 1 June 2003. He believed that through close collaboration and cooperation between Malaysia and Indonesia, the problem of illegal logging in

Indonesia could be addressed. Together with other organizations such as ITTO the two countries could work towards the attainment of the objective of sustainable forest management for the benefit of the people of the two countries. Dato' Suboh also underscored the importance of market access for achieving the objective of sustainable forest management. He said that tariff escalation was still very prominent in some ITTO Member Countries and solicited the support of such countries to remove such tariffs in order to add value to the timber and wood products. He noted that it was within the purview of WTO to directly address the issue of tariffs. However, the support of the ITTO in bringing such issues to the attention of relevant international organizations, particularly the WTO would be very helpful in eliminating the burden faced by Producing Member Countries in their attempt to market their products. He also appealed to Consuming Members not to use the pretext of health concern and standards as a barrier to trade but rather to find means to assist Producing Members. He noted that these approaches had been draining the resources of developing countries in their attempt to explain to consumers and NGOs.

233. Mr. Jacob Kolawale Adedigba (Nigeria), on behalf of the Government of the Federal Republic of Nigeria, expressed his profound gratitude to the Council for the admission of Nigeria as a Producing Member of ITTO. He assured the Council of Nigeria's commitment to the contemporary issue of sustainable development and the management of forest resources and the environment. He noted that for a long time Nigeria had been participating in the Sessions of the Council as an Observer. He pledged Nigeria's cooperation with ITTO in pursuing the Organization's objectives. He expressed his gratitude to the Government of Japan and the City of Yokohama for their continued support to ITTO. He pledged that he would personally work towards promoting the work of ITTO in Nigeria and to elicit more enthusiasm from the Government of the Federal Republic of Nigeria to play an active role in all the activities of ITTO. Mr. Adedigba commended the Chairperson of the Council for his able leadership. He pledged that Nigeria would meet all its obligations and make all its contributions on a timely basis.
234. Mr. Enzo Barattini (European Community) expressed satisfaction and appreciation with the outcome of the Thirty-fifth Session of the Council. He underscored the importance of reaching consensus and hoped that there would be the same spirit of understanding among Council Members during the negotiation process for a successor agreement to the ITTA, 1994. He cited the consensus reached on the ITTO biennial work programme and noted that the work programme was very ambitious, intensive and realistic. He stated that, in future, it would be in the common interest of Members to set up a framework for the management of the ITTO work programme. He stated that that was the only way to improve the effectiveness of the Organization. He also welcomed the discussions on the implementation of forestry laws and pledged that the European Community would assist all Members wishing to cooperate with it on this issue. He stated that the image of tropical timber in the European markets would need to be improved and indicated that initiatives such as certification would go a long way to improve the image of tropical timber and improve access to European markets. He commended the leadership of the Chairperson and urged him to continue to support ITTO with his immense experience. Mr. Barattini also welcomed the election of Ms. Jan McAlpine as Chairperson for 2004 and expressed confidence in her leadership. He commended the Government of Japan and the City of Yokohama for their continued support. He thanked the Executive Director and staff of the Secretariat for their support.
235. Mr. Mitsunori Namba (Japan) extended his gratitude and appreciation to the Chairperson and other Members of the Bureau. He also commended the Executive Director and staff of the Secretariat and also applauded the generous contribution of the City of Yokohama to ITTO. Mr. Namba recalled the birth of ITTO seventeen years ago, as a commodity organization. Since then, the ITTO had contributed immensely to the development of the timber trade and had also changed the international environmental circumstances. He said that some modification to the nature of ITTO might be necessary at this moment and urged Member Countries to consider this issue during the PrepCom and the formal negotiating conference. He called for cooperation and flexibility among Member Countries. He underlined the importance of Producers and Consumers cooperation for the future development of ITTO. He noted that compared to other international organizations the ITTO atmosphere was very favorable in terms of Producers and Consumers relationship. Mr. Namba indicated that it might not even be necessary to have a distinction between Producer Group and Consumer Group within ITTO. He pledged Japan's continued support to ITTO.
236. H. E. Mr. Enerunga Anselme (Democratic Republic of Congo) thanked the international community for its assistance in bringing peace to the Democratic Republic of Congo. He stated



that despite the 125 million ha of forest resources in the DRC, the contribution of the forestry sector to the national economy was still very insignificant. He attributed this to internal difficulties as well as insufficient management tools. He stated that ITTO was one major stakeholder that could assist the DRC to realize the full potential of its forest resources. H. E. Mr. Anselme mentioned that the DRC had committed itself to a programme of improvement of its forestry sector through the adoption of a new forestry code in August 2002. The new code had declared forest as a public heritage which must be managed for the benefit of the people of the DRC, taking into account the worldwide environmental impact of the forest of the DRC. The new code brought to an end the granting of forest concessions by mutual agreement and rather introduced transparent and equitable adjudication procedures. The code introduced the retrocession of forty (40) percent of forest taxes to decentralized local authorities, the creation of community forests and the implementation of sustainable forest management for all production forests. Mr. Anselme mentioned that the rehabilitation of national parks and the establishment of new protected areas was part of the priority agenda within the new forestry code. He appealed to the donor community and ITTO for support in establishing a National Tooling Center in Kinshasa and a remote sensing and geographic information system for monitoring of sustainable forest management and conservation of protected areas in the DRC. He reiterated his government's commitment to the implementation of the new forestry code. Mr. Anselme mentioned that the DRC was not able to honour some of its international commitments in the past because of the socio-political troubles the country encountered during the last decade and pledged that the Government was taken the necessary measures to remedy the situation. He appealed to the international community, particularly ITTO, to continue to support the DRC in its efforts towards the achievement of sustainable forest management.

#### **Statement by the Consumer Spokesperson**

237. Ms. Aulikki Kauppila (Finland), on behalf of the Consumer Group, noted that the Thirty-fifth Session of the Council had been very constructive and a good starting point for the PrepCom II Session. She indicated that it was the understanding of the Consumer Group that the Thirty-fifth Session of the Council should be devoid of any new controversial proposals and that all energies should be devoted to the Second Session of the Preparatory Committee for the negotiation of a Successor Agreement to the ITTA, 1994. She expressed satisfaction with the outcome of the Session and noted that for the first time the Council adopted a decision on a biennial work programme. She acknowledged that it was a learning process for both caucuses and surprises might still arise during implementation. Consumers fully shared the view expressed by the Producer Group that the Council would need to give further thought on the decision making process. She proposed that it might be useful to use joint Committee meetings in order to eliminate the problems that simultaneous meetings of Committees tended to create, including missing parts of the discussions. However, Consumers were pleased with the outcome and noted that this was an important step towards a more strategic way of working. Consumers also believed that it would save the Council quite a lot of time for more useful deliberations, if the Council decided, to some extent, on the goals of activities and left the details of implementation to the Secretariat to act. Ms. Kauppila said that the discussions on the continuation of the ITTO regional offices were very useful and noted that the regional offices were playing an important role in the work of ITTO and regretted that financial constraints did not allow the Council to find a definite solution to the problem. She also noted that the decision by the Council to evaluate the position of the regional offices within eighteen months was a step in the right direction and the Council would continue to work to find a definite solution. Ms. Kauppila noted that the Thirty-fifth Session also discussed other very important issues such as forest law enforcement and support to Members' effort towards sustainable forest management. She expressed Consumers' appreciation to ITTO in this regard. She also indicated that the collection of statistical data remained a big challenge for both Producing Members and Consuming Members. Ms. Kauppila also underscored the importance of adequate financial resources for the Organization's work and urged Member Countries to seriously consider the issue of finance during the PrepCom and the Negotiation Conference for a Successor Agreement to the ITTA, 1994.
238. On behalf of the Consumer Group, Ms. Kauppila expressed her warm appreciation to the Chairperson of the Council for his able leadership. She also commended the Vice-Chair for her contributions during the Session and congratulated her on her appointment as Chairperson of the Council for 2004. She also commended the Chairpersons of the Committees. She acknowledged the good cooperation between the caucuses at the Session and extended her personal thanks to the Producer Spokesperson for the spirit of cooperation and looked forward to continuous collaboration in future.

239. Ms. Kauppila extended Consumers gratitude to the Government of Japan and the City of Yokohama for their continued support to the ITTO. She commended the Executive Director and the Secretariat for their hard work. She also thanked the interpreters and translators for their hard work and assistance.

**Statement by the Producer Spokesperson**

240. Mr. Luiz César Gasser (Brazil) on behalf of the Producer Group thanked the Government of Japan and the City of Yokohama for their continued support to the ITTO and for hosting the Session. He commended the able leadership of the Chairperson that enabled the Council to reach consensus on very difficult issues. He also thanked the Vice-Chair and pledged to work closely with her in 2004 as she assumed the Chairmanship of the Council. Mr. Gasser commended the Executive Director and staff of the Secretariat for their hard work. He extended his personal thanks to the Consumer Spokesperson and looked forward to working closely with her in the future.

**Closing Statement by the Chairperson**

241. In his concluding remarks, the Chairperson, Dato' Dr. B.C.Y. Freezailah expressed his gratitude to the Council and indicated that it was most rewarding and a satisfying experience to have worked with the Council. He attributed the successful outcome of the Thirty-fifth Session to the Members of the Council. He expressed his gratitude to the Government of Japan and the City of Yokohama for their hospitality, support and generosity. Dr. Freezailah thanked the Vice-Chairperson, Ms. Jan McAlpine for her hard work and support. He also commended the hard work of the Chairpersons of the Committees and the spokespersons. He congratulated the newly elected Chairpersons and Vice-Chairpersons of the Council and Committees. He said that he had no doubt they would carry the ITTO proud tradition of working together harmoniously. He commended the Executive Director and staff of the Secretariat for their dedication and hard work. He mentioned that the side-events organized by the FAO, UNIDO and the CSAG underlined ITTO's smart partnerships and noted that he was particularly gratified with developments within the CSAG whose growth the ITTC had nurtured to ensure the voice of members of the civil society was heard clearly as inputs into Council's deliberations and decision making. Dr. Freezailah recalled his tenure as the Executive Director of ITTO and stated that many people helped him in the growth and development of the ITTO. He singled out for recognition Mr. Alf Leslie from Australia, Mr. Terrence Hpay, from the UNCTAD Secretariat, and Mr. Katsuhiko Kotari from Japan. The Council applauded the outstanding contributions to the ITTO of these three gentlemen.
242. Dr. Freezailah mentioned that ITTO should focus on its core objective – trade in timber and timber products from sustainably managed tropical forests, which embraced environmental, social and economic dimensions. He noted that the trading and commercialization of environmental services, though of great potential, was still some way off. He noted that although sustainable management of tropical forest for timber production was not rocket science, its achievement currently had been regrettably meager, in spite of the best efforts of the international community, ITTO, FAO, UNFF and other organizations, as evidenced by the current rate of tropical deforestation. He noted that more than 152 million ha of forests had so far been certified, of which tropical forests accounted for only about 5%. He stated that the problem of illegal logging was worrisome. He noted that ITTO had developed various guidelines on implementing sustainable forest management of tropical forests, criteria and indicators had been formulated to assess progress and there was no shortage of forest laws in any country. However, action on the ground, though improving in many countries, was far from encouraging. He indicated that there was the need to understand some of the underlying causes, and what could be done. Dr. Freezailah underlined the extremely low productivity of natural tropical forests compared to plantation forests and indicated that that was the reason why successful sustainable management of tropical forests was always based on forest plantations. He also underscored the close correlation between environmental care and GDP and stated that there was evidence that there were various forms of subsidies and incentives for sustainable forest management in many developed countries. He indicated that it was important that some transparency on the extent and nature of such subsidies be known in order to better understand the costs of sustainable management.
243. Dr. Freezailah stated that the wave of green consumerism was spreading, demanding sustainably produced timber and certification. However, there was no certainty of a green premium in spite of the fact that tropical forests were difficult and more costly to manage. He

indicated that that would only result in an indirect boycott of tropical timber or diversion of exports to markets where no certification was demanded, which would not be helpful to sustainable forest management. He noted that appreciation of these issues was important as the Council embarked on the process of negotiation of a Successor Agreement; Dr. Freezailah called for a balance of rights and responsibilities between producers and consumers in the new Agreement and abhorred the unhealthy state of contributions to the administrative budget, particularly, by some producers. He also stated that the issue of financial resources must be equitably addressed and cautioned that if the financial resources in the Special Account and the Bali Partnership Fund remained at existing levels, ITTO would be nearing its limit of growth and development. He was, however, encouraged that more projects had been funded at the Thirty-fifth Session. He noted that some of the initial ideas articulated at the Curitiba meeting in terms of linking voluntary contributions with GDP or votes held by consumers, offered some hope and optimism. He urged the Council not to squander the opportunity of negotiating a Successor Agreement for the Organization with new funding mechanism. Dr. Freezailah stated that the growth and development of the ITTO during the last 17 years must inspire the Council to preserve and soldier on to greater heights.

244. The Chairperson officially closed the Thirty-fifth session of the ITTC.



## **ANNEX I**

### **LIST OF PARTICIPANTS**

**Document: ITTC(XXXV)/Info. 2 Rev.1**



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**LIST OF PARTICIPANTS**

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**LISTE DES PARTICIPANTS**

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**LISTA DE PARTICIPANTES**





## MEMBERS

### AUSTRALIA

- \* Mr. Allen Grant  
Minister Counsellor (Agriculture), Embassy of Australia, Tokyo
- \*\* Mr. Malcolm Jamieson  
Senior Policy Officer, Industry Development and Private Forestry, Forest Industries, Department of Agriculture, Fisheries and Forestry, Barton

### BRAZIL

- \* Amb. Carlos Antonio Da Rocha Paranhos  
Ambassador, Ministry of External Relations, Brazilian Mission to UN, Geneva
- \*\* Mr. Luiz César Gasser  
First Secretary, Ministry of External Relations, Brasília
- \*\* Mr. Sérgio Rodrigues dos Santos  
Second Secretary, Embassy of Brazil, Tokyo
- \*\* Ms. Rócia Silva Oliveira  
Manager, Multilateral International Cooperation, Brazilian Agency for Cooperation, Ministry of External Relations, Brasília

### CAMEROON

- \* H.E. Mr. Mbella Mbella  
Ambassador, Embassy of Cameroon, Tokyo
- \*\* Mr. Martial Wa Mathurin  
Deputé et Presidente Groupement Filiere Bois, Assemble Nationale du Cameroun, Douala
- \*\* Mr. Ralph Galega  
Second Counsellor, Embassy of Cameroon, Tokyo

### CANADA

- \* Mr. David Drake  
Minister-Counsellor, Embassy of Canada, Tokyo

### CHINA, PEOPLE'S REPUBLIC OF

- \* Ms. Sai Guohua  
Deputy Division Director, Department of International Trade and Economic Affairs, Ministry of Commerce, Beijing
- \*\* Mr. Xia Jun  
Deputy Division Director, Department of International Cooperation, State Forestry Administration, Beijing
- \*\*\* Mr. Wang Dawei  
Consultant, Department of International Trade and Economic Affairs, Ministry of Commerce, Beijing
- \*\*\* Mr. Shi Kunshan  
Research Fellow, Research Institute of Forestry Policy and Information Chinese Academy of Forestry, Beijing

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

\*\*\* Mr. Li Yudong

Associate Professor, Research Institute of Wood Industry, Chinese Academy of Forestry, Beijing

\*\*\* Mr. Xiang Dongyun

Deputy Director, Guangxi Forestry Research Institute, Nanning

## COLOMBIA

\* Mr. Ruben Dario Guerrero Useda

Profesional Especializado, Ministerio del Medio Ambiente, Santafé de Bogotá

\*\*\* Ms. Ruth Mery Cano Aguillon

First Secretary, Embassy of Colombia, Tokyo

\*\*\* Mr. Francisco Zapata Ospina

Director General, CORANTIOQUJA, Medellín

## CONGO, REPUBLIC OF

\* Mr. Kanwe Jacques

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

\*\* Dr. Kaya Gilbert

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

## CÔTE D'IVOIRE

\* H.E. Dr. Adou Assoa

Ministre, Ministère des Eaux et Forêts, Abidjan

\*\* H.E. Mr. Hyacinthe Marcel Kouassi

Ambassadeur de Côte d'Ivoire près le Japon, Tokyo

\*\* Mr. Oura Brou

Conseiller Technique du Directeur Général, SODEFOR, Abidjan

\*\* Mr. Ernest Adou N'cho

Conseiller Technique, Chargé des projets et de l'informatique, Ministère des Eaux et Forêts, Abidjan

\*\* Ms. Martial Me Kouame

Directeur des Etudes et Projets, SODEFOR, Abidjan

\*\*\* Mr. Tui Digbé

Premier Conseiller, Ambassade de Côte d'Ivoire au Japon, Tokyo

\*\*\* Mr. Akabia Adjobia

Conseiller, Ambassade de Côte d'Ivoire au Japon, Tokyo

\*\*\* Mr. Kouassi Amian

Sous-Directeur, Coordination et Evaluation des Projets, Ministère des Eaux et Forêts, Abidjan

## DEMOCRATIC REPUBLIC OF THE CONGO

\* H.E. Mr. Enerunga Anselme

Ministre, Ministère de l'Environnement, Conservation de la Nature, Kinshasa

\*\* Mr. Bukoko Mandjumba

Charge des Mission, Presidence (Cabinet Vice-President a Reconstr. & Dev.), Kinshasa

\*\* Mr. Benjamin Bengi Lubango

Conseiller et Chargé des Missions, Ministère de l'Environnement, Conservation de la Nature, Eaux et Forêts, Kinshasa

\*\* Mr. Germain Zasy Ngisako

Chef de Division Inventaire Forestière, Service Permanent d'Inventaire et d'Aménagement Forestière (SPIAF), Ministère de l'Environnement, Kinshasa

## ECUADOR

\* Mr. Germán Espinosa

First Secretary, Embassy of Ecuador, Tokyo

\*\* Mr. Marco Ponce

Third Secretary, Embassy of Ecuador, Tokyo

**EUROPEAN COMMUNITY**

- \* Mr. Enzo Barattini Deputy Head of Unit, European Commission, Brussels
- \*\* Mr. John Bazill International Forest Policy Officer, European Commission, Brussels

**ITALY**

- \* Mr. Marco Lombardi First Secretary, Embassy of Italy

**FRANCE**

- \* Mr. Christian Dumon First Secretary, Embassy of France, Tokyo
- \*\* Mr. Alain Chaudron Chargé de Mission Affaires Internationales, Ministère de l'agriculture, Paris
- \*\*\* Mr. Henri-Felix Maître CIRAD-FORET, Montpellier

**AUSTRIA**

- \* Ms. Katharina Kuehmayer Official, Division for Legal Affairs, Federal Ministry for Economic Affairs and Labour, Wien

**FINLAND**

- \* Ms. Aulikki Kauppila Counsellor, Ministry of Agriculture and Forestry, Helsinki
- \*\* Mr. Anders Portin Counsellor of Forestry, Ministry of Agriculture and Forestry, Helsinki

**GERMANY**

- \* Mr. Thomas Knebel Deputy Head of Division, Federal Ministry of Economics and Technology, Berlin
- \*\* Mr. Matthias Schwoerer Head, International Forest Policy Division, Federal Ministry of Consumer Protection, Food and Agriculture, Bonn
- \*\* Dr. Peter Schröder Counsellor, Embassy of the Federal Republic of Germany, Tokyo

**NETHERLANDS**

- \* Mr. Frederik Vossenaar Counsellor, Embassy of the Netherlands, Tokyo
- \*\* Mr. Erik Lammerts van Bueren Director, Institute of Support and Analysis, Forest and Land Use, Amsterdam

**PORTUGAL**

- \* H.E. Mr. Manuel Gervasio de Almeida Leite Ambassador, Embassy of Portugal, Tokyo

**SPAIN**

- \* Mr. Gerardo Del-Caz Trade Officer, Embassy of Spain, Tokyo

**SWEDEN**

- \* Ms. Astrid Bergquist Senior Advisor, Ministry of Industry, Employment and Communications, Stockholm

**UNITED KINGDOM**

\* Mr. Tim Rollinson

Director, Forestry Group, Forestry Commission,  
Edinburgh

**FIJI**

\* Mr. Laiakini R. Jiko

Conservator of Forests, Ministry of Fisheries &  
Forests

**GABON**

\* H.E. Mr. Jean-Christian Obame

\*\* Ms. Celestine Ntsame-Okwo

\*\* Mr. Sylvain Nze-Nguema

\*\* Mr. Joseph Giraud Effangone Obaghe

Ambassador, Embassy of Gabon, Tokyo  
Conseiller Technique du Ministre, Ministère de  
l'Economie Forestière, Libreville  
Directeur des Inventaires et Aménagement,  
Ministère de l'Economie Forestière, Libreville  
Economic Counsellor, Embassy of Gabon,  
Tokyo

**GHANA**

\* H.E. Dr. Barfuor Abjei-Barwuah

\*\* Mr. A.S.K. Boachie-Dapaah

\*\* Mr. J.K. A. Wireko-Brobbe

\*\* Mr. Alhassan Attah

\*\* Mr. Fredua Agyeman

Ambassador, Embassy of Ghana, Tokyo  
Chief Executive, Forestry Commission, Accra  
Commissioner, Forestry Commission, Accra  
Manager, London Office, Forestry Commission,  
London  
Ag. Technical Director, Ministry of Lands and  
Forestry, Accra

**GUATEMALA**

\* H.E. Mr. Arturo Duarte

\*\* Mr. Luis Ernesto Barrera Garavito

\*\* Ms. Verónica Grajeda Castillo

Ambassador, Embassy of Guatemala, Tokyo  
Gerente, INAB, Guatemala City  
Minister Counsellor, Embassy of Guatemala,  
Tokyo

**HONDURAS**

\* Mr. Gustavo A. Morales

\*\* Ms. Hilda Hernandez Alvarado

Gerente General, AFE-COHDEFOR,  
Tegucigalpa  
Sub Gerente General, AFE-COHDEFOR,  
Tegucigalpa

**INDONESIA**

\* H.E. Dr. Muhammad Prakosa

\*\* H.E. Mr. Abdul Irsan

\*\* Mr. Suhariyanto Suharno

\*\* Mr. Dominicus Supratikto

\*\* Mr. Wisnu Prastowo

Minister of Forestry, Ministry of Forestry,  
Jakarta  
Ambassador, Embassy of Republic of  
Indonesia, Tokyo  
Director General for Forestry Production  
Development, Ministry of Forestry, Jakarta  
Minister Counsellor, Head of Economic Section  
Embassy of the Republic of Indonesia, Tokyo  
Forestry Attaché, Embassy of Indonesia, Tokyo

- \*\* Ms. Sri Murniningtyas Head, Multilateral Division, Bureau of International Cooperation and Investment, Ministry of Forestry, Jakarta
- \*\* Dr. Dradjad H. Wibowo Executive Director, Indonesian Ecolabelling Institute, Bogor
- \*\* Dra. Suwarni Director, Forestry Industry Revitalization Board, Jakarta
- \*\* Mr. Jimmy Poerwonegoro Forestry Industry Revitalization Board, Jakarta
- \*\* Mr. Jimmy Chandra Forestry Industry Revitalization Board, Jakarta
- \*\* Mr. Dani Pitoyo Forestry Industry Revitalization Board, Jakarta
- \*\* Dr. Petrus Gunarso Project Coordinator Bulungan Model Forest, CIFOR
- \*\* Dr. Agus Setyarso Project Manager, Guidelines to Control Illegal Logging for Sustainable Forest Management in Indonesia, Jakarta

## JAPAN

- \* Mr. Mamoru Ishihara Director-General, Forestry Agency, Tokyo
- \*\* Mr. Keiji Ide Director, Developing Economies Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Tokyo
- \*\* Mr. Mitsunori Namba Senior Assistant, Developing Economies Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Tokyo
- \*\* Mr. Takehiro Osugi Director, Wood Products Trade Office, Forestry Agency, Tokyo
- \*\* Mr. Shinichi Arai Director, Global Environment Issues Division, Ministry of the Environment, Tokyo
- \*\* Mr. Taira Iwasaki Assistant Director, Developing Economies Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Tokyo
- \*\* Mr. Naohito Izumikawa Official, Developing Economies Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Tokyo
- \*\* Mr. Yuji Suzuki Official, Developing Economies Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Tokyo
- \*\* Mr. Kiyohito Ohnuma Assistant Director, Wood Products Trade Office, Forestry Agency, Tokyo
- \*\* Mr. Tadashi Nobe Technical Official, Wood Products Trade Office, Forestry Agency, Tokyo
- \*\* Mr. Ichiro Nagame Director for UNFCCC Affairs, International Forestry Cooperation Office, Forestry Agency, Tokyo
- \*\* Mr. Eisho Sato Assistant Director, International Forestry Cooperation Office, Forestry Agency, Tokyo
- \*\* Mr. Ikuo Kishi Section Chief, International Forestry Cooperation Office, Forestry Agency, Tokyo
- \*\* Mr. Nobuyuki Muto Section Chief, International Forestry Cooperation Office, Forestry Agency, Tokyo
- \*\* Mr. Shuzo Kishi Technical Official, Global Environment Issues Division, Ministry of the Environment, Tokyo
- \*\*\* Mr. Katsuhiko Kotari Vice-President, Japan Forest Owners Association and Adviser
- \*\*\* Mr. Katsuyuki Ohmi Executive Director, Japan Plywood Manufacturers' Association, Tokyo
- \*\*\* Mr. Koji Kadoya Director, All Japan Federation of Lumber Association, Tokyo

- \*\*\* Mr. Masataka Furuhashi  
Director, Yokohama International Organizations Center, Yokohama Association for International Communications and Exchanges, City of Yokohama
- \*\*\* Mr. Yasuhiko Fukuda  
Deputy Manager, Office of International Relations, General Affairs Bureau, City of Yokohama
- \*\*\* Mr. Masaru Goto  
Manager, Yokohama International Organizations Center, Yokohama Association for International Communications and Exchanges, City of Yokohama
- \*\*\* Mr. Hiroyuki Chiba  
Researcher, Japan Overseas Forestry Consultants Association, Tokyo
- \*\*\* Mr. Atsushi Rikimaru  
Project Officer, Japan Overseas Forestry Consultants Association, Tokyo
- \*\*\* Mr. Ryo Sasaki  
Vice Manager, Overseas Research Division, Japan Wood Products Information and Research Center

**MALAYSIA**

- \* Y. Bhg. Dato' Suboh Mohd Yassin  
Deputy Secretary General II, Ministry of Primary Industries, Kuala Lumpur
- \*\* Dato' Dr. Freezailah bin Che Yeom  
Chairman, Malaysian Timber Certification Council (MTCC), Kuala Lumpur
- \*\* Mr. Shaharuddin Mohamad Ismail  
Deputy Director General, Forestry Department Headquarters, Kuala Lumpur
- \*\* Mr. Zulkefli Mokhtar  
Director (International/Secretariat), Forestry Department Headquarters, Kuala Lumpur
- \*\* Dr. Woon Weng Chuen  
Director, Techno-Economics Division, Forest Research Institute Malaysia, Kuala Lumpur
- \*\* Ms. Khong Lye Fong  
Deputy Director, Malaysian Timber Industry Board, Kuala Lumpur
- \*\* Ms. Zurinah Pawanteh  
Principal Assistant Secretary, Timber Industry Division, Ministry of Primary Industries, Kuala Lumpur
- \*\* Dr. Penguang Manggil  
Senior Assistant Director, Sarawak Forestry Department, Kuching
- \*\* Mr. Frederick Kugan  
Senior Assistant Director, Forestry Department of Sabah
- \*\* Ms. Siti Syaliza Mustapha  
Executive, Public and Corporate Affairs, Malaysian Timber Council, Kuala Lumpur
- \*\* Mr. Paul P.K. Chai  
Consultant, ITTO Unit, Sarawak Forestry Department, Kuching
- \*\* Mr. Barney Chan  
General Manager, Sarawak Timber Association, Sarawak

**NEPAL**

- \* Dr. Damodar Prasad Parajuli  
Chief, Foreign Aid Coordination Division, Ministry of Forest and Soil Conservation, Kathmandu
- \*\* Mr. Dhurba Raj Bhattarai  
Deputy Director General, Ministry of Forest and Soil Conservation, Kathmandu

**NEW ZEALAND**

- \* Mr. Don Wijewardana  
Director, International Forestry Policy, Ministry of Agriculture and Forestry, Wellington
- \*\* Ms. Charlotte Cudby  
International Policy Analyst, Ministry of Agriculture and Forestry, Wellington

\*\*\* Mr. Lachlan Hunter

Advisor, Ministry of Agriculture and Forestry,  
Wellington

#### **NIGERIA**

\* Mr. Grant Ehiobuche

Minister/Chargé d'affaires, a.i., Embassy of  
Nigeria, Tokyo

\*\* Mr. Jacob Kolawole Adedigba

Minister Counsellor, Embassy of Nigeria, Tokyo

#### **NORWAY**

\* Mr. Erik G. Dybwad

Advisor, Ministry of Foreign Affairs, Oslo

\*\* Mr. Olav Bakken Jensen

Advisor, Ministry of Environment, Oslo

#### **PAPUA NEW GUINEA**

\* H.E. Mr. Patrick Pruaitch, MP

Minister of Forests, Papua New Guinea Forest  
Authority, Boroko

\*\* H.E. Mr. Michael Maue

Ambassador, Embassy of Papua New Guinea,  
Tokyo

\*\* Mr. Dike Kari

Director, Policy Secretariat, Papua New Guinea  
Forest Authority, Boroko

\*\* Mr. Terry Kundapen Warra

Acting Managing Director, Papua New Guinea  
Forest Research Institute, Lae

\*\* Mr. Neville H.S. Howcroft

Project Consultant/Manager, Papua New  
Guinea Forest Authority, Boroko

#### **PERU**

\* H.E. Mr. Luis J. Macchiavello

Embajador, Representante permanente ante la  
Organización Internacional de Maderas

\*\* Ing. Enrique Toledo Gonzales-Polar

Tropicales, Embajada del Perú, Tokyo  
Director Ejecutivo, Fondo de Promocion del  
Desarrollo Forestal (FONDEBOSQUE), Lima

#### **PHILIPPINES**

\* H.E. Ms. Elisea G. Gozun

Department Secretary, Department of  
Environment and Natural Resources (DENR),  
Quezon City

\* Mr. Romeo T. Acosta

Director, Forest Management Bureau, DENR,  
Quezon City

\*\* Mr. Bernardo D. Agaloos, Jr.

Executive President of SUSTEC, Forestry  
Advisor, Quezon City

#### **REPUBLIC OF KOREA**

\* Mr. Zoo-rhin Kwak

Director, International Cooperation Division,  
Korea Forest Service, Daejeon

\*\* Ms. Young-joo Hahn

Consul, Consulate General of the Republic of  
Korea, Yokohama

\*\* Mr. Kugbo Shim

Research Scientist, Korea Forest Research  
Institute, Seoul

\*\*\* Prof. Yeo-Chang Youn

Professor, Department of Forest Resources,  
College of Agriculture and Life Sciences, Seoul  
National University, Suwon

## SWITZERLAND

- \* Mr. Daniel Birchmeier  
Senior Programme Officer, State Secretariat for Economic Affairs (seco), Bern
- \*\* Dr. Jürgen Blaser  
Team Leader, Intercooperation, Bern
- \*\* Dr. James K. Gasana  
Program Officer, Intercooperation, Bern

## THAILAND

- \* Mr. Chatchai Ratanophat  
Director General, Royal Forest Department, Bangkok
- \*\* Dr. Charunee Vongkaluang  
Advisor, Royal Forest Department, Bangkok

## TOGO

- \* Mr. Tetoufea H. Koffi  
Directeur Général, Office de Développement des Forêts (ODEF), Lomé
- \*\* Mr. Ayih Atayi-Agbobly  
Directeur Technique, ODEF, Lomé

## TRINIDAD AND TOBAGO

- \* Mr. Clarence Bacchus  
Forestry Adviser

## UNITED STATES OF AMERICA

- \* Dr. David Brooks  
Director, Natural Resources Policy in Environmental Reviews, Office of the U.S. Trade Representative, Washington, D.C.
- \*\* Mr. Christopher Ellis  
International Forest Management Officer, Office of Ecology and Terrestrial Conservation, Bureau of Oceans and International Environmental and Scientific Affairs, Department of State, Washington, D.C.
- \*\* Ms. Jan McAlpine  
Senior Forest Negotiator, Office of Ecology and Terrestrial Conservation, Bureau of Oceans and International Environmental and Scientific Affairs, United States Department of State, Washington, D.C.
- \*\*\* Ms. Jennifer Conje  
International Policy Analyst, USDA Forest Service, Washington, D.C.
- \*\*\* Mr. Michael Hicks  
Coordinator, Trade Policy, Forest and Fishery Products Division, Foreign Agricultural Service, United States Department of Agriculture, Washington, D.C.
- \*\*\* Ms. Jerilyn Levi  
Assistant Director for Policy, International Programs, USDA Forest Services, Washington, D.C.
- \*\*\* Mr. Brian Woodward  
International Trade Specialist, Department of Commerce, Washington, D.C.
- \*\*\* Ms. Anne Divjak  
Director, International Trade Policy, American Forest and Paper Association, Washington, D.C.
- \*\*\* Mr. David C. Hermann  
Second Secretary, Environment, Science and Technology Office, Embassy of the United States, Tokyo



**VANUATU**

\* Mr. Livo Mele

Director of Forest, Forestry Department, Port  
Vila

**VENEZUELA**

\* H.E. Mr. Carlos A. Bivero

\*\* Mr. Renzo Siliva

Ambassador, Embassy of Venezuela, Tokyo  
Director General del Recurso Forestal,  
Ministerio del Ambiente y de los Recursos  
Naturales, Caracas

\*\* Ms. Olga J. Pérez Gutiérrez

Coordinadora del Programa de Planificación del  
Recurso Forestal, Ministerio del Ambiente y de  
los Recursos Naturales, Caracas

\*\* Ms. Sharon A. Manno

Second Secretary, Embassy of Venezuela,  
Tokyo

## OBSERVERS

### Potential Members

#### MEXICO

Mr. Arturo Cobián López	Director de Comercio Internacional, Comisión Nacional Forestal
Mr. José Oscar Vega Marín	Jefe de la Unidad de Cooperación y Financiamiento, Comisión Nacional Forestal
Mr. Saul Benjamín Monreal Rangel	Gerente de Desarrollo de Plantaciones Forestales Comerciales, Comisión Nacional Forestal

### Permanent Observers

#### FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)

Mr. Hosny El-Lakany	Assistant Director-General, Forestry Department
Mr. Christian Mersmann	

#### UNITED NATIONS FORUM ON FORESTS (UNFF)

Mr. Pekka Patosaari	Director
Mr. Mahendra Joshi	Economic Affairs Officer

#### UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

Mr. Koichi Hagiwara	Industrial Development Officer
Ms. Mieko Kusakari	Consultant
Mr. Sachio Ishii	EDS Lab.

#### UNITED NATIONS UNIVERSITY (UNU)

Mr. Luohui Liang	Academic Programme Officer
------------------	----------------------------

### Inter-governmental Organizations

#### CENTER FOR INTERNATIONAL FORESTRY RESEARCH (CIFOR)

Dr. Markku Kanninen	Director, Environmental Services and Sustainable Use of Forests
Dr. Takeshi Toma	Scientist, Rehabilitation of Degraded Tropical Forest Ecosystems

#### COMMON FUND FOR COMMODITIES

Mr. Andrey Kuleshov	Project Manager
---------------------	-----------------

#### IUCN - THE WORLD CONSERVATION UNION

Mr. Stewart Maginnis	Head, Forest Conservation Programme
Mr. Cleto Ndikumangenge	Coordonnateur du Project d'Appui a la CEFDHAC, Yaoundé

## Governmental Organizations

### DEPARTMENT OF NATIONAL PARK, WILDLIFE AND PLANT CONSERVATION, THAILAND

Ms. Khanita Meedej	Senior Forest Officer
Mr. Suchat Kalyawongsa	Senior Forest Officer

### FORESTRY AND FOREST PRODUCTS RESEARCH INSTITUTE (FFPRI), JAPAN

Mr. Takashi Fujiwara	Vice President
Dr. Haruo Sawada	Principal Research Coordinator (International Research)
Mr. Kentaro Suzuki	Chief, Department of Wood-based Materials

### NSW RURAL FIRE SERVICE, AUSTRALIA

Mr. Duncan Sutherland	Director, Business Development
-----------------------	--------------------------------

## Non-Governmental Organizations

### ASUMADU AND ASSOCIATES, AUSTRALIA

Dr. Kwame Asumadu	Director
-------------------	----------

### CENTRAL AMERICAN INDIGENOUS AND PEASANT COORDINATOR OF COMMUNAL AGROFORESTRY (ACICAFOC), COSTA RICA

Mr. Alberto Chinchilla	Executive Secretary
------------------------	---------------------

### CORMADERA

Mr. Pablo José Mateus Alarcón	Presidente Ejecutivo
-------------------------------	----------------------

### FOREST TRENDS

Dr. Andy White	Director, Policy and Market Analysis
Dr. Arvind Khare	Senior Policy & Market Analyst

### FOUNDATION FOR PEOPLE AND COMMUNITY DEVELOPMENT, PAPUA NEW GUINEA

Mr. Yati A. Bun	Executive Director
-----------------	--------------------

### HIROSAR JAYA, MALAYSIA

Mr. Morris Kapong Tamang	Project Manager
Mr. Yoshinori Kochi	Managing Director

### HUTAN GROUP, JAPAN

Mr. Yoshio Nishioka	Executive Director
---------------------	--------------------

### INDIGENOUS AND PEASANT AGROFORESTRY COORDINATING UNIT OF PERU (COICAP)

Mr. Hildebrando Ruffner Sebastian	President
-----------------------------------	-----------

**INTERNATIONAL SOCIETY FOR MANGROVE ECOSYSTEMS (ISME)**

Dr. Shigeyuki Baba  
Ms. Nozomi Oshiro

Executive Secretary  
Assistant Secretary

**INTERNATIONAL WOOD PRODUCTS ASSOCIATION (IWPA)**

Ms. Brigid M. Shea

Manager of Government Affairs

**JAAKKO PÖYRY CONSULTING**

Mr. Norio Matsuki

Senior Consultant, New Zealand

**JAPAN FOREST TECHNOLOGY ASSOCIATION**

Dr. Itsuhito Ohnuki

Chief Advisor

**JAPAN OVERSEAS FORESTRY CONSULTANTS ASSOCIATION (JOFCA)**

Mr. Fusho Ozawa  
Mr. Susumu Miyatake

President  
Associated Expert for Reforestation and  
Wood Science

**PAPUA NEW GUINEA FOREST INDUSTRIES ASSOCIATION**

Mr. R.B. McCarthy

**REGIONAL COMMUNITY FORESTRY TRAINING CENTER FOR ASIA AND THE PACIFIC**

Dr. Yam Bahadur Malla

Executive Director

**SHONAN INTERNATIONAL FRIENDSHIP ASSOCIATION, JAPAN**

Mr. Masaru Ogino  
Mr. Rikuro Nakayama  
Mr. Tatsuo Ushigome  
Ms. Michiyo Yamagishi  
Ms. Etsuko Kawamura  
Ms. Hisami Nishimura  
Ms. Rumiko Sato  
Mr. Yosuke Baba  
Ms. Kazuko Okano  
Ms. Kiyoe Okada  
Mr. Yuzo Mori  
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Ms. Ikuyo Fujita  
Ms. Tomiko Yamamoto  
Ms. Yaeko Hashiguchi  
Ms. Hitomi Iwai  
Ms. Kiyoko Isoya  
Mr. Mitsuo Miyama

President  
Vice President  
Director  
Director  
Director  
Director  
Director  
Assistant Director  
Assistant Director  
Assistant Director  
Assistant Director  
Assistant Director  
Assistant Director  
Member  
Member  
Member  
Member  
Secretariat

**TRAFFIC INTERNATIONAL**

Mr. Hin Keong Chen

Senior Forest Trade Adviser

**TROPICAL FOREST FOUNDATION**

Mr. Keister Evans

Executive Director

**WWF BRAZIL**

Ms. Ana Euler

Southwest Amazon Program Officer

## AUTHORIZED INVITEES

Mr. David Cassells	Consultant
Ms. Stephanie Caswell	Consultant
Mr. Dennis P. Dykstra	Consultant
Mr. Jorge Malleux	Consultant
Mr. Maharaj Muthoo	Consultant
Mr. Cleto Ndikumagenge	Consultant
Mr. Tapani Oksanen	Consultant

Mr. Patrick Hardcastle	Chairperson of the 26th Meeting of the Expert Panel for Technical Appraisal of Project Proposals
------------------------	--

### Earth Negotiations Bulletin - Reporting Staff

Mr. Langston Goree  
Mr. Andrew Baldwin  
Mr. Rado Dimitrov  
Mr. Nienke Beintema  
Mr. Hugh Wilkins  
Ms. Lauren Flejzor  
Ms. Leila Mead  
Ms. Robynne Boyd  
Ms. Ivy Marvin  
Ms. Kaori Kawarabayashi

## LANGUAGE TEAM

### Interpreters

Mrs. Odile Bertin-Faull  
Mrs. Catherine Pouget-Alderton  
Mr. Manuel Pastor  
Mrs. Susana Hovell  
Ms. Bernadette Boyde  
Mr. Jean-Luc Genion  
Mr. Joe Macadam  
Ms. Socorro Botero-Browning  
Mr. Luigi Luccarelli  
Mr. Jean-Pierre Allain  
Ms. Marjorie Robotham

### Translators

Ms. Claudia Adán  
Ms. Beatriz Dorransoro  
Ms. Maria Eugenia Sanint  
Mr. Francis Marche  
Ms. Guyonne Proudlock  
Ms. Claudine Fleury

## **OFFICERS OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL AND ASSOCIATED COMMITTEES**

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Chairperson	Dr. Kaya Gilbert
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Vice-Chairperson	Ms. Astrid Bergquist
------------------	----------------------

### **Finance and Administration**

Vice-Chairperson	Mr. Christopher Ellis
------------------	-----------------------

### **Spokespersons**

Producers	Mr. Luiz César Gasser
Consumers	Ms. Aulikki Kauppila

## ITTO SECRETARIAT

- Dr. Manoel Sobral Filho  
Executive Director
- Mr. Takeichi Ishikawa  
Assistant Director, Management Services
- Mr. Amha Bin Buang  
Assistant Director, Economic Information and Market Intelligence
- Mr. Emmanuel Ze Meka  
Assistant Director, Forest Industry
- Dr. Eva Müller  
Assistant Director, Reforestation and Forest Management
- Dr. Steven E. Johnson  
Statistician
- Dr. Michael J. Adams  
Market Information Service Coordinator
- Mr. Mahboob Hasan  
Financial/Administrative Officer
- Mr. Alastair D. Sarre  
Editor/Newsletter Coordinator
- Mr. Charas Mayura  
Finance/Administrative Officer
- Mr. John J. Leigh  
Conservation Officer, Reforestation and Forest Management
- Dr. Hwan Ok Ma  
Projects Manager, Forest Industry
- Dr. Hiras Paimatua Sidabutar  
Projects Manager, Reforestation and Forest Management
- Mr. Polycarpe Masupa-Kambale  
Projects Manager, Reforestation and Forest Management
- Dr. Jairo Castaño Galvez  
Systems Analyst
- Mr. Edmond Collins Ahadome  
Information Officer
- Mr. Jean-Claude Nguingiri  
Regional Officer - Africa
- Ms. Hitomi Watanabe  
Finance Assistant
- Ms. Patricia Hanashiro  
Administrative Assistant



Mr. Akira Kagaya  
Senior Administrative Assistant

Dr. Chisato Aoki  
Research Assistant

Ms. Manami Oshima  
Research Assistant

Ms. Hideko Hattori  
Secretary

Mr. Michiaki Fujimoto  
Secretary

Ms. Akemi Yamane  
Secretary

Ms. Kayo Takahashi  
Communications Assistant

Ms. Masaki Miyake  
Statistical Assistant

Ms. Kanako Sakaguchi  
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Secretary

Ms. Manako Hanawa  
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Secretary

Ms. Maiko Miura  
Secretary

Mr. Zen-U Hotta  
Secretary

Ms. Utako Aoike  
Secretary

Mr. Tomoya Inoue  
Driver

\* \* \*



**ANNEX II**

**AGENDA**

**DOCUMENT: ITTC(XXXV)/1**



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GENERAL

ITTC(XXXV)/1  
29 October 2003

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THIRTY-FIFTH SESSION  
3 – 8 November 2003  
Yokohama, Japan

## AGENDA

1. Opening of the Session
2. Ascertainment of the Quorum
3. Adoption of Agenda and Organization of Work
4. Report on Membership of the Council
5. Report of the Credentials Committee
6. Distribution of Votes
7. Admission of Observers
8. Statement by the Executive Director
9. Report of the Informal Advisory Group (IAG) – Decision 5(XXVI)
10. Annual Review and Assessment of the International Timber Situation
11. CITES Listing Proposals by Members – Decision 3(XVI)
12. Negotiating a Successor Agreement to the ITTA, 1994 – Decision 6(XXXIV)
  - (a) Report on Experiences of Implementation of the ITTA, 1994;
  - (b) Report on a study on Internationally Traded and Potentially Tradable Environmental Services Provided by Tropical Forests; and
  - (c) Report of the Inter-Sessional Working Group on Preparations For Negotiating a Successor Agreement to the ITTA, 1994
13. Report of the Expert Panel on Management of Project Implementation – Decision 8(XXXIV)
14. ITTO Guidelines For the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII)
15. Promotion of Sustainable Forest Management in the Congo Basin – Decision 10 (XXXII)
16. Forest Law Enforcement in the Context of Sustainable Timber Production and Trade – Decision 6(XXXI)

17. ITTO Work Programme – Decisions 7(XXXIII) & 9(XXXIV)
  - (a) Progress Report on the Implementation of Work Programme for the Year 2003
  - (b) Draft Biennial Work Programme for the Years 2004 - 2005
18. 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) Reports by Members on Progress Towards Achieving ITTO Objective 2000
19. 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
20. ITTO Fellowship Programme – Decision 4(XXVII)
  - (a) Progress Report on the ITTO Fellowship Programme
  - (b) Report by the Chairperson of the Fellowship Selection Panel
21. Reports of the Associated Sessions of the Committees
22. Election of Chairperson and Vice-Chairperson of the Council for 2004
23. Dates and Venues of the Thirty-sixth, Thirty-seventh and Thirty-eighth Sessions of the Council and the Associated Sessions of the Committees
24. Other Business
25. Decisions and Report of the Session
26. Closing of the Session

## ANNOTATIONS TO THE AGENDA

### Item 1 - Opening of the Session

The Thirty-fifth Session will be opened by the Chairperson of the Council, Dato' Dr. B.C.Y Freezailah (Malaysia).

### 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(XXXV)/1]

The Council may decide to consider and adopt its Agenda. On the schedule of meetings, the Council may consider the draft schedule distributed under Decision 5(XXII), the advice of the Informal Advisory Group (IAG) and undertake due consultations in the Chairperson's Coordinating Bureau, issuing the timetable daily and at more frequent intervals as necessary. Registration shall be during 14:30-17:00 hours on Sunday, 2 November 2003, at the ITTO Headquarters, and during 09:00-12:00 and 14:30-17:30 hours on Monday, 3 and Tuesday, 4 November 2003, in front of the Plenary Hall. The first Council meeting of the Session will convene at 10:00 hours on Monday, 3 November 2003. Please refer to the General Information Notes [Document ITTC(XXXV)/Info.1] for details.

### 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(XXXV)/3]

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

### Item 6 - Distribution of Votes

[Document ITTC(XXXV)/1 Annex]

The distribution of votes for the year 2003 which was adopted by the Council, in accordance with Article 10(6) of the ITTA, 1994, at its Thirty-fourth Session, is shown in the Annex to these Annotations. In accordance with Article 19(4) of the ITTA, 1994, the approved distribution of votes will be used for the assessment of the contribution of each Member to the Administrative Budget for 2004. The votes for Producer Members have been redistributed as shown in the same Annex to include Nigeria as a new Member, in accordance with Article 10(7) of the ITTA, 1994, subject to the approval by Council.

### Item 7 - Admission of Observers

[Document ITTC(XXXV)/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 Council Sessions, and the second those States and Organizations who are applying for admission on the first occasion at this Session.

### Item 8 - Statement by the Executive Director

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

**Item 9 - Informal Advisory Group (IAG) – Decision 5(XXVI)**

[Document ITTC(XXXV)/2]

Pursuant to Decision 5(XXVI), and in order to organize its work for the Session, the Council may consider the report of the Thirteenth Meeting of the Informal Advisory Group (IAG), to be convened on Sunday, 2 November 2003. The report will be presented by the Chairperson, Dato' Dr. B.C.Y Freezailah

**Item 10 - Annual Review and Assessment of the International Timber Situation**

[Document ITTC(XXXV)/4]

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

(i) Elements for the 2003 Annual Review and Assessment of the International Timber Situation

This is prepared by the Secretariat and comprises statistics and available data on production, imports and exports of timber products, emphasizing tropical timber products, and an analysis of economic and market developments. The Elements for the 2003 Annual Review will be partly based on information extracted from national responses to the ITTO/UNECE/ FAO/EUROSTAT Joint Forest Sector Questionnaire and partly on other sources.

(ii) A General Introductory Statement by the Secretariat

Using various sources of information including the Elements for the 2003 Annual Review, the Statement will give an overview of the world timber situation, focusing on tropical timber, including recent developments and the short-term outlook based on available forecasts.

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

**Item 11 - 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 12 - Negotiating a Successor Agreement to the ITTA, 1994 – Decision 6(XXXIV)**

[Documents ITTC(XXXV)/5, ITTC(XXXV)/6 &amp; ITTC(XXXV)/7]

Pursuant to its Decision 6(XXXIV), the Council may consider the following reports:

- (a) A study on Experiences of Implementation of the ITTA, 1994; and
- (b) A Study on Internationally Traded and Potentially Tradable Environmental Services Provided by Tropical Forests;
- (c) Report of the Inter-Sessional Working Group on Preparations for Negotiating a Successor Agreement to the ITTA, 1994 convened in Curitiba, Brazil from 25 to 29 August 2003.

**Item 13 - Report of the Expert Panel on Management of Project Implementation – Decision 8(XXXIV)**

[Document ITTC(XXXV)/8 ]

Pursuant to its Decision 8(XXXIV) the Council may consider the report of the Expert Panel on the management of Project Implementation convened in Yokohama, Japan from 9 to 11 September 2003.



**Item 14 - ITTO Guidelines For the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests – Decision 3(XXXII)**

[Document ITTC(XXXV)/9]

The Council may wish to consider the report on progress in the implementation of its Decision 3(XXXII) on ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests.

**Item 15 - Promotion of Sustainable Forest Management in the Congo Basin – Decision 10(XXXII)**

[Documents ITTC(XXXV)/10 & ITTC(XXXV)/11]

Pursuant to its Decision 10(XXXII), the Council may receive the following reports:

- (a) Final report on the Workshop to Develop a Regional Applied Research Programme focusing on social, economic, and environmental aspects of Tropical Forest Management [Document ITTC(XXXV)/10]; and
- (b) The report on the Review and Assessment of Experiences in Forest Management Partnerships in the Congo Basin [Document ITTC(XXXV)/11]

**Item 16 - Forest Law Enforcement in the Context of Sustainable Timber Production and Trade – Decision 6(XXXI)**

[Document ITTC(XXXV)/12]

The Council may receive a progress report on the Case Study on Export and Import Data on Tropical Timber Products in the Context of International Trade

**Item 17 - ITTO Work Programme – Decisions 7(XXXIII) & 9(XXXIV)**

[Documents ITTC(XXXV)/13 & ITTC(XXXV)/14]

The Council may consider: (a) the progress report on the Implementation of the Work Programme for 2003 [Document ITTC(XXXV)/13]; and (b) the Draft Biennial Work Programme for 2004 - 2005 [Document ITTC(XXXV)/14].

**Item 18 - ITTO Objective 2000 - Decisions 2(XXIX) & 9(XXX)**

[Documents ITTC(XXXV)/15, ITTC(XXX)/16 & ITTC(XXXV)/17]

Pursuant to its Decision 2(XXIX), which requested the Executive Director to render assistance to producer countries, on request, to identify, in each country, those factors which most severely limit progress towards achieving Objective 2000 and sustainable forest management and to formulate an action plan to overcome these, the Council may receive the reports on the assistance provided to Peru, Philippines, and Suriname [Documents ITTC(XXXV)/15, ITTC(XXXV)/16 & ITTC(XXXV)/17].

The Council may also receive information on Members' reports on progress towards achievement of ITTO Objective 2000. Pursuant to Decision 9(XXX) Members' reports are to be based on the reporting format adopted at the Thirtieth Session of the Council.

**Item 19 - Special Account and Bali Partnership Fund**

[Document ITTC(XXXV)/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 (Information on the resources of the Bali Partnership Fund are contained in Document CFA(XIV)/5).

The Council may wish to 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.

(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 of the Bali Partnership Fund. The Council may consider and adopt the recommendations contained in the report [Document ITTC(XXXV)/18].

**Item 20 - ITTO Fellowship Programme – Decision 4(XXVII)**

[Documents ITTC(XXXV)/19 & ITTC(XXXV)/20]

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(XXXV)/19] and (b) the report of the Fellowship Selection Panel presented by its Chairperson [Document ITTC(XXXV)/20]. The Council will announce the final selection of awards based on the Chairperson's report.

**Item 21 - 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 22 - Election of Chairperson and Vice-Chairperson of the Council for 2004**

The Council may decide after due consultations, to elect a Chairperson and Vice-Chairperson for 2004. Under Article 8 of the ITTA, 1994, the Council is required to elect a Chairperson and Vice-Chairperson for each calendar year. Under Article 8, paragraph 2, the Chairperson and the Vice-Chairperson, one from among the representatives of producing countries, and the other from among the representatives of the consuming countries, are required to alternate each year between the two categories of Members, provided, however, that this shall not prohibit the re-election to either or both under exceptional circumstances by Special Vote of the Council.

**Item 23 - Dates and Venues of the Thirty-sixth, Thirty-seventh & Thirty-eighth Sessions of the Council and Associated Sessions of the Committees**

The Council has already approved the dates of the Thirty-sixth Session to be held in Switzerland from 20 to 23 July 2004 and the dates and venue of the Thirty-seventh Session to be held in Yokohama, Japan, from 13 to 18 December 2004. The Council may wish to confirm the proposed dates and venues of these two Sessions.

In order to maintain the established practice of setting Session dates and venue eighteen months in advance to facilitate logistical arrangements, the Council may also wish to set the dates and venue of the Thirty-eighth Session in 2005. The Council may note the offer made by the Republic of Congo to host the Thirty-eighth Session.

**Item 24 - Other Business**

The Council may consider any matters raised under this item.

**Item 25 - 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.
- (c) The Council may continue the review of these procedures as decided during the Thirty-fourth Session.

**Item 26 - Closing of the Session**

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

Annex

**DISTRIBUTION OF VOTES FOR 2003**

	<u>No. of Votes</u>	
	2002	2003 (Revised)
<b><u>PRODUCERS</u></b>		
<b>Africa</b>		
Cameroon	26	24
Central African Republic	26	24
Congo	26	24
Côte d'Ivoire	26	24
Democratic Republic of the Congo	26	24
Gabon	26	24
Ghana	26	24
Liberia	26	24
Nigeria	-	24
Togo	26	24
<b>Asia &amp; Pacific</b>		
Cambodia	17	16
Fiji	14	14
India	22	22
Indonesia	147	142
Malaysia	109	112
Myanmar	28	29
Papua New Guinea	29	29
Philippines	15	15
Thailand	16	16
Vanuatu	14	13
<b>Latin America/Caribbean</b>		
Bolivia	24	23
Brazil	163	162
Colombia	23	23
Ecuador	15	15
Guatemala	12	12
Guyana	17	16
Honduras	12	12
Panama	12	12
Peru	28	28
Suriname	15	15
Trinidad and Tobago	11	11
Venezuela	23	23
Total:	1,000	1,000

	<u>No. of Votes</u>	
	2002	2003 (Approved)
<u>CONSUMERS</u>		
Australia	14	13
Canada	14	16
China	200	207
Egypt	16	15
European Community		
Austria	11	10
Belgium/Luxembourg	20	17
Denmark	13	14
Finland	10	10
France	33	33
Germany	25	23
Greece	11	12
Ireland	14	14
Italy	32	27
Netherlands	30	30
Portugal	20	21
Spain	32	29
Sweden	11	11
United Kingdom	43	37
Japan	262	265
Nepal	10	10
New Zealand	10	10
Norway	10	11
Republic of Korea	64	73
Switzerland	11	11
United States of America	84	81
Total:	<u>1,000</u>	<u>1,000</u>

\* \* \*



## **ANNEX III**

### **TEXT OF THE MAIN DECISIONS**

#### **ADOPTED BY THE COUNCIL AT ITS THIRTY-FIFTH SESSION**

**Documents:**    **DECISION 1(XXXV) ITTC(XXXV)/22**  
                  **DECISION 2(XXXV) ITTC(XXXV)/23**  
                  **DECISION 3(XXXV) ITTC(XXXV)/24**  
                  **DECISION 4(XXXV) ITTC(XXXV)/25**





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ITTC(XXXV)/22  
8 November 2003

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THIRTY-FIFTH SESSION  
3 – 8 November 2003  
Yokohama, Japan

**DECISION 1(XXXV)**  
**PROJECTS, PRE-PROJECTS AND ACTIVITIES**

The International Tropical Timber Council,

Having considered at its Thirty-fifth Session the recommendations of the three Committees on Projects, Pre-Projects and Activities, as contained in documents CEM-CFI(XXXIII)/7, and CRF(XXXIII)/9; and the report of the Fifth Meeting of the Panel on Sub-Account B of the Bali Partnership Fund as contained in document ITTC(XXXV)/18;

1. Decides:

(i) to approve the following Projects:

PD 171/02 Rev.3 (M)	Transparency in Trade Flows and Distribution of Tropical Wood Products in China (China) ITTO Budget: \$280,158.00
PD 194/03 Rev.2 (M)	Expanding and Improving Global Mangrove Database and Information System (GLOMIS) and its Networking (Japan) ITTO Budget: \$484,865.00
PD 221/03 Rev.3 (M) Phase I	A Consumer Awareness Programme to Address Market Failures for Tropical Hardwoods – Phase I ITTO Budget: \$352,850.00
PD 5/00 Rev.4 (F)	Training and Application of ITTO Criteria and Indicators for Sustainable Forest Management at the Forest Management Unit Level in Natural Production Forests of Ecuador (Ecuador) ITTO Budget: \$252,991.00
PD 105/01 Rev.3 (F)	Restoration of Mahogany to World Tropical Timber Trade: Contributions of Genetics, Biodiversity Conservation, Pest Management and Native Species Plantations – Phase I (Ghana) ITTO Budget: \$337,027.00
PD 165/02 Rev.3 (F)	Conservation of Biological Diversity through Sustainable Forest Management Practices (Malaysia) ITTO Budget: \$526,401.00
PD 195/03 Rev.2 (F)	To Establish a National Monitoring Information System for the Effective Conservation and Sustainable Management of Thailand's Forest Resources (Thailand) ITTO Budget: \$677,743.00

PD 197/03 Rev.2 (F)	Support for the Implementation of a Sustainable Forest Development Master Plan in Eco-floristic Area IV, Togo (Togo) ITTO Budget: \$317,093.00
PD 222/03 Rev.1 (F)	Harmonization of Forest Related terms and Definitions (Philippines) ITTO Budget: \$21,200.00
PD 224/03 Rev.1 (F)	Transboundary Biodiversity Conservation: The Pulong Tau National Park, Sarawak State, Malaysia (Malaysia) ITTO Budget: \$740,781.00
PD 225/03 Rev.1 (F)	Adoption and Implementation of an Appropriate System of Criteria and Indicators for the Philippines (Philippines) ITTO Budget: \$520,076.00
PD 239/03 Rev.1 (F)	Development and Installation of a Forest Resources Monitoring System (FORMS) by Utilizing the Forest Canopy Density (FCD) Model Developed in ITTO Project PD 66/99 Rev.1 (F) (Philippines) ITTO Budget: \$347,118.00
PD 240/03 Rev.1 (F)	Alternative Financing Model for Sustainable Forest Management in San Nicolás – Second Phase: Non-Kyoto Rehabilitation Areas (Colombia) ITTO Budget: \$555,429.00
PD 256/03 Rev.1 (F)	Alternative Mixed Plantation Systems and Restoration Strategies for Conservation and Sustainable Production of Native Timber Species in Ghana (Ghana) ITTO Budget: \$301,750.00
PD 131/02 Rev.4 (I)	Training of Forest Practitioners for the Improvement of Forest Industry in Cambodia (Cambodia) ITTO Budget: \$290,842.00
PD 233/03 Rev.2 (I)	Application of Intermediate Technologies for Sustainable Forest Harvesting (Peru) ITTO Budget: \$552,089.00

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

PD 194/03 Rev.2 (M)	\$484,865.00
PD 5/00 Rev.4 (F)	\$252,991.00
PD 165/02 Rev.3 (F)	\$526,401.00
PD 195/03 Rev.2 (F)	\$677,743.00
PD 197/03 Rev.2 (F)	\$317,093.00
PD 222/03 Rev.1 (F)	\$21,200.00
PD 224/03 Rev.1 (F)	\$740,781.00
PD 225/03 Rev.1 (F)	\$520,076.00
PD 239/03 Rev.1 (F)	\$347,118.00
PD 240/03 Rev.1 (F)	\$555,429.00
PD 256/03 Rev.1 (F)	\$301,750.00
PD 131/02 Rev.4 (I)	\$290,842.00
PD 233/03 Rev.2 (I)	\$552,089.00

- (iii) to authorize the release of additional funds in the amount of \$225,000.00 for the continued implementation of the Freezailah Fellowship Fund;

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

PD 171/02 Rev.3 (M)	\$280,158.00
PD 221/03 Rev.3 (M) Phase I	\$352,850.00
PD 105/01 Rev.3 (F)	\$337,027.00

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

PD 196/03 Rev.1 (M)	\$384,265.00
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- (vi) to authorize financing for the continued implementation as soon as earmarked funds are available in the Special Account for the following Project approved at an earlier Session:

PD 73/89 (M,F,I) – additional funds	\$250,000.00
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2. Decides:

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

PPD 59/02 Rev.2 (F)	Pre-Project for the Conservation and Management of Genetic Resources in the Natural Tropical Forests of Ecuador (Phase I) (Ecuador) ITTO Budget: \$84,305.00
PPD 65/02 Rev.1 (F)	Management and Conservation of Forest Seeds (Côte d'Ivoire) ITTO Budget: \$30,125.00
PPD 84/03 Rev.1 (F)	Formulation of a Sustainable Forest Management Project for the Production Forest Area in the Northern and North-Eastern Regions of the Department of Antioquia, Colombia (Colombia) ITTO Budget: \$56,326.00
PPD 86/03 Rev.1 (F)	Promotion of Community-based Commercial Forest Plantations in Tanah Laut, South Kalimantan, Indonesia (Indonesia) ITTO Budget: \$70,596.00

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

PPD 61/02 Rev.2 (M)	\$62,555.00
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- (iii) to authorize financing for immediate implementation of the following Pre-Projects approved at this Session:

PPD 65/02 Rev.1 (F)	\$30,125.00
PPD 84/03 Rev.1 (F)	\$56,326.00
PPD 86/03 Rev.1 (F)	\$70,596.00

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

PP-A/23-63: Activity to Facilitate Development of a Joint ITTO/ECE/FAO/EUROSTAT Forest Statistics Questionnaire Phase II – Additional Funds	\$55,500.00
PP-A/30-102 The Role of ITTO in International and Regional Organizations and Fora [Decision 7(XXX)] – Additional Funds	\$35,000.00

PP-A/31-111: Forest Law Enforcement in the Context of Sustainable Timber Production and Trade [Decision 6(XXXI)] – Additional Funds	\$40,000.00
PP-A/32-117: ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests [Decision 3(XXXII)] – Additional Funds	\$70,000.00

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

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

3. Decides to authorize financing for immediate implementation of the following Activities from funds obtained through voluntary contributions:

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

**Item 2 (i)**

Market study on tropical plantation timber \$150,000.00  
[ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 3]

**Item 2 (v)b**

Develop and promote the implementation of Guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land  
[ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 3]

Support to the Global Workshop of the Global Partnership on Forest Landscape Restoration \$100,000.00

**Item 2 (x)**

Promote private investment through facilitating information exchange on investment opportunities  
[ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 1]

Organization/convening of investment promotion forum/seminar \$250,000.00

**Item 2 (xi)**

Cooperation with FAO on the development and dissemination of guidelines for improving law compliance in the forest sector \$100,000.00  
[ITTO Yokohama Action Plan, Section 2, Action I); Section 3.1, Goal 1, Action 3 and Goal 2, Action 2; ITTC Decision 6(XXXI)]

**Item 2 (xii)**

Facilitate the negotiation of a Successor Agreement to the ITTA, 1994  
[ITTC Decisions 8(XXXIII) and 6(XXXIV)]

Consultations and convening an inter-sessional meeting and activities as appropriate. \$150,000.00

**Item 2 (xiii)**

Improving effectiveness of project work from ex-post evaluations  
[ITTC Decision 11(XXXIV)]

Consultancy work and working group meeting \$100,000.00

**Item 2 (xiv)**  
Support participation of and contribution to the CSAG and TAG in ITTC sessions, including the organization of a panel at the Thirty-sixth Session. [ITTC Decisions 9(XXVIII) and 2(XXXII)] \$80,000.00

**Item 2 (xv)**  
Co-sponsor an international symposium on the impacts of forest certification in developing countries and emerging economies, with reference to both community and industrial logging operations, in collaboration with others. [ITTC Decisions 10(XXX) and 11(XXXII)] \$30,000.00

**Item 2 (xvi)**  
Workshop on capacity building for the implementation of mahogany CITES listing in Bolivia, Brazil and Peru [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 7; ITTC Decision 7(XXXIV)] \$150,000.00

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:

PD 16/93 Rev. 4 (M) Phase IV - Year 2004 \$300,000.00

PD 13/99 Rev.2 (M,F,I) Phase II - Year 2004 \$530,000.00

Expert panel for Technical Appraisal of Project Proposals Twenty-seventh Meeting \$93,500.00

Regional Officers (2) Africa and Latin America – Year 2004 balance fund \$100,000.00

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

**Item 2 (iv)**  
Promote the conservation, rehabilitation and sustainable management of mangroves, in collaboration with relevant organizations [ITTO Yokohama Action Plan, Section 3.2, Goal 1, Action 4, ITTC Decision 4(XXXIII)]

To strengthen the implementation of the ITTO Mangrove Work Plan 2002-2006, particularly in the following areas:

a. Updating of the World Mangrove Atlas in collaboration with ISME, UNESCO, WCMC and FAO; and \$200,000.00

b. Assessing existing, and if applicable, develop new methodologies and guidelines for assessing qualitative and quantitative aspects of mangroves and criteria and indicators for sustainable management of mangrove ecosystems. \$60,000.00

**Item 2 (v) a.**

Develop and promote the implementation of Guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land

[ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 3]

Conducting of 10 national workshops to further promote the implementation of the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests.Undertaking, in close collaboration with other organizations, the development of technical manuals on forest landscape restoration.	\$500,000.00
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5. Decides to authorize implementation of the following Activities after further work of the Committees as appropriate and as soon as earmarked funds are available in the Special Account, and/or when funds are made available through the resources of the Sub-Account B of the Bali Partnership Fund, and/or Unearmarked Funds in the Special Account:

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

**Item 2 (ii)**

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

**Item 2 (iii)**

Study on subsidies affecting tropical timber products	\$150,000.00
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[ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 2]

**Item 2 (vi)**

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
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**Item 2 (vii)**

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.	\$100,000.00
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[ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 1]

**Item 2 (viii)**

Promote the establishment of efficient and socially sound 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
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**Item 2 (ix)**

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 disseminate information to enhance competitiveness of tropical plywood.	\$150,000.00
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**Item 2 (xvii)**

Audit of existing tracking systems in tropical forests industries  
[ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 1]

\$130,000.00

6. Urges Members to consider financing those approved Projects, Pre-Projects and Activities for which funds are not immediately available,
7. 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,
8. 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,
9. 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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Distr.  
GENERAL

ITTC(XXXV)/23  
8 November 2003

Original: ENGLISH

THIRTY-FIFTH SESSION  
3 – 8 November 2003  
Yokohama, Japan

## DECISION 2(XXXV)

### MANAGEMENT OF THE ADMINISTRATIVE BUDGET FOR 2003

The International Tropical Timber Council,

Appreciating the continuing efforts made by the Executive Director and his staff in exercising cost savings in the expenditures from the Administrative Budget for the year 2003;

Noting with concern the insufficient receipts of contributions to-date from Members to the Administrative Budget for 2003;

Recognizing that the possible receipts of contributions from Members to the Administrative Budget for the remainder of 2003 might fall short of the estimated total expenditure;

Noting further that the balance of the Working Capital Account at present stands at US\$3,151,361.82;

Decides to:

1. Authorize the Executive Director to transfer, if necessary, and in addition to the amount of US\$300,000.00 authorized in Decision 2(XXXIV), an amount not exceeding US\$600,000.00 from the Working Capital Account to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization for the year 2003;
2. Request Members to pay as early as possible, and in full, their contributions to the Administrative Budget for 2003, as well as all arrears in contributions from previous years, to prevent further depletion of the Organization's savings through the utilization of the Working Capital Account to meet the shortfall in contributions; and
3. Urge the Secretariat to continue to undertake appropriate cost saving measures to reduce further expenditure in the Administrative Budget for 2003.

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THIRTY-FIFTH SESSION  
3 – 8 November 2003  
Yokohama, Japan

## DECISION 3(XXXV)

### EXECUTING AGENCIES ACCOUNT

The International Tropical Timber Council,

Noting that the "Financial Rules and Rules Relating to Projects of the International Tropical Timber Organization" adopted by the International Tropical Timber Council through Decision 6(XXIII) of December 1997, specifically dealt with the three Financial accounts of the Organization established through Article 18, paragraph 1 (a), (b) and (c), and elaborated under Articles 19, 20 and 21 of the ITTA, 1994;

Also noting Article 23 "Audit and publication of accounts";

Recognizing that the current format of the Special Account and the Bali Partnership Fund Account includes "funds committed for projects and pre-projects" and consequently this is included in the "cash and time deposits", thus providing misleading information about the available fund status of the Organization;

Taking note of Article 18, paragraph 1 (d), of the International Tropical Timber Agreement, 1994, which states that "there shall be established such other accounts as the Council shall deem appropriate and necessary";

#### Decides to:

1. Establish with effect from the year ended 31 December 2003, a Financial Account – (henceforth named the Executing Agencies Account); independent of the existing accounts of the International Tropical Timber Organization (Administrative Account, Special Account and the Bali Partnership Fund Account);
2. Authorize the Executive Director to transfer into the Executing Agencies Account, the funds committed for Projects, Pre-Projects and Activities pending disbursements; and accordingly, the funds committed are to be excluded from the cash and time deposits (of the Special Account and the Bali Partnership Fund Account);
3. Authorize the Executive Director to transfer fifty per cent of interest earned on the Executing Agencies Account to the "unearmarked fund" in the Special Account, and to transfer the remaining balance of interest earned into the Bali Partnership Fund in accordance with Article 21 of the ITTA, 1994, and Rule 19 of the "Financial Rules and Rules Relating to Projects"; and
4. Request the Executive Director to submit an auditor's report (separate from the report of the ITTO Accounts) on the Executing Agencies Account to the Council, as soon as possible after the close of the financial year, but not later than six months after that date and in any case not later than two months before the next session of the Council. Auditor's expenses for the report are to be charged to the Special Account and the Bali Partnership Fund Account.

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Yokohama, Japan

## DECISION 4(XXXV)

### ITTO BIENNIAL WORK PROGRAMME FOR THE YEARS 2004-2005

The International Tropical Timber Council,

Recalling Decision 2(XXXI) on the adoption of the ITTO Yokohama Action Plan 2002-2006;

Appreciating the work of the Secretariat in its proposal to Council on the Biennial Work Programme for the years 2004-2005;

Noting that activities listed in paragraph 2 below are derived from the following: (a) ITTO Yokohama Action Plan (bold entries); (b) the four ITTO Committee Reports to the Thirty-fifth Session of Council; and (c) previous Council decisions;

Decides to:

1. Endorse the Biennial Work Programme for the years 2004-2005, as contained in the Annex to this Decision;
2. Request the Executive Director to implement and/or facilitate the implementation of activities approved in the Biennial Work Programme for the years 2004-2005, including the following:

Activity	Estimated costs (US\$) and proposed commencement
(i) <b>Market study on tropical plantation timber</b> [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 3].	\$150,000.00 (2 <sup>nd</sup> half of 2004)
(ii) <b>Review of the timber market in two significant tropical timber importing countries</b> [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 5].	\$200,000.00 (2 <sup>nd</sup> half of 2004)
(iii) <b>Study on subsidies affecting tropical timber products</b> [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 2].	\$150,000.00 (2 <sup>nd</sup> half of 2004)

Activity	Estimated costs (US\$) and proposed commencement
<p><b>(iv) Promote the conservation, rehabilitation and sustainable management of mangroves, in collaboration with relevant organizations</b> [ITTO Yokohama Action Plan, Section 3.2, Goal 1, Action 4, ITTC Decision 4(XXXIII)]</p> <p>To strengthen the implementation of the ITTO Mangrove Work Plan 2002-2006, particularly in the following areas:</p> <p>a. Updating of the World Mangrove Atlas in collaboration with ISME, UNESCO, WCMC and FAO; and</p> <p>b. Assessing existing, and if applicable, develop new methodologies and guidelines for assessing qualitative and quantitative aspects of mangroves and criteria and indicators for sustainable management of mangrove ecosystems.</p>	<p>\$200,000.00 (2<sup>nd</sup> half of 2004)</p> <p>\$60,000.00 (1<sup>st</sup> half of 2005)</p>
<p><b>(v) Develop and promote the implementation of Guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land</b> [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 3]</p> <p>a. Conducting of 10 national workshops to further promote the implementation of the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests. Undertaking, in close collaboration with other organizations, the development of technical manuals on forest landscape restoration; and</p> <p>b. Support to the Global Workshop of the Global Partnership on Forest Landscape Restoration.</p>	<p>\$500,000.00 (2<sup>nd</sup> half of 2004)</p> <p>\$100,000.00 (1<sup>st</sup> half of 2005)</p>
<p><b>(vi) Monitor and assess the environmental, social and economic costs and benefits of forest plantation development and utilize that information to promote new plantations</b> [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 5]</p> <p>Study on Encouraging Private Sector Investment in Industrial Forest Plantations in the Tropics.</p>	<p>\$147,630.00 (2<sup>nd</sup> half of 2005)</p>
<p><b>(vii) 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.</b> [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 1].</p>	<p>\$100,000.00 (1<sup>st</sup> half of 2005)</p>
<p><b>(viii) Promote the establishment of efficient and socially sound community-based forest industries</b> [ITTO Yokohama Action Plan, Section 3.3, Goal 2, Action 8]</p> <p>Study to review experiences of successful community-based forest industries.</p>	<p>\$150,000.00 (2<sup>nd</sup> half of 2005)</p>

- (ix) **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 disseminate information to enhance competitiveness of tropical plywood. \$150,000.00  
(1<sup>st</sup> half of 2005)
- (x) **Promote private investment through facilitating information exchange on investment opportunities**  
[ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 1]
- Organization/convening of investment promotion forum/seminar. \$250,000.00  
(1<sup>st</sup> half of 2004)
- (xi) Cooperation with FAO on the development and dissemination of guidelines for improving law compliance in the forest sector [ITTO Yokohama Action Plan, Section 2, Action 1]; Section 3.1, Goal 1, Action 3 and Goal 2, Action 2; ITTC Decision 6(XXXI)]. \$100,000.00  
(1<sup>st</sup> half of 2004)
- (xii) Facilitate the negotiation of a Successor Agreement to the ITTA, 1994 \$150,000.00  
(1<sup>st</sup> half of 2004)  
[ITTC Decisions 8(XXXIII) and 6(XXXIV)]
- Consultations and convening an inter-sessional meeting and activities as appropriate.
- (xiii) Improving effectiveness of project work from ex-post evaluations \$100,000.00  
[ITTC Decision 11(XXXIV)]  
(1<sup>st</sup> half of 2004)
- Consultancy work and working group meeting.
- (xiv) Support participation of and contribution to the CSAG and TAG in ITTC sessions, including the organization of a panel at the Thirty-sixth Session \$80,000.00  
[ITTC Decisions 9(XXVIII) and 2(XXXII)]. (1<sup>st</sup> half of 2004)
- (xv) Co-sponsor an international symposium on the impacts of forest certification in developing countries and emerging economies, with reference to both community and industrial logging operations, in collaboration with others \$30,000.00  
[ITTC Decisions 10(XXX) and 11(XXXII)]. (1<sup>st</sup> half of 2004)
- (xvi) Workshop on capacity building for the implementation of mahogany CITES listing in Bolivia, Brazil and Peru \$150,000.00  
[ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 7; ITTC Decision 7(XXXIV)]. (1<sup>st</sup> half of 2004)
- (xvii) Audit of existing tracking systems in tropical forests industries \$130,000.00  
[ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 1]. (1<sup>st</sup> half of 2005)

3. Requests the relevant Technical Committees to further consider the scope of work and develop terms of reference to guide implementation of activities (ii), (iii), (vii), (viii), (ix), and (xvii) listed under paragraph 2 above;

4. Authorize the Executive Director to seek voluntary contributions from Member Countries to finance implementation of the activities listed under paragraph 2 above. If sufficient contributions are not pledged by 31 January 2004, the Executive Director is requested to use unearmarked funds available in the Special Account to finance activities listed under paragraph 2(iv) and 2(v)a; and
5. Request the Executive Director to report to Council at its Thirty-seventh and Thirty-ninth Sessions on the progress in implementing the Biennial Work Programme.

## ANNEX

## BIENNIAL WORK PROGRAMME FOR 2004-2005

## INTERNATIONAL TROPICAL TIMBER COUNCIL (ITTC)

## ADMINISTRATIVE ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Hold four regular sessions: <ul style="list-style-type: none"> <li>• Thirty-sixth Session, from 20 to 23 July 2004 in Switzerland.</li> <li>• Thirty-seventh Session, from 13 to 18 December 2004 in Yokohama, Japan.</li> <li>• Thirty-eighth Session in 2005, in Brazzaville, Congo.</li> <li>• Thirty-ninth Session in 2005, in Yokohama, Japan.</li> </ul>	Routine. Regular Sessions' work.
(ii) Review and approve the Organization's administrative budget for the Year 2005, and assess the contributions of each Member [ITTA, 1994, Article 19 (3)]; consider the budget proposal for the biennium 2006-2007 [Decision 7(XXXIII)].	Routine. Regular Sessions' work.
(iii) Consider the Draft Work Programme for the 2006-2007 biennium [Decision 7(XXVII)].	Routine. Regular Sessions' work.
(iv) Consider the progress of implementation of the ITTO Work Programme for the biennium 2004-2005.	Routine. Regular Sessions' work.

## PROJECT ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Decide on eligibility of approved actions, projects and pre-projects for funding out of sub-accounts A and B of the Bali Partnership Fund [ITTA, 1994, Article 21, ITTC Decisions 6(XXVI) and 9(XXVII)].	Routine. Regular Sessions' work. The Panel established under ITTC Decision 4(XXX) advises the Council on eligibility of actions, pre-projects and projects for funding out of Sub-account B.
(ii) Decide on project work, including financing, taking into account the recommendations made by the Committees on project proposals and on-going and completed approved projects [ITTA, 1994, Articles 20, 21 and 25].	Routine. Regular Sessions' work.
(iii) Make allocations from unearmarked funds available in the Bali Partnership Fund and/or Special Account to fund implementation of eligible approved actions, projects and pre-projects [ITTC 9(XXVII)].	Routine. Regular Sessions' work. The Panel established under ITTC Decision 4(XXX) advises Council on Sub-account B funding.

## STRATEGIC POLICY ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Decide on format presentation and type of information Members shall furnish on timber, its trade and the activities aimed at achieving sustainable management of timber producing forests [ITTA, 1994, Article 29 (a)].	Regular Sessions' work.
(ii) Promote the exchange of views among Member countries regarding: <ul style="list-style-type: none"> <li>➤ The status of sustainable management of timber producing forests and related matters in Member countries;</li> <li>➤ Resource flows and requirements in relation to objectives, criteria and guidelines set by the Organization.</li> </ul> [ITTA, 1994, Article 30 (4)]	Routine. Regular Sessions' work.
(iii) Continue to monitor developments related to the prevention and management of forest fire [ITTC Decisions 8(XXIV) and 6(XXXIII)] and decide on follow-up actions as appropriate [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 7].	Regular Sessions' work. Eventual decision on follow-up actions may have additional cost implications.
(iv) Consider results of national training workshops on the "Application of Criteria and Indicators for Sustainable Management of Natural Tropical Forests" [ITTC Decisions 9(XXX) and 4(XXXIV), ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 1].	Regular Sessions' work.
(v) Review progress in the work to promote understanding and use of the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Forests [ITTC Decision 3(XXXII), ITTO Yokohama Action Plan, Section 3.2, Goal 1, Action 4 and Goal 2, Action 3].	Regular Sessions' work. Assumes Council will approve implementation of national workshops to further promote the use of the Guidelines.
(vi) Continue to review the progress made by: <ul style="list-style-type: none"> <li>➤ Member countries towards achieving the Year 2000 Objective; and</li> <li>➤ The ITTO in enhancing the capacity of Member countries to implement a strategy for achieving the Year 2000 Objective.</li> </ul> [ITTC Decisions 10(XXVI) and 9(XXX)]	Regular Sessions' work.
(vii) Undertake the annual review and assessment of the international timber situation [ITTA, 1994, Article 30(a), ITTO Yokohama Action Plan, Section 3.1, Action 1].	Routine. Regular Sessions' work.
(viii) Review the adequacy of the resources available in the Bali Partnership Fund and endeavour to obtain additional resources needed by producing Members to achieve the purpose of the Fund [ITTA, 1994, Article 21(5)].	Routine. Regular Sessions' work.

Activity	Implementation Approach and Cost Implications
(ix) Arrange consultations on members' proposals to list internationally traded tropical timber species in the CITES Appendices that have been reported to the Secretariat since the last Session [Decision 3(XVI)].	Routine. Regular Sessions' work.
(x) Consider the reports of the Informal Advisory Group (IAG), in order to organize Sessions work [ITTC Decisions 3(XXII) and 5(XXVI)].	Routine. Regular Sessions' work.
(xi) Consider the progress reports on the implementation of the ITTO fellowship programme [ITTC Decision 4(XXVII)].	Routine. Regular Sessions' work.
(xii) Consider recommendations proposed in the reports of the Fellowship Selection Panel [ITTC Decision 4(XXVII)].	Routine. Regular Sessions' work.
(xiii) Review of Progress in the implementation of the ITTO Yokohama Action Plan.	Regular Sessions' work.
(xiv) Consider the results of cooperation with FAO on the organization of an international expert meeting on criteria and indicators for sustainable forest management [ITTC Decision 4(XXXIV)].	Regular Sessions' work. The expert meeting results are expected to be available for consideration at Council's Thirty-sixth Session.
(xv) Consider the results of technical diagnostic and planning missions authorized under Decision 2(XXIX) [ITTC Decision 2(XXIX), ITTO Yokohama Action Plan, Section 2, Action a].	Regular Sessions' work.
(xvi) Review progress in the implementation of the WSSD Type II Initiative on the Congo Basin.	Regular Sessions' work.
(xvii) Consider advice from and facilitate involvement of the Trade Advisory Group (TAG) and from the Civil Society Advisory Group (CSAG) [ITTC Decisions 9(XXVIII) and 2(XXXI)] and Yokohama Action Plan, Section 2, Action h].	Regular Sessions' work. Council may provide support to the TAG and CSAG for organizing panel discussions on issues of relevance to the Organization (estimated costs: US\$30,000 per panel).
(xviii) Consider, facilitate and monitor progress in the negotiation of a Successor Agreement to the ITTA, 1994 [ITTC Decisions 4(XXXII) and 6(XXXIV)].	Regular Sessions' work. May require intersessional work (estimated cost: US\$150,000).
(xix) Consider the results of the study on timber export and import data and of other forest law enforcement-related case studies [ITTC Decision 6(XXXI), ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 7].	Regular Sessions' work.
(xx) Review the results of Civil Society/Private Sector partnerships and consider additional work if necessary [ITTC Decision 5(XXXIII)].	Regular Sessions' work.
(xxi) Consider results of work related to development of procedures on how phased approaches to certification can be implemented in the tropics [ITTC Decision 10(XXXIV)].	Regular Sessions' work.



Activity	Implementation Approach and Cost Implications
(xxii) Consider results of the study on costs and benefits of certification [ITTC Decision 10(XXXIV)].	Regular Sessions' work.
(xxiii) Continue work to improve the ITTO project formulation and appraisal process [ITTC Decision 11(XXXIV)].	Regular Sessions' work.
(xxiv) Continue work to promote expansion and diversification of international trade in tropical timber [ITTC Decision 12(XXXIV)].	Regular Sessions' work.
(xxv) Consider work related to the preparation of the ITTO Action Plan for the period 2007-2011.	Regular Sessions' work. Council may wish to consider the issue at its Thirty-ninth Session.
(xxvi) Decide on further work on forest law enforcement and illegal trade in timber and timber products [ITTC Decision 9(XXXII)].	Through Decision 6(XXXI) Council decided to consider, in cooperation with other relevant international organizations, the implementation of a global study to assess the extent, nature and causes of illegal trade in timber and timber products and to make recommendations on its prevention. A proposal for cooperation has been received from FAO, focusing on development and application (training) of guidelines for improving law compliance in the forest sector.
(xxvii) Support participation of and contribution to the CSAG and TAG in ITTC sessions, including the organization of a panel on illegal logging and trade at the Thirty-sixth Session.	Provision of financial support needed (estimated cost: US\$80,000).
(xxviii) Co-sponsor an international symposium on the impacts of forest certification in developing countries and emerging economies, with reference to both community and industrial logging operations.	Provision of co-sponsorship; financial support needed estimated at US\$30,000.

## ALL THREE TECHNICAL COMMITTEES

### PROJECT ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) With the assistance of the Expert Panel for Technical Appraisal of Project Proposals, appraise relevant committee project and pre-project proposals submitted by Member countries [ITTA, 1994, Article 27(4)].	Routine. Regular Sessions' work.
(ii) With assistance of the ITTO Secretariat and independent consultants (as necessary), ensure effective monitoring and evaluation of approved projects in the relevant Committees [ITTA, 1994, Article 27(4)].	Routine. Regular Sessions' work.
(iii) Review the results of project work in the relevant committees and make recommendations to Council on ITTO's Work Programme [ITTA, 1994, Article 27(4)].	Routine. Regular Sessions' work.

Activity	Implementation Approach and Cost Implications
(iv) Select projects for ex-post evaluation following procedures outlined in ITTC Decision 3(XXVIII) [Yokohama Action Plan, Section 1.6 and ITTC Decision 3(XXVIII)].	Routine. Regular Sessions' work.
(v) Consider project ideas and provide guidance to Member countries for the formulation of relevant committee project proposals which meet the priorities set in the ITTO Yokohama Action Plan [Yokohama Action Plan, Section 1.6].	Routine. Regular Sessions' work.
(vi) Consider and, if appropriate, take action to disseminate information on projects findings and results [ITTA, 1994, Article 27(4), ITTO Yokohama Action Plan, section 2, actions d and e].	Routine. Regular Sessions' work.
(vii) Improving effectiveness of project work	Will require consultancy work and a working group (estimated cost: US\$100,000)

#### STRATEGIC POLICY ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Review the results of policy work in the relevant Committees and make recommendations to Council on ITTO's Work Programme [ITTA, 1994, Article 27(4), ITTO Yokohama Action Plan, Section 1.6].	Routine. Regular Sessions' work.

#### COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE

##### STRATEGIC POLICY ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Market study on tropical plantation timber [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 3].	A pre-project study may be proposed by the Committee (estimated cost: US\$150,000).
(ii) Assist the Trade Advisory Group (T-A-G) in organizing and holding the ITTO Annual Market Discussion 2004 on the world tropical timber trade during the Thirty-sixth Session of the ITTC, Switzerland, 20-23 July 2004 [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 4].	Regular Sessions' work. The theme for the 2004 Market Discussion will be determined during the Thirty-third Session of the Committee (3-8 November 2003).
(iii) Assist the Trade Advisory Group (T-A-G) in organizing and holding the ITTO Annual Market Discussion 2005 on the world tropical timber trade during the Thirty-eighth Session of the ITTC (May 2005) [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 4].	Regular Sessions' work. The theme for the 2005 Market Discussion will be determined during the Thirty-fifth Session of the Committee (13-18 December 2004).
(iv) Review of the timber market in two significant tropical timber importing countries [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 5].	A pre-project study may be proposed by the Committee (estimated cost: US\$200,000).

Activity	Implementation Approach and Cost Implications
(v) Study on subsidies affecting tropical timber products [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 2].	A pre-project study may be proposed by the Committee (estimated cost: US\$150,000).
(vi) Consider activities to promote awareness of progress made in implementing sustainable forest management and in the increased availability of tropical timber from sustainably managed sources [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 1].	Regular Sessions' work.
(vii) Workshop on Capacity Building for the Implementation of Mahogany CITES Listing in Bolivia, Brazil and Peru [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 7; ITTC Decision 7(XXXIV)].	Regular Sessions' work.
(viii) Auditing of Existing Tracking Systems in Tropical Forest Industries [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 1].	Regular Sessions' work.

## COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT

### STRATEGIC POLICY ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) In cooperation with relevant organizations, monitor the political implications for the resource base of climate change and related policy developments, and the contribution of the resource base to the mitigation of the effects of climate change [ITTO Yokohama Action Plan, Section 3.2, Goal 1, Action 3].	The Committee will continue monitoring work by considering presentations of experts from relevant organizations on priority issues and recent developments related to climate change. The Committee will also discuss the outcomes of the COP negotiations of the UNFCCC and will make recommendations to Council on further activities by ITTO in this area.
(ii) Promote the conservation, rehabilitation and sustainable management of mangroves, in collaboration with relevant organizations [ITTO Yokohama Action Plan, Section 3.2, Goal 1, Action 4, ITTC Decision 4(XXXIII)].	<p data-bbox="967 1447 1497 1563"><u>The Committee will work to strengthen the implementation of the ITTO Mangrove Work Plan 2002-2006, particularly in the following areas:</u></p> <p data-bbox="967 1599 1497 1720">(a) Updating of the World Mangrove Atlas in collaboration with ISME, UNESCO, WCMC and FAO; (estimated cost: US\$200,000).</p> <p data-bbox="967 1733 1497 1939">(b) Assessing existing, and if applicable, develop new methodologies and guidelines for assessing qualitative and quantitative aspects of mangroves and criteria and indicators for sustainable management of mangrove ecosystems; (estimated cost: US\$ 60,000).</p>

- (iii) 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].
  
- (iv) Develop and promote the implementation of Guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 3].
  
- (v) 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].
  
- (vi) Contribute appropriately to national and international efforts in the area of prevention and management of fire in relation to tropical timber-producing forests [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 7].
  
- (vii) Review and update the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests.

The Committee will discuss the outcome of the ITTO/FAO joint Expert Consultation on Criteria and Indicators and the training workshops on C&I, as well as the recommendations by the Expert Panel for the revision of the ITTO Criteria and Indicators as per Decision 4(XXXIV) and will make recommendations to the Council regarding the C&I revision process.

The Committee will make recommendations to Council on:

- (a) Conducting 10 national workshops to further promote the implementation of the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests. Undertaking, in close collaboration with other organizations, the development of technical manuals on forest landscape restoration (estimated cost: US\$500,000).
  
- (b) Supporting to the Global Workshop of the Global Partnership on Forest Landscape Restoration (estimated cost: US\$100,000).

The Committee will consider the results of the implementation of pre-project PPD 83/03 (F) "Study on Encouraging Private Sector Investment in Industrial Forest Plantations in the Tropics", which was approved by Council during the Thirty-fourth Session (US\$147,630, pending finance).

The Committee will consider the results of the implementation of Decision 6(XXXIII) on prevention and management of forest fire.

The Committee will consider the issue and make recommendations taking into account recent developments, including CBD's work programme on forest biodiversity and ITTO renewed cooperation with IUCN. The review and updating would require funds estimated at US\$100,000.

*The Committee should also consider the option of integrating the update of the Biodiversity Guidelines in an updated version of the ITTO Guidelines for the Sustainable Management of Natural Tropical Forests.*

## COMMITTEE ON FOREST INDUSTRY

### STRATEGIC POLICY ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Monitor the impact of technical and environmental standards on the efficiency of industrial operations [ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 3 and Goal 2, Action 8.	The Committee will monitor the implementation of Decision 12(XXXIV) and review the report of the consultants, which will be tabled during the Thirty-sixth Session of the Council. The Committee will also identify issues requiring further work and develop terms of reference and associated budget for recommended activities.
(ii) Promote the establishment of efficient and socially sound community-based forest industries [ITTO Yokohama Action Plan, Section 3.3, Goal 2, Action 8].	The Committee will consider and make recommendations to Council on a study to review experiences of successful community forest-based industries (estimated cost of the study: US\$150,000).
(iii) Develop, publish and disseminate information on increasing timber processing and utilization efficiency and reducing waste [ITTO Yokohama Action Plan, Section 3.3, Goal 2, Action 1].	The Committee will consider results of a study in this field [PPD 66/02 (I)] and will identify and make recommendations on further work, if needed.
(iv) Assess multiple benefits of downstream processing for creating or producing high-value internationally competitive products [ITTO Yokohama Action Plan, Section 3.3, Action 5].	The Committee will consider the results of the assessment of multiple benefits of downstream processing, being implemented under pre-project PPD 35/01 (I) and will make recommendations on further work, if required.
(v) Study and promote policies and other measures to increase the competitiveness of the tropical plywood industry [ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 2].	The Committee will consider and make recommendations to Council on commissioning studies and organizing an international conference on export plywood, with a view to produce and disseminate information to enhance competitiveness of tropical plywood. This international conference could be organized in cooperation with FAO (estimated cost: US\$150,000).
(vi) Promote private investment through facilitating information exchange on investment opportunities [ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 1].	The Committee will consider and make recommendations to Council on the organization/convening of investment promotion forum/seminar (estimated cost: US\$250,000).

**COMMITTEE ON FINANCE AND ADMINISTRATION****ADMINISTRATIVE AND FINANCE ACTIVITIES**

Activity	Implementation Approach and Cost Implications
(i) Review the independent audited statement for the 2003 and 2004 financial years [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(ii) Make recommendations to Council on the appointment of auditors for a three-year term for the purpose of auditing the accounts of the Organization for the 2004, 2005 and 2006 financial years [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(iii) Review and make recommendations to Council, as necessary, regarding the Organization's administrative budget for the year 2005 of the approved biennial administrative budget for the years 2004-2005 [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(iv) Examine and make recommendations to Council, regarding the approval of the Organization's biennial administrative budget proposals for the financial years 2006-2007 [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(v) Review the assets of the Organization to ensure prudent asset management and that the Organization has sufficient reserves to carry out its work [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(vi) Examine and make recommendations to Council, on the budgetary implications of the Organization's work programme, and the actions that might be taken to secure the resources needed to implement it [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.

**SECRETARIAT**

The Secretariat, through the Executive Director, is responsible for the day-to-day running and administration of the Organization and for preparation for meetings. The proposed work for the Secretariat in 2004-2005 is as follows:

- (i) Preparation for Sessions of Council and Committees, including the drafting and arrangements for translation and distribution of necessary documents.
- (ii) Service Council and Committees during Sessions scheduled in 2004-2005
- (iii) Assist Council in preparations for and on the negotiations of a Successor Agreement to the ITTA, 1994.
- (iv) Organize and provide assistance to four meetings of the Expert Panel for Technical Appraisal of Project Proposals in 2004-2005.
- (v) Organize and assist the work of panels and working groups decided by Council on an *ad hoc* basis.
- (vi) Carry out statistical work and preparation of draft Annual Review and Assessment of the International Timber Situation and make proposals to Council for carrying out statistical training in Member Countries to improve the quality and timeliness of data provided by Members to ITTO.

- (vii) Carry out project monitoring and evaluation work needed to assist the ITTO Committees' task of ensuring appropriate monitoring/evaluation of ITTO financed pre-projects and projects (162 operational pre-projects and projects as of September 2003)
- (viii) Preparation of draft 2003 and 2004 Annual Reports of the Organization.
- (ix) Develop a Draft Annual Work Programme for the Biennium 2006-2007.
- (x) Prepare a proposal for the administrative budget for the Biennium 2006-2007.
- (xi) Take necessary actions for printing, translation and dissemination of ITTO publications.
- (xii) Implement (or arrange for implementation as appropriate), pre-projects, projects and activities placed under the Secretariat's responsibility by Council, including:
  - a. ITTO Fellowship Programme (Freezailah Fellowship Fund)
  - b. Project PD 73/89 (M,F,I)  
Assistance for Project Identification and Formulation
  - c. Project PD 13/99 Rev.2 (M,F,I)  
ITTO Information Network and Project Support
  - d. Project PD 16/93 Rev.4 (M) Phase IV  
Market Information Service for Tropical Timber and Timber Products
  - e. Project PD 58/97 Rev.1 (I)  
The Establishment of the Database of Tropical Industrial Lesser-Used Wood Species
  - f. Project PD 25/95 Rev.1 (M)  
Training Workshops on Tropical Forestry and Timber Trade Statistics
  - g. Pre-Project PPD 8/93 (F)  
Demonstration Areas for Sustainable Management of Production Forests
  - h. Pre-Project PPD 50/91 (I)  
Provision of Assistance for Reassessment and Reformulation of 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"
  - i. PP-A/23-63  
Activity to Facilitate Development of a Joint ITTO/ECE-FAO/EUROSTAT Forest Statistics Questionnaire (ITTO)
  - j. Pre-Project PPD 14/00 (M)  
Strengthening the Market Discussion
  - k. PPD 25/01 (I,M)  
Review of International Wooden Furniture Markets
  - l. PPD 35/01 (I)  
Assessment of the Multiple Benefits of Downstream Processing of Tropical Timber in Producer Countries
  - m. PPD 48/02 (M)  
Review of Information on Life Cycle Analysis of Tropical Timber Products
  - n. PPD 49/02 (M)  
Review of the Indian Timber Market
  - o. PPD 66/02 (I)  
Develop, Publish and Disseminate Information on Increasing Timber Processing and Utilization Efficiency and Reducing Waste [ITTO Yokohama Action Plan, Section 3.3, Goal 2, Actions 2 and 4]
- (xiii) Carrying out public relations, awareness and education activities in order to better inform people about the objectives and activities of the Organization, including through the restructuring of the ITTO website [ITTC Decision 4(XXXIII)].

- (xiv) Encourage the participation of non-government stakeholders, including industry and trade associations, environmental organizations and indigenous groups, in the activities of the Organization, with a view to promoting transparency and dialogue [ITTC Decision 2(XXXII)].
- (xv) Provide assistance to individual producer countries, on request, in setting up ITTO Objective 2000 Boards [ITTC Decision 2(XXIX)].
- (xvi) Render assistance to producer countries, on request, 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 constraints [ITTC Decision 2(XXIX)].
- (xvii) Continue work related to identification of messages on progress made to date and develop outputs that promulgate these messages, particularly those that address advances related to Objective 2000 [ITTC Decision 3(XXIX)].
- (xviii) Arrange training workshops on criteria and indicators in ten producer countries [ITTC Decision 9(XXX)] and additionally in eight producer countries [ITTC Decision 4(XXXIV)].
- (xix) Assist to organize and report to Council on the International Expert Meeting on Criteria and Indicators for Sustainable Forest Management [ITTC Decision 5(XXXIV)].
- (xx) Convene an expert panel to make recommendations on the revision of ITTO Criteria and Indicators [ITTC Decision 4(XXXIV)].
- (xxi) Continue to implement international cooperation actions identified in Annexes A and B of ITTC Decision 7(XXX), taking into account the Council review of these Annexes.
- (xxii) Continue to work with the IUCN Secretariat to deepen cooperation between ITTO and IUCN with a view to:
- Improve awareness among the general public of those areas where the objectives, policies and activities of the two organizations coincide;
  - Strengthen cooperation between ITTO and IUCN in the formulation, implementation, monitoring, evaluation and co-financing of ITTO projects, pre-projects and activities, in areas where ITTO could benefit from IUCN's technical expertise;
- [ITTC Decision 8(XXX)]
- (xxiii) Oversee the preparation and publication of the report on the "Status of Tropical Forest Management" [ITTC Decision 9(XXX)].
- (xxiv) Continue work to promote the Guidelines for Establishing Auditing Systems for ITTO's Criteria and Indicators for Sustainable Forest Management and assist producing members upon request to establish credible auditing systems [ITTC Decision 4(XXXI)].
- (xxv) Continue to oversee the implementation of the study on timber export-import data and facilitate case studies on Forest Law Enforcement in the Context of Sustainable Timber Production and Trade [ITTC Decision 6(XXXI)].
- (xxvi) Hold sub-regional and national-level workshops to promote the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Forests [ITTC Decision 3(XXXII)].
- (xxvii) Continue to facilitate ITTO participation in the WSSD Type II Congo Basin Forest Partnership [ITTC Decision 10(XXXII)].
- (xxviii) Assist reviewing, assessing and promoting experiences in forest management partnerships [ITTC Decision 10(XXXII) and 5(XXXIII)].
- (xxix) Staging an ITTO side event and exhibition at the XXII IUFRO World Congress in Brisbane, Australia (August 2005) [ITTC Decision 4(XXXII)].



- (xxx) Engage consultants to assist Producer Members to evaluate their work related to forest fire and make recommendations and proposals to enhance forest fire prevention and management programmes [ITTC Decision 6(XXXIII)].
- (xxxi) Assist mahogany exporting members to implement the species CITES listing in Appendix II [ITTC Decision 7(XXXIV)].
- (xxxii) Oversee consultancy work to develop procedures on how phased approaches to certification can be implemented in the tropics and work on the study on costs and benefits of certification [ITTC Decision 10(XXXIV)].
- (xxxiii) Convene an international workshop on phased approaches to certification [ITTC Decision 10(XXXIV)].
- (xxxiv) Prepare a review assessing the financial and human resources implication of proposed changes in the project formulation and appraisal process [ITTC Decision 11(XXXIV)].
- (xxxv) Oversee consultancy work on the study related to the expansion and diversification of international trade in tropical timber, under terms of reference approved in ITTC Decision 12(XXXIV).
- (xxxvi) Oversee consultancy work to prepare a background paper for the UNFF country-led initiative to be convened in Switzerland in May 2004 [ITTC Decision 7(XXX)].
- (xxxvii) Support the Governments of Indonesia and Japan in convening a regional workshop within the Asia Forest Partnership framework [ITTC Decision 3(XXXIV)].
- (xxxviii) Take action as appropriate to implement decisions of Council and Committees, including decisions on work related to the implementation of the 2004-2005 Work Programme.

\* \* \*



## **ANNEX IV**

### **REPORTS OF THE ASSOCIATED SESSIONS OF THE FOUR COMMITTEES**

**Documents: CEM-CFI(XXXIII)/7**

**CRF(XXXIII)/9**

**CFA(XIV)/6**



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Yokohama, Japan

## **REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL**

### **THIRTY-THIRD SESSION OF THE COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE AND THE COMMITTEE ON FOREST INDUSTRY**

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- Appendix C: ITTO Biennial Work Programme 2004-2005 for Economic Information and Market Intelligence and Forest Industry**
- Appendix D: Statement of the Trade Advisory Group (T-A-G)**



## REPORT

### 1. Opening of the Session

The Thirty-third Session of the Committees was opened on 3 November 2003 at a Joint Session of the Committee on Economic Information and Market Intelligence, the Committee on Reforestation and Forest Management, the Committee on Forest Industry, and the Committee on Finance and Administration, chaired by Mr. Henri-Félix Maitre (France), Chairperson of the Committee on Reforestation and Forest Management. The subsequent meetings of the Committees during their current Session were conducted by Dr. Gilbert Kaya (Republic of Congo), Chairperson of the Committee on Economic Information and Market Intelligence and Ms. Astrid Bergquist (Sweden), Vice-Chairperson of the Committee on Forest Industry. The list of participants is presented in document ITTC(XXXV)/Info. 2.

### 2. Adoption of Agenda and Organization of Work

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

### 3. Admission of Observers

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

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

The Committees noted the presentation made by Mr. Patrick Hardcastle (United Kingdom), Chairman of the Expert Panel, at its Twenty-sixth Meeting (4-8 August 2003, Yokohama, Japan), on the Panel's report as contained in document CEM,CRF,CFI(XXXIII)/1. Problems and issues identified by the Panel included: (i) the increased number of proposals - 67 projects and 8 pre-projects for a total of 75 - reviewed by the Panel, which challenged the Panel's capacity to adequately review each proposal; (ii) poor problem analysis and translation into a logical framework for action; (iii) missing, incomplete or poorly presented information on background, risks and assumptions, institutional frameworks, TOR for personnel and budgets; (iv) the marked imbalance in the numbers of proposals between the Divisions of the Secretariat, with the Reforestation and Forest Management Division receiving three times as many proposals as the other two Divisions combined; (v) the low number of proposals (only 16 projects and 2 pre-projects) attaining Panel Category 1 (a well formulated proposal that could be commended to the Committees with only minor modifications); and (vi) limited attention by submitting members to past general comments of the Expert Panels.

The Expert Panel reiterated its previous recommendation that radical changes to the project cycle were required to remedy the problem of the increasing number of poor quality proposals it was receiving. The Committees noted that the issues raised by the Expert Panel on Project Evaluation were also reflected in the report of the Expert Panel on Management of Project Implementation [document ITTC (XXXV)/8] and several delegations made suggestions on how to improve the project formulation process.

### 5. Dissemination of Project Information and Information Exchange

As requested by the Committee on Reforestation and Forest Management during its Thirty-second Session [document CRF (XXXII)/7 Rev.1], the Secretariat provided an overview of a proposal on ways to improve the dissemination mechanisms and information exchange between projects [document CEM,CRF,CFI(XXXIII)2]. The Committees took note of and expressed support for the actions proposed in the document while the Delegation of Gabon suggested that the ITTO Regional Consultants could serve as information links between projects in their region.

6. Working Group on Lessons Learned from Ex-post Evaluations

As recommended by the Committees on Economic Information and Market Intelligence and Forest Industry at their previous joint session, a small working group composed of delegates from Brazil, the Philippines, Gabon, USA, the Netherlands and Switzerland was established to propose an appropriate course of action in order to make full use of lessons learned from past evaluations with a view to improving the design and implementation of ITTO projects. The group developed Terms of Reference and a budget for this initiative with a view to including this activity in the ITTO work programme of the three technical Committees for 2004-2005. The Terms of Reference are attached to the Report as Appendix A.

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(XXXIII)/2 as follows:

**Committee on Economic Information and Market Intelligence**

PD 52/97 Rev.3 (M) Phase I      Development and Establishment of an Educational Program to Inform the Wood Products Distribution Chain on the Value of Using Tropical Timbers from All ITTO Member Countries, Phase I (Ghana)

The Committees noted that the main objective of the pre-project was to produce and disseminate two brochures, "Wood is an environmentally responsible choice" and "Tropical Forests, use them wisely", and 3 leaflets, "Picture this.....", "Sustainable management ensures a future for tropical forests" and "Making real progress in the world's forests". The post-project survey showed that messages to address the negative perception of tropical timber were generally not widely accepted because of an entrenched negative attitude towards tropical timber. It was concluded that tropical timber promotion campaigns stand to gain when they are targeted at highlighting the positive properties of tropical timber. This project allowed for close collaboration and contact between the membership of the International Wood Products Association (IWPA) and that of the members of the Ghana Timber Millers Organisation and the Furniture and Wood Workers Association of Ghana. There has also been an increased flow of information between the IWPA and the Timber Industry Development Division (TIDD) of the Ghana Forestry Commission. 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.

PPD 34/01 (M)                      Study to Identify Measures to Bring Increased Transparency to Tropical Hardwood Plywood Trade and Analyse the Causes of Market Fluctuations and Price Instability (ITTO)

The Committees noted the highlights of the pre-project study covering the surveys undertaken and the results of the study. The final report of this study as contained in document PPR 66/03 (M) was considered by the Committees at their Thirty-second Session. The Committees duly declared the pre-project complete.

**Committee on Forest Industry**

PD 52/99 Rev.2 (I)                Development and Extension of Preservation Technology of Tropical Plantation Timber (China)

The Committees noted that the main outputs of the project included (i) establishment of a pilot plant for demonstration of the improved timber preservation technologies on the campus of Guangdong Forest Research Institute (GDFRI), (ii) three demonstration plots for timber treated in Zhongshan and Panyu cities, where plantation banana crops are supported by posts and (iii) organization of training courses and a seminar/workshop on wood processing for plantation timber to disseminate project results. During project implementation, convincing local authorities to use treated wood was a major issue and the executing agency felt that the best way to do this was through a range of demonstration plots.

The delegate of Guatemala raised a question on the possible environmental impact from using preservative treated timber. Information was provided on the research results on soil contamination



where preservative treated posts were used in agriculture. The Committees noted that there is a need to conduct research on the environmental impacts, including water contamination, of preservative treated timbers where used in ground contact. The Committees further noted that the completion report and the audited financial statement have been submitted in accordance with the project agreement. The Committees expressed its satisfaction with the work carried out under the project and declared the project complete.

PPD 13/98 Rev.2 (I)

Assessment of Forest Industry Training Needs (Fiji)

The delegate from Fiji introduced the work of the pre-project conducted by the Fiji Forest Department. The Committees noted that the pre-project activities included a field survey, conducted in April and May 2003, on the training needs and gaps of the forest industry sector. The pre-project also formulated a full project proposal to address the low level of skills, motivation and the capacity for skills development. The Committees noted that the implementation of this pre-project has experienced a long delay. The delay was mainly caused by the difficulty experienced by the executing agency in obtaining the pre-project funds from the Ministry of Finance who had held the funds since they were disbursed by ITTO. The Committees further noted that the executing agency submitted audited financial statements and returned the unspent ITTO funds amounting to US\$14,381 out of US\$43,406 which was transferred from ITTO to the executing agency. The Committees duly declared the pre-project complete.

PPD 25/01 (I,M)

Review of International Wooden Furniture Markets (Global)

The Committees recalled that the interim report and the final report of this pre-project study were reviewed at the Thirtieth Session of CEM-CFI in May 2002 and Thirty-first Session of CEM-CFI in November 2002, respectively. The Committees were pleased to learn that consultation regarding the publication of the study report as a joint publication between ITTO and International Trade Centre (ITC) is underway. The Committees expressed its satisfaction with the study carried out under the pre-project and duly declared the pre-project complete.

## 8. Ex-post Evaluation

### **(A) Ex-post Evaluation Missions/Report**

The Committees noted that no project was selected for ex-post evaluation during the Thirty-second Session.

### **(B) Discussion on Lessons Learned from Previous Ex-post Evaluations**

The Committees took note of the report prepared by the Secretariat on lessons learned from ex-post evaluations in the field of Economic Information and Market Intelligence [Document CEM-CFI(XXXIII)/3]. The Committees underscored the importance of proper management of projects and recognized that the problems and lessons learned highlighted in the report were similar to those related to projects in all three technical areas of the Organization. The Committees further observed that lessons learned from ex-post evaluations were closely related to issues raised in the report of the Expert Panel for Technical Appraisal of Project Proposals [Document CEM,CRF,CFI(XXXII)/1], to measures for improving project formulation and approval [Document ITTC(XXXIV)/6] and to the proper management of projects proposed for discussion at the current Session of the Council.

### **(C) Selection of Projects for Ex-post Evaluation**

The Committees noted that only two projects, PD 52/97 Rev.3 (M) Phase I and PD 52/99 Rev.2 (I) were declared complete at this Session and that the former did not meet the criteria of Decision 3(XXVII) for ex-post evaluation. It was noted that two projects in the field of Economic Information and Market Intelligence [PD 1/95 Rev.4 (M) and PD 15/98 Rev.2 (M)] and one in the field of Forest Industry [PD 7/94 Rev.3 (M,I)] declared complete at earlier sessions were eligible for ex-post evaluation. The Committees decided to recommend PD 1/95 Rev.4 (M) for ex-post evaluation. The Committees decided to defer ex-post evaluation of PD 52/99 Rev.2 (I) and PD 15/98 Rev.2 (M) until related projects are completed and grouped evaluations can be implemented. The Committees further decided to consider ex-post evaluation of PD 7/94 Rev.3 (M,I) at their next Session.

The representative of Guatemala stressed the importance of making use of local expertise in carrying out ex-post evaluations. The Committees endorsed the view of the representative of Guatemala.

9. Review of Projects, Pre-Projects and Activity in Progress

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

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

**Committee on Economic Information and Market Intelligence**

1. PD 16/93 Rev.4 (M)                      Market Information Service for Tropical Timber and Timber Products, Phase IV, 2003 (ITTO)
2. PD 25/95 Rev.1 (M)                      Training Workshops on Tropical Forestry and Timber Trade Statistics (ITTO)
3. PD 27/95 Rev.3 (M)                      Establishment and Operation of a Forest Strategic Information Center (CIEF), Phase II, Stage 2 (Peru)
4. PD 40/96 Rev.5 (M)                      The Establishment of a National Statistical System for Imported Timber and Timber Products (Egypt)
5. PD 39/98 Rev.2 (M)                      Research on Value Accounting of Tropical Forest Environmental Resources and Bringing of it in Line with the National Economic Accounting in China
6. PD 47/98 Rev.2 (M)                      Establishing a Data Collection and Dissemination System on a Sustainable Basis for Timber Marketing Statistics in Cameroon
7. PD 41/99 Rev.4 (M)                      Development and Implementation of the Pilot Project of the Forestry Statistics Information System (FSIS) (Philippines)
8. PD 48/99 Rev.1 (M,F)                      Sharing of Information and Experiences on Private Sector Success Stories in Sustainable Forest Management (Malaysia)
9. PD 34/00 Rev.2 (M)                      Extension and Consolidation of the National Statistical Information System (Bolivia)
10. PD 56/00 Rev.3 (M)                      Enhancement of the Forest Statistics Information and Management System (STATFOR) through the Integration of Two Computer Modules: Compilation of Management Inventory Data and Management of Export Log Lumberyard (Gabon)
11. PD 74/01 Rev.1 (M)                      Development and Implementation of Guidelines to Control Illegal Logging for Sustainable Forest Management in Indonesia
12. PD 80/01 Rev.6 (M)                      Consolidating Sustainable Forest Management Certification System in Indonesia
13. PD 124/01 Rev.2 (M)                      Promotion of Sustainable Management of African Forests (ITTO/ATO)  
Phase I Stage 1
14. PD 132/02 Rev.1 (M)                      Application of an Experimental Model for the Economic Appraisal of the Utilization and Management of Colombian Flora Case Study: Meliaceae and Anacardiaceae (Colombia)
15. PD 133/02 Rev.3 (M)                      Timber and Timber Products Trade Flow Study in the Philippines

16. PD 140/02 Rev.2 (M) Development of Criteria and Indicators for Sustainable Management Appropriated to Brazilian Tropical Forests
17. PD 168/02 Rev.1 (M) Establishment of a National System of Collection, Entry, Processing and Dissemination of Forestry and Timber Statistical Data in Togo
18. PPD 8/98 Rev.1 (M) Establishment of a National Forest and Timber Marketing Statistics System (Ecuador)
19. PPD 14/00 (M) Strengthening the Market Discussion (ITTO)
20. PPD 48/02 (M) Review of Information on Life Cycle Analysis of Tropical Timber Products (ITTO)
21. PPD 49/02 (M) Review of the Indian Timber Market (ITTO)
22. PPD 64/02 Rev.1 (M) Promotion of Guatemalan Certified Timber and Timber Products Trade
23. PPD 74/03 Rev.1 (M) Development of the National Forest Information System of Guatemala
24. PP-A/23-63 Activity to Facilitate Development of a Joint ITTO/ECE-FAO/EUROSTAT Forest Statistics Questionnaire (ITTO)

#### **Committee on Forest Industry**

1. PD 73/89 (M,F,I) Assistance for Project Identification and Formulation (Global)
2. PD 94/90 Rev.3 (I) Integration of Forest-Based Development in the Western Amazon – Phase II – Technology for Sustainable Utilization of Raw Forest Materials (Brazil)
3. PD 209/91 Rev.2 (I) Study of Zairian Timber with a View to Promoting Certain Species (Democratic Republic of Congo)
4. PD 39/93 Rev.4 (I) Project for the Development, Application and Evaluation of Biomass Energy Technologies through Briquetting, Gasification and Direct Combustion of (Wood and Agricultural) Wastes (Malaysia and Cameroon)
5. PD 37/94 Rev.3 (I) Strengthening of the Forest Products Laboratory of IBAMA (Brazil)
6. PD 47/94 Rev.3 (I) Industrial Utilization of Lesser-known Forest Species in Sustainably Managed Forests (Honduras)
7. 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)
8. PD 46/96 Rev.2 (I) Establishment of a Wood Workers and Craftsmanship Village (Ghana)
9. PD 46/97 Rev.3 (I) Community Forest Products Processing in the Puerto Dias Extractive Reserve (Brazil)
10. PD 58/97 Rev.1 (I) The Establishment of the Database of Tropical Industrial Lesser-used Wood Species (Japan)
11. PD 12/98 Rev.2 (I) Technical Manpower Development for the Ghana Wood Industry Training Center (WITC)

12. PD 44/98 Rev.2 (I) Handbook on Tree and Wood Identification of 100 Lesser-used and Lesser-known Timber Species from Tropical Africa with Notes on Ethnography, Silviculture and Uses (Ghana)
13. PD 13/99 Rev.2 (M,F,I) ITTO Information Network and Project Support (Phase II) (Global)
14. PD 31/99 Rev.3 (I) Non-timber Production and Sustainable Development in the Amazon (Brazil)
15. PD 34/99 Rev.2 (I) Development and Implementation of Stress Grading Rules for Tropical Timber in the Philippines
16. PD 35/99 Rev.4 (I) Performance Evaluation of Export Wood Furniture in Relation to Strength and End-use Applications Using Established Test Standard (Philippines)
17. PD 36/99 Rev.4 (I) Processing and Utilization of Almaciga (*Agathis philippinensis* Warb.) Resin as Source of Industrial Chemicals (Philippines)
18. PD 46/99 Rev.3 (I) Pre-feasibility Study for the Industrial Utilization of Rubberwood (*Hevea brasiliensis*) Including the Formulation of a Pilot Case Study for Implementation in a Specific Area of Colombia
19. PD 56/99 Rev.1 (I) Promotion of the Utilization of Bamboo from Sustainable Sources in Thailand
20. PD 58/99 Rev.1 (I) Introduction of a Village Industry in the Community Around an Industrial Forest Plantation in Indonesia
21. PD 61/99 Rev.2 (I) Increasing the Efficiency in the Tropical Timber Conversion and Utilization of Residues from Sustainable Sources (Brazil)
22. PD 10/00 Rev.2 (F,I) Sustainable Management and Utilization of Sympodial Bamboos in South China
23. PD 20/00 Rev.1 (I) Training Workshop on Further Processing of Tropical Timber in the Asia-Pacific Region (Korea)
24. PD 24/00 Rev.1 (I) Promotion of Sustainable Utilization of Rattan from Plantation in Thailand
25. PD 51/00 Rev.2 (I,M) Improvement of Rubberwood Utilization and Marketing in Thailand
26. PD 65/01 Rev.2 (I) Training in Reduced Impact Logging in Cambodia
27. PD 68/01 Rev.2 (I) Training in Reduced Impact Logging in Guyana
28. PD 69/01 Rev.1 (I) Improved and Diversified Use of Tropical Plantation Timbers in China to Supplement Diminishing Supplies from Natural Forests
29. PD 77/01 Rev.2 (I,F) Contribution to the Development of Skills and Technical Training Structures at the Mbalmayo National School of Forestry (Cameroon)
30. PD 85/01 Rev.2 (I) Strategies for the Development of Sustainable Wood-based Industries in Indonesia
31. PD 100/01 Rev.3 (I) Capacity Building for the Development of a Sustainable Rattan Sector in China Based on Plantation Sources

32. PD 108/01 Rev.3 (I) Development of Sustainable Rattan Production and Utilization through Participation of Rattan Small Holders and Industry in Indonesia
33. PD 110/01 Rev.4 (I) Program to Facilitate and Promote Adoption of Reduced Impact Logging (RIL) in Indonesia and the Asia Pacific Region (Indonesia)
34. PD 146/02 Rev.1 (I) Promoting Sustainable Utilization of Bamboo through Community Participation in Sustainable Forest Management (Myanmar)
35. PD 151/02 (I) International Conference on Quality Timber Products of Teak from Sustainable Forest Management (India)
36. PD 174/02 Rev.1 (I) International Workshop on Clean Development Mechanism – Opportunities for the Forest Industry Sector in the Asia-Pacific Region (Korea)
37. 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)
38. PPD 15/98 Rev.2 (I) Joint ATO/ITTO Conference on Further Processing of African Tropical Timber (Gabon)
39. PPD 6/99 Rev.3 (M,F,I) Promotion of Non-Timber Forest Products in Terai Region of Nepal
40. PPD 11/99 Rev.1 (I) Development of the Rubberwood Industry in Côte d'Ivoire – Phase I
41. PPD 1/00 Rev.1 (I) Improvement of Sustainable Management and Utilization of Tropical Non-timber Forest Products (NTFPs) in Cambodia
42. PPD 5/00 Rev.1 (I) Sustainable Management of Non-timber Forest Produce (NTFP) in Maharashtra State of India
43. PPD 6/00 Rev.1 (I) Formulation of a Project Proposal to Support the Sustainable Development of Small Forest Industrialists (Peru)
44. PPD 7/00 (I) Feasibility Study for the Production of Sawnwood from Tropical Forest Using Appropriate Technologies (Ecuador)
45. PPD 16/01 Rev.1 (I) Timber Enhancement through Mechanical Processing (Congo)
46. PPD 35/01 (I) Assessment of the Multiple Benefits of Downstream Processing of Tropical Timber in Producer Countries (Global)
47. PPD 39/02 Rev.1 (I) Processing and Utilization of Logging Residues through Collaboration with Local Communities and Forest Industries (Ghana)
48. PPD 51/02 Rev.1 (I) Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (Philippines)

- |                         |   |
|-------------------------|---|
| 49. PPD 53/02 Rev.1 (I) | Development of Energy Alternatives for the Efficient Utilization of Wood Processing Residue: Co-generation and Briquette Production (Ghana)                     |
| 50. 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) |
| 51. PPD 57/02 Rev.1 (I) | Improvement of Processing Efficiency of Tropical Timber from Sustainable Sources in Indonesia   |
| 52. PPD 63/02 (I)       | Investment Promotion and Enterprise Development of the Timber Industry in Ghana   |
| 53. PPD 66/02 (I)       | Develop, Publish and Disseminate Information on Increasing Timber Processing and Utilization Efficiency and Reducing Waste (Global)                             |

**(B) Projects and Pre-Projects pending Agreement**

**Committee on Forest Industry**

- |                        |  |
|------------------------|--|
| 1. PD 189/03 Rev.1 (I) | Support Project for the Updating of Training in Forest Management and Forest Concession Management in Central African Forestry Schools (Gabon) |
| 2. PPD 58/02 Rev.2 (I) | Improving the Utilization Efficiency in Wood Industries in the South Pacific Region (PNG/Vanuatu)  |
| 3. PPD 80/03 Rev.2 (I) | Promoting the Utilization of Rubberwood from Sustainable Sources in Indonesia  |

**(C) Projects and Pre-Projects pending financing**

**Committee on Economic Information and Market Intelligence**

- |   |   |
|---|---|
| 1. PD 16/93 Rev.4 (M)<br>Phase IV, 2004             | Market Information Service for Tropical Timber and Timber Products, Phase IV, 2004 (ITTO)   |
| 2. PD 52/97 Rev.3 (M)<br>Phase II                   | Development and Implementation of an Educational Program to Inform the Wood Products Distribution Chain on the Value of Using Tropical Timbers from All ITTO Member Countries, Phase II (Ghana) |
| 3. PD 124/01 Rev.2 (M)<br>Phases I Stage 2, II, III | Promotion of Sustainable Management of African Forests (ITTO/ATO)   |
| 4. PD 179/02 (M)                                    | A Strategic Plan to Develop Decision Support Tools to Support the Forest Industry Organization of Thailand (FIO)  |
| 5. PD 196/03 Rev.1 (M)                              | Upgrading and Strengthening of the National Forest Statistical Information System in Venezuela  |
| 6. 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                          |
| 7. PPD 61/02 Rev.1 (M)                              | Review of the Present Situation and Development of a Strategy and Project for Enhancing the National Forestry Statistics Management System (Côte d'Ivoire)                                      |
| 8. PPD 62/02 Rev.1 (M)                              | Establishing a Forest Statistics Management System in the Democratic Republic of Congo  |

**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 75/01 Rev.2 (I) Nomenclature of African Tropical Timber (Congo)
3. PD 96/01 Rev.2 (I,F) Strengthening Capacity Building of Forest and Forest Products Research Base for Sustainable Forest Management in Cambodia
4. PD 103/01 Rev.4 (I) Demonstration of Rubberwood Processing Technology and Promotion of Sustainable Development in China and other Asian Countries (China)
5. 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)
6. 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
7. PPD 52/02 Rev.1 (I) Development of Small-Medium Solar Timber Dryer for Social and Productivity Improvement of Thai Villagers (Thailand)
8. PPD 68/03 Rev.1 (I) Study on the Utilization of Plantation Teak (Myanmar)
9. PPD 81/03 (I) Training Needs Analysis for the Furniture and Lumber Industries in the Philippines

The Committees had detailed discussions on:

**Committee on Economic Information and Market Intelligence**

**PD 16/93 Rev.4 (M)  
Phase IV, 2003/2004**

**Market Information Service for Tropical Timber and Timber Products (MIS) – Phase IV, 2003/2004 (ITTO)**

The Committees noted that at their Thirty-first Session, a strong recommendation for the continuation of this project through to 2004 was made to the Council. The Committees agreed to recommend to the Council the provision of immediate financing in the amount of US\$300,000 to enable the continuation of the Market Information Service (MIS) in 2004.

**PD 40/96 Rev.5 (M)**

**The Establishment of a National Statistical System for Imported Timber and Timber Products (Egypt)**

The Committees noted that the progress report submitted by the executing agency was not fully in conformity with the format prescribed in the ITTO Manual for Project Monitoring, Review and Evaluation, 1999. In the absence of the delegation of Egypt at the current Session of the Council, the Committees requested the Secretariat to convey to the executing agency the necessity to follow the ITTO format in reporting progress in the implementation of project activities.

**PD 39/98 Rev.2 (M)**

**Research on Value Accounting of Tropical Forest Environmental Resources and Bringing it in Line with the National Economic Accounting in China**

The Committees noted the satisfactory progress in the implementation of this project and recommended the project to be extended for 6 months, until June 2004 with no additional funds from ITTO. The Committees requested the executing agency to ensure the sponsorship of participants from producing member countries to the International Workshop as provided for in the budget.

**PD 47/98 Rev.2 (M)**

**Establishing a Data Collection and Dissemination System on a Sustainable Basis for Timber Marketing Statistics in Cameroon**

The Committees noted that the project was suspended following the inability of ANAFOR as the executing agency to engage the international consultant and to reimburse ITTO funds to the amount of US\$23,156 which were utilized without prior authorization from ITTO. During the special mission dispatched by the ITTO Secretariat in October 2003 to monitor the status of ITTO funded projects being implemented in Cameroon, the said ITTO funds were reimbursed by the Government of Cameroon on behalf of the executing agency which subsequently completed the engagement of the international consultant. The executing agency also submitted a proposal for a further extension of nine months of the duration of the project from November 2003 with no additional funds from ITTO, supported by a revised work-plan, to enable the completion of the work of the international consultant. The Committees noted the assurances provided by the delegation of Cameroon on the continued commitment of its government and the ability of the executing agency with regards to the completion of the project activities and the availability of counterpart funding in full and on time. On the basis of these developments, the Committees agreed to recommend to the Council that the suspension of the project be lifted and its duration be further extended by nine months from November 2003 with no additional funds from ITTO.

**PD 56/00 Rev.3 (M)**

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

The representative of Gabon provided a summary of project progress and a written progress report showing the project was on schedule to complete operations in early 2004. The Secretariat informed the Committees that a project monitoring mission would be carried out in mid-November 2003.

**PD 74/01 Rev.1 (M)**

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

The Committees noted the presentation made by Dr. Agus Setyarso (Project Coordinator) on the progress in the implementation of the on-going project including the finalization of technical reports on log/wood distribution and socio-economic conditions of problem areas. On-going activities relating to forest degradation monitoring; field training on application of forest capacity density monitoring; development of curriculum, syllabus and training materials; revision of procedures and guidelines; stakeholders consultative meetings; and establishment of coordinating forum and joint campaign programme were also noted. The Committees were informed that the project was being accorded high priority by the Government of Indonesia.

**PD 124/01 Rev.2 (M)  
Phase I Stage 1**

**Promotion of Sustainable Management of African Forests (ITTO/ATO)**

The Secretariat informed the Committees of the establishment of the project offices at ATO Headquarters and the preliminary activities undertaken in the first few months of implementation. The project coordinator had been engaged in July and preliminary visits to selected countries to establish contacts had been undertaken. ATO's counterpart staff had been appointed by September and a project bank account opened. Computer equipment had been purchased and a project homepage was being established on the internet to facilitate communications with country collaborators.

The Committees further noted that the project coordinator, together with an ATO representative, would be invited to attend the ITTO-FAO Expert Consultation on Criteria and Indicators to be convened in the Philippines in March 2004 pursuant to Decision 4(XXXIV). The first Project Steering Committee would be convened in November 2003.



**PPD 49/02 (M)**

**Review of the Indian Timber Market (ITTO)**

The Committees noted the presentation made by Dr. Maharaj Muthoo (consultant) and the preliminary report of the Review. In his presentation, the consultant highlighted the growing gap between increasing demand and almost static domestic supply of timber in India. Annual industrial roundwood imports, mostly of tropical hardwoods, had already exceeded 2 million cubic metres (having tripled during the last five years) and was estimated at around 10 million cubic metres by the end of the decade. The projected trends and prospects were validated through an analysis of secondary data and based on an in-depth survey conducted by the Review team in 15 major urban centres and a rapid rural appraisal of timber consumption. The study estimated an industrial roundwood consumption of over 70 million cubic metres, with a gap of over 14 million cubic metres, between potential demand and domestic supply. The consultant highlighted these as challenging prospects for ITTO producer countries, noting that their total tropical industrial roundwood exports hardly amounted to around 13 million cubic metres.

The consultant noted that, unlike most other commodities, the Indian timber market was disorganized and dispersed. He further noted the weakness of the national forest sector and its statistical system, which had resulted in timber traders, constructors and consumers having no source of reliable and timely timber market intelligence and economic information to turn to. This challenge could be converted into an opportunity by modernizing the statistical system and by further reducing the tariff and non-tariff barriers for facilitating imports and market diversification. The Committees commended the consultant for his report and presentation and requested him to take due account of the comments made in the finalization of his report.

**PP-A/23-63**

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

The Secretariat explained the need for more reliable and timely trade flow data such as that provided through the subscription-based Global Trade Atlas (GTA). It also noted the need for assistance in adapting its statistical databases to process such data. It further noted the need for additional funds to allow it to continue participating in the annual meetings of the Inter-Secretariat Working Group on Forest Statistics (IWG). The Committees recommended that the Council approve additional funding amounting to US\$50,000 (GTA subscription – US\$30,000; Database development – US\$15,000; IWG participation – US\$5,000) to allow these activities to be carried out.

**PPD 61/02 Rev.1 (M)**

**Review of the Present Situation and Development of a Strategy and Project for Enhancing the National Forestry Statistics Management System (Côte d'Ivoire)**

The Committees noted that the Government of Côte d'Ivoire had submitted a revised proposal of the pre-project in order to extend its status as an approved pre-project in accordance with the relevant provisions contained in Annex 2 of Decision 2(X).

**Committee on Forest Industry**

**PD 73/89 (M,F,I)**

**Assistance for Project Identification and Formulation (Global)**

The Committees noted the report presented by Mr. Jorge Malleux Orjeda (consultant), as contained in document CEM-CFI(XXXI)/6 "Second Mid-Term Evaluation of PD 73/89 (M,F,I) - "Assistance for Project Identification and Formulation". He introduced the assessment results of project proposals by Expert Panels and of the Project Formulation Training Workshops held from December 1999 to March 2003. It was noted that many ITTO Producing Member Countries still have limited capacity to identify, formulate and manage projects. Therefore, the continuation of this project is absolutely necessary since it has had a demonstration influence on improving the capacity of ITTO Producer Member Countries to access donor funds. Highlights of the recommendations of the report as presented included the following:

- Consultancy services: The strategy adopted by the project to use consultancies for project formulation seems to be technically more effective. However, cost

effectiveness becomes a serious constraint and it may be possible to maintain this approach in limited cases, such as in the development of transboundary projects.

- **Project Formulation Training Workshops:** The current project strategy could concentrate on national workshops and national institutional strengthening for project identification, formulation and monitoring by increasing the cost-effectiveness of the project PD 73/89 (M,F,I). More focus at a national level could help local institutions to reinforce their own capability in project formulation and management.

After comments by the delegates of Guatemala, Switzerland, New Zealand and Honduras, the Committees endorsed the recommendations to maintain the current strategy adopted in the consultancy services and to organize project formulation training workshops at a national level, based on request by member countries, to enhance capacity building of personnel in ITTO Producing Member Countries in the project identification and formulation. It was noted that ITTO Regional Officers can play an important role in improving the quality of project proposals to be prepared by members.

The Committees recommended to Council that additional funds in the amount of US\$250,000 be provided to organize national project formulation training workshops.

**PD 209/91 Rev.2 (I)**

**Study of Zairian Timber with a View to Promoting Certain Species (Democratic Republic of Congo)**

The Secretariat drew the attention of the Committees to the fact that the contractual arrangements for the implementation of this project were finalized in February 1993, but activities could not be initiated because of civil unrest in the country. With the progressive return to peace in the country, the DRC indicated its intention to revise the project in order to enhance its contribution to the recovery of the national timber industry. The Secretariat informed the Committees that it is expecting to receive the revised project document.

**PD 39/93 Rev.4 (I)**

**Research and Development in Energy Alternative from Biomass (Wood and Agricultural Residues) through Briquetting, Gasification and Direct Combustion (Malaysia and Cameroon)**

The Secretariat informed the Committees that project activities have almost been completed in Malaysia and that the only remaining activities are the organization of a final workshop to review and disseminate project results and the compilation of final reports. However, there have been serious delays in Cameroon pertaining to the first component of the project related to briquetting. The other two components on gasification and direct combustion have not been initiated. The Secretariat also informed the Committees that it did not receive a progress report from the participating executing agency in Cameroon (IRGM). The Committees urged the participating executing agency in Cameroon (IRGM) to submit the progress report and to speed up the implementation of the components of the project.

**PD 37/94 Rev.3 (I)**

**Strengthening of the Forest Products Laboratory of IBAMA (Brazil)**

The Secretariat informed the Committees that the project is being implemented efficiently and is in its final stage of implementation. However, the release of the last installment of funds is hampered by changes in the project funds administration procedures in Brazil. Under new regulations in Brazil, the executing agency (Forest Products Laboratory of IBAMA) had to seek the services of a third party (FUNTEC) for the administration of project funds. However, the agreement established between IBAMA and FUNTEC was deemed inappropriate as the management of the funds should remain with executing agency according to ITTO Rules. ITTO has conveyed these concerns to the executing agency and has requested the revision of the Agreement. No satisfactory response has so far been received from the executing agency. Further to the explanation provided by the representative of Brazil, the Committees requested that further consultations be undertaken between the Government of Brazil, the executing agency and ITTO with a view to resolving this issue and allowing the successful completion of the project.

**PD 13/99 Rev.2 (M,F,I)**

**ITTO Information Network [Phase I and Phase II] (Global)**

The Secretariat informed the Committees that, under this project, seventeen editions of the ITTO newsletter, the ITTO Tropical Forest Update (TFU) have been produced. The hardcopy mailing list for the newsletter continues to grow and is now over 11,000 in the three languages. The TFU is also available on ITTO's website. The Committees recommended to the Council the provision of funds in the amount of US\$530,000.00 to continue this service for 2004.

**PD 10/00 Rev.2 (F,I)**

**Sustainable Management and Utilization of Sympodial Bamboos in South China (China)**

The Committees took note of the proposal made by the delegate of China regarding an extension of 12 months to the project duration with no additional funds from ITTO in order to publish technical reports in English. The Committees agreed to this extension subject to the executing agency providing a detailed yearly plan of operation for the extension period to the Secretariat.

**PD 68/01 Rev.2 (I)**

**Training in Reduced Impact Logging in Guyana**

The Secretariat informed the Committees that project activities are progressing well. However, the latest project progress report indicated that contributions from two participating private companies, Caterpillar and Stihl to be channeled through the Tropical Forest Foundation (TFF) were not forthcoming and this had impeded progress in project implementation. The representative of the TFF informed the Committees that this issue has since been resolved. The chainsaws have been made available. Two new machines are being shipped from the Caterpillar company and a reconditioned skidder is being made available to the project. The TFF representative informed the Committees that project implementation would not suffer.

**PD 77/01 Rev.2 (I)**

**Contribution to the Development of Skills and Technical Training Structures at the Mbalmayo National School of Forestry (Cameroon)**

The Secretariat informed the Committees that the latest Project Steering Committee in December 2002 made several recommendations for speedy implementation of the project. This included the nomination of the Director of the Mbalmayo National Forestry School as the Project Coordinator. However, no progress report has been received by the Secretariat regarding implementation. The delegate of Cameroon informed the Committees that he could not report on the exact situation of the project. However, he has conveyed to the Minister in charge the concerns of the Committees over the slow implementation of this project. The delegate of Cameroon confirmed that a new Project Coordinator has just been appointed.

**PPD 6/99 Rev.3 (M,F,I)**

**Promotion of Non-Timber Forest Products in Terai Region of Nepal**

The Committees noted that the executing agency did not submit updated information on the completion of the pre-project. In this connection, the Committees urged the executing agency to submit a completion report and audited financial statement in accordance with the pre-project agreement as soon as possible.

10. Consideration of Project and Pre-Project Proposals

The Committees considered the following five 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(XXXIII)/5:

**Committee on Economic Information and Market Intelligence**

**PD 171/02 Rev.3 (M)**

**Transparency in Trade Flows and Distribution of Tropical Wood Products in China**

PD 194/03 Rev.2 (M)	Expanding and Improving Global Mangrove Database and Information System (GLOMIS) and its Networking (Japan)
PD 221/03 Rev.1 (M) Phase I	A Consumer Awareness Programme to Address Market Failures for Tropical Hardwoods (ITTO)

#### **Committee on Forest Industry**

PD 131/02 Rev.3 (I)	Training of Forest Practitioners for the Improvement of Forest Industry in Cambodia
PD 233/03 Rev.1 (I)	Application of Intermediate Technologies for Sustainable Forest Harvesting (Peru)

The Committees considered in detail the comments of the Twenty-sixth 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 thoroughly evaluated by the Committees. In addition, the Committees considered PPD 61/02 Rev.2 (M) as revised and resubmitted by the Government of Côte d'Ivoire. The detailed results of the Committees' evaluation and appraisal of these proposals are presented in Appendix B.

The Committees also considered the project idea "Promotion of Certified Forest Products Exports" as contained in document CEM-CFI(XXXII)/7 for which the Committees had deferred consideration at their previous Session due to the absence of the delegation of Bolivia. The Committees recommended that the project idea submitted and presented by Bolivia be formulated into a project or pre-project proposal and submitted to the ITTO project cycle.

#### 11. Policy Work

Nine issues under the Committee on Economic Information and Market Intelligence and three issues under the Committee on Forest Industry were discussed by the Committees at this Session.

##### **Economic Information and Market Intelligence**

###### **Market Access**

With regard to approved ITTO work relating to market access, the Committees were informed that the final report on Market Access of Tropical Timber as noted by the Committees at their previous Session was in the process of being published. 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) would also be published. The Committees were further informed that preparations were underway for the commencement of the approved and funded Council activity involving the study on measures to provide the expansion and diversification of international trade in tropical timber pursuant to Decision 12(XXXIV).

The Committees also noted the unsuccessful outcome of the WTO Fifth Ministerial Conference in Cancun, Mexico in September 2003 and its implications on the international trade in forest products and services. The Committees were also informed that the meetings of most WTO negotiating groups had been temporarily suspended.

The delegation of USA informed the Committees that WTO had been notified by USA on 23 May 2003 regarding the proposal to amend regulations covering the importation of all Solid Wood Packing Materials (SWPM) entering USA, requiring SWPM to be either heat-treated or fumigated and marked accordingly. Canada, Korea and New Zealand had also notified the WTO of their intention to implement the International Plant Protection Convention (IPPC) Guidelines. The Committees noted the potential implications and impacts of these notifications on the international trade in forest products.

## Forest and Timber Certification

The Committees were informed that the final report of the ITTO Study on the Potential Role of Phased Approaches to Certification as a Tool to Promote Sustainable Forest Management had been completed and was available under cover of document ITTC(XXXIII)/9 Rev.1. The ITTO Secretariat has been promoting its work on phased approaches to certification at appropriate fora including at the ITTO Side Events held in conjunction with the Third Session of the UNFF and the Twelfth World Forestry Congress. Further ITTO work on phased approaches to certification pursuant to Decision 10(XXXIV) regarding the development of procedures for the implementation of phased approaches to certification and the undertaking of a cost-benefit analysis for the implementation of phased approaches to certification by forest management units would also commence in the near future. The Secretariat was also implementing ITTC 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.

## Life Cycle Analysis (LCA) of Timber Products

The Committees recalled the presentation on the Review of Information on Life Cycle Analysis of Tropical Timber Products under PPD 48/02 (M) made by the consultant, Dr. Richard Murphy at their previous Session. The Committees noted that the final report incorporating the comments made by the Committees and the Secretariat has yet to be submitted by the consultant.

## Proposed Listing of Timber Species in the Appendices of CITES

The Committees noted the decisions taken at the Twelfth Meeting of the Conference of the Parties to CITES held in Santiago, Chile on 3-15 November 2002 on the inclusion of *Swietenia macrophylla* and *Gonystylus* spp. (ramin) in Appendices II and III of CITES respectively. The Committees further noted that the Council had been informed by the Secretariat that no new proposals to include tropical timber species in the appendices of CITES had been received from member countries or the CITES Secretariat. The Committees noted the report of the Secretariat to the Council under item 11 of its Agenda on the second meeting of the CITES Mahogany Working Group.

### (v) Trade in Secondary Processed Wood Products (SPWP)

The Committees noted that this item would be considered by the Council under item 10 of its Agenda on "Annual Review and Assessment of the International Timber Situation".

### (vi) United Nations Forum on Forests (UNFF) – Matters on Trade and Sustainable Forest Management

The Committees were informed that the Third Session of the UNFF was convened at the United Nations Office in Geneva from 26 May to 6 June 2003. As a common item in the UNFF multi-year work programme of work, trade and sustainable forest management was considered at the Session. Trade also featured prominently in the context of the economic aspects of forests which constituted one of the themes of the Session. The Committees were also informed of the on-going preparations for the Fourth Session of the UNFF scheduled for 3-14 May 2004 in Geneva as well as the convening of UNFF ad hoc expert groups (AHEGs) on monitoring, assessment and reporting (MAR) and finance and transfer of environmentally sound technologies (F&TEST) to be held in December 2003 in Geneva.

### (vii) Consider Activities to Fill Gaps in Data and Include Collecting and Analysing Data on Plantation Resources and Enhancing Analysis of Data on Undocumented Trade [ITTO Action Plan, Section 3.1, Goal 1]

The Committees noted the various activities being undertaken to fill data gaps and enhance analysis of data on undocumented trade by the Secretariat including on-going work on the JQ and the Annual Review, statistical workshops, the on-going review of the Indian timber market under PPD 49/02 (M), and work being carried out under Decision 6(XXXI). It was further noted that data on plantation resources was being sought through the 2003 JQ and members were requested to provide timely responses (data provided in 2002 and 2003 to date were generally of poor quality). Finally, the Committees noted that in addition to the comparison of trade flows carried out in the Annual Review of the World Timber Situation and under Decision 6(XXXI) to identify potential instances of

undocumented trade, the Secretariat had collaborated with the World Resources Institute, Forest Trends and others on this issue.

(viii) ITTO Work Programme 2003

The Committees noted the progress made in the implementation of their project and strategic policy activities as contained in document ITTC(XXXV)/13.

(ix) Draft ITTO Biennial Work Programme 2004-2005

The Committees considered and agreed to the proposed project and strategic policy activities to be undertaken in 2004-2005 by the Committee on Economic Information and Market Intelligence as contained in document ITTC(XXXV)/14 on the Draft ITTO Biennial Work Programme for 2004-2005. The ITTO Biennial Work Programme 2004-2005 for Economic Information and Market Intelligence as prioritized and approved is attached in Appendix C. The draft terms of reference and indicative budgets for activities (v), and (vii) are contained in Appendices C-1 and C-2.

**Committee on Forest Industry**

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

The Secretariat informed the Committees that two consultants, Dr. Lachlan Hunter (New Zealand) and Dr. Roszehan Mohd. Idrus (Malaysia) had been engaged to carry out the study. The Committees noted the presentation made by Dr. Lachlan Hunter (consultant) on preliminary work carried out under the pre-project, which included information on field visits undertaken in Malaysia and Papua New Guinea. The presentation included a general introduction of the methodology to be utilized to assess the benefits of downstream processing and highlighted the variation in interest towards processing in relation to the stage of development and the availability of timber resources. The consultant stressed that a wide spectrum of products is needed to maximize benefits and ensure strong forest economies. The representative of the PNG Forest Industries Association expressed strong support for local further processing and offered to cooperate in the conduct of the study. The representative of Gabon suggested that all benefits derived from downstream processing should be taken into account. The delegate of New Zealand stressed the importance of taking into account the multiplier effect of downstream processing. The Committees recommended that the study be pursued with more quantitative and factual information and field visits to other selected countries.

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

The Secretariat informed the Committees that a group of consultants has been hired to carry out the study. The Committees noted the presentation made by Mr. Tapani Okasanen (consultant) on preliminary work carried out so far under the pre-project. The presentation included the identification of various stages of waste generation and the two generic options for their utilization; ie recovery processing operations and energy generation. The Committees noted that case studies in Cameroon and Ghana, and in Brazil and Honduras are still underway. A draft final report will be presented during the next Session of the Committees.

(iii) Draft ITTO Biennial Work Programme 2004-2005

The Committees considered and agreed to the proposed project and strategic policy activities to be undertaken in 2004-2005 by the Committee on Forest Industry as contained in document ITTC(XXXV)/14 on the Draft ITTO Biennial Work Programme for 2004-2005. The ITTO Biennial Work Programme 2004-2005 for Forest Industry as prioritized and approved is attached in Appendix C. The draft terms of reference and indicative budget for activities (iv), (v) and (vi) are contained in Appendices C-3, C-4 and C-5.

12. Election of Chairpersons and Vice-Chairpersons for 2004

Following the usual consultations undertaken by the producer and consumer groups, Prof. Yeo-Chang Youn (Republic of Korea) was elected Chair of the Committee on Economic Information and Market Intelligence and Ing. Renzo Silva (Venezuela) was elected Vice-chair for

2004. Ms. Astrid Bergquist (Sweden) was elected Chair of the Committee on Forest Industry and Ms. Celestine Ntsame-Okwo (Gabon) was elected Vice-chair for the year 2004.

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

The Thirty-fourth Session of the Committees would be held in conjunction with the Thirty-sixth Session of the International Tropical Timber Council in Interlaken, Switzerland, on 20-23 July 2004.

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 in Brazzaville, Republic of Congo, on 24-26 May 2005.

14. Other Business

The Committees noted the statement of the Trade Advisory Group (T-A-G) presented to the Council in Appendix D.

15. Recommendations to the International Tropical Timber Council

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

**Committee on Economic Information and Market Intelligence**

PD 171/02 Rev.3 (M)	Transparency in Trade Flows and Distribution of Tropical Wood Products in China [US\$280,158]
PD 194/03 Rev.2 (M)	Expanding and Improving Global Mangrove Database and Information System (GLOMIS) and its Networking (Japan) [US\$484,865]
PD 221/03 Rev.3 (M) Phase I	A Consumer Awareness Programme to Address Market Failures for Tropical Hardwoods (ITTO) [Phase I US\$352,850]
PPD 61/02 Rev.2 (M)	Review of the Present Situation and Development of a Strategy and Project for Enhancing the National Forestry Statistics Management System (Côte d'Ivoire) [US\$62,555]

**Committee on Forest Industry**

PD 131/02 Rev.4 (I)	Training of Forest Practitioners for the Improvement of Forest Industry in Cambodia [US\$290,842]
PD 233/03 Rev.2 (I)	Application of Intermediate Technologies for Sustainable Forest Harvesting (Peru) [US\$552,089]

- (ii) The Committees recommended that additional funding be made immediately available for the following projects and activity:

**Committee on Economic Information and Market Intelligence**

PD 16/93 Rev.4 (M) Phase IV, 2004	Market Information Service for Tropical Timber and Timber Products, Phase IV, 2004 (ITTO) [Additional fund: US\$300,000]
PP-A/23-63	Activity to Facilitate Development of a Joint ITTO/ECE-FAO/EUROSTAT Forest Statistics Questionnaire Phase II (ITTO) [Additional fund: US\$55,500]

**Committee on Forest Industry**

- PD 73/89 (M,F,I) Assistance for Project Identification and Formulation (Global)  
[Additional fund: US\$250,000]
- PD 13/99 Rev.2 (M,F,I) ITTO Information Network [Phase I and Phase II] (Global)  
[Additional fund: US\$530,000]

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

**Committee on Economic Information and Market Intelligence**

- PD 52/97 Rev.3 (M)  
Phase II Development and Implementation of an Educational Program to Inform the Wood Products Distribution Chain on the Value of Using Tropical Timbers from ITTO Member Countries - Phase II (Ghana) [US\$180,994]
- PD 124/01 Rev.2 (M)  
Phase I Stage 2,  
Phase II, Phase III Promotion of Sustainable Management of African Forests (ITTO/ATO) [Phase I Stage 2 - US\$634,982, Phase II - US\$864,070, Phase III - US\$1,444,144]
- PD 179/02 (M) A Strategic Plan to Develop Decision Support Tools to Support the Forest Industry Organization of Thailand (FIO) [US\$95,082]
- PD 196/03 Rev.1 (M) Upgrading and Strengthening of the National Forest Statistical Information System in Venezuela [US\$384,265]
- 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 [US\$35,934]
- 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 75/01 Rev.2 (I) Nomenclature of African Tropical Timber (Congo) [US\$89,835]
- PD 96/01 Rev.2 (I,F) Strengthening Capacity Building of Forest and Forest Products Research Base for Sustainable Forest Management in Cambodia [US\$494,374]
- 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 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) [US\$28,090]
- 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 [US\$50,000]



- 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]

(iv) The Committees recommended to the Council that the suspension of project PD 47/98 Rev.2 (M) "Establishing a Data Collection and Dissemination System on a Sustainable Basis for Timber Marketing Statistics in Cameroon" be lifted with immediate effect.

16. Report of the Session

The Committees adopted this report for submission to the Council.

## APPENDIX A

### IMPROVING EFFECTIVENESS OF PROJECT WORK FROM EX-POST EVALUATIONS

#### TERMS OF REFERENCE OF THE WORKING GROUP

##### Introduction

A large number of ITTO completed projects has been subject to an ex-post evaluation. In order to draw lessons from these evaluations with the view to improving project formulation, implementation and monitoring, the three technical committees have compiled experiences from these evaluations for the consideration of a Joint Session of the Committees during their Thirty-third Session in November 2003 in Yokohama. During the Session, the Committees decided to establish a Working Group to carry an in-depth analysis of the lessons which can be learned from these evaluations and make appropriate recommendations to improve the effectiveness of projects and project management.

##### Objective

To improve the effectiveness and efficiency of the ITTO project work and enhance its contribution to ITTO Objectives and priorities.

Tasks of the Working Group: based on a document prepared by a consultant, the Working Group will:

- review lessons which can be learned from ex-post evaluations as contained in Documents CRF(XXX)/19; CEM,CFI(XXXII)/5; and CEM-CFI(XXXIII)/3;
- review lessons which can be learned from ex-post evaluations of 14 projects in the fields of Demonstration Areas/Model forests for SFM and Reduced Impact Logging, as included in the reports of ex-post evaluation tabled at this Thirty-third Session of the Committee on Reforestation and Forest Management;
- based on lessons learned from ex-post evaluation of ITTO completed projects, on recommendations of the Experts Panel for Project Appraisal, on recommendations of the Experts Panel on Management of Project Implementation and on experiences in project management from other similar organizations, propose measures to strengthen the various components of the ITTO Project Cycle, from project identification and formulation to project implementation, review and evaluation;
- identify specific measures to be taken to strengthen the Project Cycle by the various bodies involved in relevant components of the Project Cycle, including, inter alia: Member countries and Contact Points, Executing Agencies, ITTO Secretariat, Panel of Experts for Technical Appraisal of Project Proposals, Committees and Council;
- propose measures to build strong linkages between project identification/formulation and project management/implementation and to strengthen countries capacity in these domains;
- taking into account the apparent recurrence of problems related to the quality and management of ITTO projects, and its impact in the attainment of ITTO's goals, identify a mechanism for a regular review of the status of implementation of the recommendations of the Working Group.

##### Expected output

It is expected that the Working Group will Compile, analyze and translate lessons learned and recommendations into implications for project identification/formulation and project management/implementation, and submit its report for consideration at the Thirty-fourth Session of the Joint Committees in July 2004.

##### Composition of the Working Group

- 3 representatives from producing countries, one from each producing region;
- 3 representatives from consuming countries;
- the Chairperson of the Panel of Experts for Technical Appraisal of Project Proposals;
- the Chairperson of the Panel of Experts on Management of Project Implementation;
- an invited expert, knowledgeable of project management in similar organizations.

Duration

5 working days

Budget

Total : \$100,000

Supporting Documents:

CRF(XXX)/19 [Agenda Item 7] Report to the ITTC from the Thirtieth Session of the Committee on RFM;  
CEM,CFI(XXXII)/5 Lessons learnt from ex-post evaluation missions carried out by the Committee on FI;  
CEM-CFI(XXXIII)/3 Lessons learnt from ex-post evaluation missions carried out by the Committee on EIMI;  
ITTC (XXXIV)/6 Report of the Expert Panel to Improve ITTO Project Formulation and Appraisal;  
ITTC(XXXV)/8 Report of the Expert Panel on Management of Project Implementation;  
ITTC Decision 8(XXIV);  
CEM-CFI(XXXIII)/6 Second Mid-term Evaluation of PD 73/89(M,F,I) "Assistance for Project Identification and Formulation";  
Reports of the Panel of Experts for Technical Appraisal of Project Proposals (Twenty-third to Twenty-six Sessions);  
Rules and Procedures Applying to ITTO Projects;  
ITTO Manual for Project Formulation (Second Edition);  
ITTO Manual for Project Monitoring, Review and Evaluation (Second Edition);  
ITTO Financial Rules and Rules Relating to Projects;  
Original reports of ex-post evaluation of relevant projects and any synthesis report (for consultation at the ITTO Secretariat).

## 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.3 (M)      Transparency in Trade Flows and Distribution of Tropical Wood Products in China

The Committees noted that the 26th Expert Panel's comments and recommendations had been incorporated into the revised proposal. The Committees recommended that the proposal be approved for immediate funding and implementation.

- (ii) PD 194/03 Rev.2 (M)      Expanding and Improving Global Mangrove Database and Information System (GLOMIS) and its Networking (Japan)

The Committees noted that the 26th Expert Panel's comments and recommendations had been incorporated into the revised proposal. The executing agency (ISME) provided background information on the proposal and expressed thanks for ITTO's previous support of the development of the GLOMIS database. Clarifications on one budget element and the on-going sustainability of the database were provided by ISME. The Committees recommended that the proposal be approved for immediate funding and implementation.

- (iii) PD 221/03 Rev.1 (M)      A Consumer Awareness Programme to Address Market Failures for Tropical Hardwoods (ITTO)

On reviewing the revised proposal the Committees expressed concern on the size of the total budget and noted that, even with a phased approach as suggested by the Expert Panel on Project Appraisal, the cost of the various phases remain high. Further concern was expressed on the timing of some activities in the four phases of the project proposal.

The Committees also noted that the project document justification and background does not emphasize sufficiently strongly the need to ensure that proposed activities do not duplicate work already undertaken by ITTO. It also urged that the lessons learnt from recently completed projects, such as PD 52/97 Rev. 3 (M) and others that may be ongoing, should be taken into account in formulating the work plan and terms of reference for the various activities being proposed.

In view of the many comments and the considerable interest in this project proposal, a working group was established to review the activities and budget for the proposed phase 1. The working group restructured the phase 1 activities and prepared a new budget. This is reflected as the third revision of the phase 1 of the project proposal.

The Committees agreed to recommend to Council the approval of PD 221/03 Phase 1 (Rev.3) of the project and the immediate provision of funds to allow the project to proceed. The Committees further recommended that this project be submitted to the Common Fund for Commodities (CFC) for their consideration.

- (iv) 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)

The Committees noted that the Government of Côte d'Ivoire had submitted a revised proposal of the pre-project in order to extend its status as an approved pre-project in accordance with the relevant provisions contained in Annex 2 of Decision 2(X). The Committees further recommended that the proposal be approved for immediate funding and implementation.

### **Committee on Forest Industry**

- (i) PD 131/02 Rev.3 (I) Training of Forest Practitioners for the Improvement of Forest Industry in Cambodia

The Committees noted that the project aims at enhancing human resource development in the Cambodia forestry industry sector through implementing a training programme for practitioners with a low educational background. It also noted the recommendations and comments made by the Twenty-sixth 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 PD 131/02 Rev.4 (I) which incorporates a minor modification in the budget to appropriately account for the ITTO Programme Support Costs (6%).

- (ii) PD 233/03 Rev.1 (I) Application of Intermediate Technologies for Sustainable Forest Harvesting (Peru)

The delegate from Peru introduced the proposal to the Committees and highlighted the modifications made in the revised proposal to address the recommendations of the Twenty-sixth Expert Panel of Technical Appraisal of Project Proposals. The Committees noted that the project title was simplified from "Support for the Sustainable Development of Small Forest Industrialists through the Use of Appropriate Intermediate Technologies in Forest Harvesting" to "Application of Intermediate Technologies for Sustainable Forest Harvesting". It also noted that all the recommendations of the Expert Panel had been adequately addressed in the revised proposal. The Committees expressed satisfaction with the revised proposal and agreed to recommend to the Council the approval and implementation of PD 233/03 Rev.2 (I) which incorporates a minor modification in the budget to appropriately account for the ITTO Programme Support Costs (6%).

## SUMMARY TABLE

## TECHNICAL EVALUATION OF PROJECTS AND PRE-PROJECTS

PROJECT DOCUMENT	ITTA OBJECTIVES Article 1	ITTO BUDGET US\$	DURATION (MONTHS)	GEOGRAPHIC COVERAGE	RECOMMENDATION(*)
<b>Committee on Economic Information and Market Intelligence</b>					
PD 171/02 Rev.3 (M)	a, h, l, n	280,158	24	P.R. China	1
PD 194/03 Rev.2 (M)	c, d, f, j, l, n	484,865	24	Japan	1
PD 221/03 Rev.3 (M) Phase I	c, e, k	352,850	18	Global	1
PPD 61/02 Rev.2 (M)	b, d, h, k, m	62,555	4	Côte d'Ivoire	1
<b>Committee on Forest Industry</b>					
PD 131/02 Rev.4 (I)	d, f, i, l, m	290,842	24	Cambodia	1
PD 233/03 Rev.2 (I)	c, d, e, g, i, n	552,089	24	Peru	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.  
1. 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.

APPENDIX C

ITTO BIENNIAL WORK PROGRAMME 2004-2005 FOR  
ECONOMIC INFORMATION AND MARKET INTELLIGENCE AND FOREST INDUSTRY

ALL THREE TECHNICAL COMMITTEES

PROJECT ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) With the assistance of the Expert Panel for Technical Appraisal of Project Proposals, appraise relevant committee project and pre-project proposals submitted by Member countries [ITTA, 1994, Article 27(4)].	Routine. Regular Sessions' work.
(ii) With assistance of the ITTO Secretariat and independent consultants (as necessary), ensure effective monitoring and evaluation of approved projects in the relevant Committees [ITTA, 1994, Article 27(4)].	Routine. Regular Sessions' work.
(iii) Review the results of project work in the relevant committees and make recommendations to Council on ITTO's Work Programme [ITTA, 1994, Article 27(4)].	Routine. Regular Sessions' work.
(iv) Select projects for ex-post evaluation following procedures outlined in ITTC Decision 3(XXVIII) [Yokohama Action Plan, Section 1.6 and ITTC Decision 3(XXVIII)].	Routine. Regular Sessions' work.
(v) Consider project ideas and provide guidance to Member countries for the formulation of relevant committee project proposals which meet the priorities set in the ITTO Yokohama Action Plan [Yokohama Action Plan, Section 1.6].	Routine. Regular Sessions' work.
(vi) Consider and, if appropriate, take action to disseminate information on projects findings and results [ITTA, 1994, Article 27(4), ITTO Yokohama Action Plan, section 2, actions d and e].	Routine. Regular Sessions' work.

STRATEGIC POLICY ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Review the results of policy work in the relevant Committees and make recommendations to Council on ITTO's Work Programme [ITTA, 1994, Article 27(4), ITTO Yokohama Action Plan, Section 1.6].	Routine. Regular Sessions' work.

## COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE

### STRATEGIC POLICY ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Assist the Trade Advisory Group (T-A-G) in organizing and holding the ITTO Annual Market Discussion 2004 on the world tropical timber trade during the Thirty-sixth Session of the ITTC, Switzerland, 20-23 July 2004 [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 4].	Regular Sessions' work. The theme for the 2004 Market Discussion will be "Marketing Tropical Timber: the good, the bad and the future".
(ii) Assist the Trade Advisory Group (T-A-G) in organizing and holding the ITTO Annual Market Discussion 2005 on the world tropical timber trade during the Thirty-eighth Session of the ITTC (May 2005) [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 4].	Regular Sessions' work. The theme for the 2005 Market Discussion will be determined during the Thirty-fifth Session of the Committee (13-18 December 2004).
(iii) Consider activities to promote awareness of progress made in implementing sustainable forest management and in the increased availability of tropical timber from sustainably managed sources [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 1].	Regular Sessions' work.
(iv) Workshop on Capacity Building for the Implementation of Mahogany CITES Listing in Bolivia, Brazil and Peru [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 7, ITTC Decision 7(XXXIV)].	Estimated cost: US\$150,000.
(v) Market study on tropical plantation timber [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 3].	Estimated cost: US\$150,000.
(vi) Auditing of Existing Tracking Systems in Tropical Forest Industries [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 1].	Estimated cost: US\$130,000.
(vii) Review of the Timber Market in Two Significant Tropical Timber Importing Countries [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 5].	Estimated cost: US\$200,000.
(viii) Study on subsidies affecting tropical timber products [ITTO Yokohama Action Plan, Section 3.1, Goal 2, Action 2].	Estimated cost: US\$150,000.

## COMMITTEE ON FOREST INDUSTRY

### STRATEGIC POLICY ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) Develop, publish and disseminate information on increasing timber processing and utilization efficiency and reducing waste [ITTO Yokohama Action Plan, Section 3.3, Goal 2, Action 1].	The Committee will consider results of a study in this field [PPD 66/02 (I)] and will identify and make recommendations on further work, if needed.



### Activity

- (ii) Assess multiple benefits of downstream processing for creating or producing high-value internationally competitive products [ITTO Yokohama Action Plan, Section 3.3, Action 5].
- (iii) Monitor the impact of technical and environmental standards on the efficiency of industrial operations [ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 3 and Goal 2, Action 8].
- (iv) Promote private investment through facilitating information exchange on investment opportunities [ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 1].
- (v) Promote the establishment of efficient and socially sound community-based forest industries [ITTO Yokohama Action Plan, Section 3.3, Goal 2, Action 8].
- (vi) Study and promote policies and other measures to increase the competitiveness of the tropical plywood industry [ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 2].

### Implementation Approach and Cost Implications

The Committee will consider the results of the assessment of multiple benefits of downstream processing, being implemented under pre-project PPD 35/01 (I) and will make recommendations on further work, if required.

The Committee will monitor the implementation of Decision 12(XXXIV) and review the report of the consultants, which will be tabled during the Thirty-sixth Session of the Council. The Committee will also identify issues requiring further work and develop terms of reference and associated budget for recommended activities.

Estimated cost: US\$250,000.

Estimated cost of the study: US\$150,000.

Estimated cost: US\$150,000.

## APPENDIX C-1

### MARKET STUDY ON TROPICAL PLANTATION TIMBER PRODUCTS [ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 3]

#### 1. Background

Forest plantations in tropical countries have variously been portrayed as the saviour of the natural forest, the most environmentally sound means of timber production, as highly productive and cost effective means of timber production and as an attractive investment for tropical countries with dwindling natural forest log supplies.

However serious doubts have been expressed on the wisdom of tropical countries embarking on major plantation efforts without adequate information on what will profitably grow and what products will sell competitively in the domestic and international markets now and in the future.

A recent paper on the global outlook for wood products supply and demand by the UN/ECE Timber Committee stunned many with figures showing a growing surplus of temperate wood in some regions and a general global over-supply of commodity timbers.

The differences between what is growing (annual increment) and what is harvested every year is considerable and harvestable stocks in some major timber-producing regions are increasing. For example the Baltic countries use just about half the annual increment of their forests, while Russia harvests an astonishingly low 16% of its apparent sustainable yield. North American timber production also exceeds consumption and the excess is forecast to grow by 2010.

In addition approximately 4 million hectares of radiata pine plantations exist worldwide, primarily in the Pacific Rim region. Chile and New Zealand possess the largest areas of radiata pine plantations, with 1.3 and 1.2 million hectares respectively.

The establishment of new radiata pine plantations has increased substantially in both New Zealand and Chile over the past 30 years. In Chile, for example, new plantation establishment exceeds the rate of harvest by a ratio of four to one.

Radiata pine plantations produce timber much faster than natural forests. In Chile, the sustained yield from radiata pine plantations is currently 15 million cubic metres, and this is expected to increase to 24 million cubic metres by the year 2010. A similar situation exists in New Zealand, where radiata pine plantations currently produce 13 million cubic metres per year, with annual production expected to increase to 24 million cubic metres by 2010 and 33 million cubic metres by 2020.

In contrast tropical timber production is not increasing. The *ITTO Annual review and assessment of the world timber situation* estimates it at around 125 million cubic metres in 2002. Production has been in the range 122-126 million cubic metres for the last five years substantially below the levels of the early 1990's that approached 140 mil. cubic metres continuing a gradual decline in the industrial timber harvest in natural tropical forest can be expected.

This all points to a shift in the consumption of commodity wood products in the medium term (as predicted by Alf Leslie in the *TFU* three years ago in the face of a 'tidal wave' of plantation timber).

With a looming global surplus of commodity plantation timbers (estimates say some 900 mil. cubic metres will be available between now and 2020 of mainly low density woods) tropical countries are faced with difficult choices. Are domestic plantations necessary for tropical countries and will products of tropical plantations be competitive in the market place? And, is certification a market incentive to promote tropical plantations?

The diminishing comparative advantage of tropical timber producers which is accompanying the decline in old growth forests is having a major impact on the structure of the forest industry and trade in wood products and this influence is likely to accelerate.

This study will examine the current and potential markets for tropical plantation timbers and will assess the impact of certification on market development for the products from tropical timber plantations.

**2. Terms of Reference**

The consultant/s will:

- Review the literature and report on the distribution of tropical plantations, their extent and composition.
- Report on the production and trade in tropical timber products from plantation sources.
- Report on the end-uses for tropical plantation timber products.
- Report on the competitiveness of tropical plantation timber and products there-of vis-à-vis competition from non-tropical timbers in the international market place and in the domestic markets of tropical producer countries.
- Report on the extent of certified tropical plantation forests and discuss the impact of certification on the competitiveness and marketability of products from tropical plantations, including the relative costs of securing certification of these forests compared to natural tropical forests.
- Discuss the various policy measures and issues driving the debate in tropical producer member countries with regards to plantation development (including establishment subsidies) and offer suggestions as to where ITTO could best offer assistance.
- Present a draft report to the Committee and incorporate suggestions made in the final report.

**3. Duration** Twelve months

**4. Country Coverage (Bold for Field Visit)**

South and Central America	Africa	Asia-Pacific
<b>Brazil</b>	<b>Cameroon</b>	<b>Indonesia</b>
<b>Ecuador</b>	<b>Ghana</b>	<b>Philippines</b>
<b>Panama</b>	<b>Gabon</b>	<b>Fiji</b>
Peru	Ivory Coast	Malaysia
Venezuela		Thailand
		India

**5. Budget**

<b>Budget Component</b>	<b>Unit Cost US\$</b>	<b>Total US\$</b>
<b>Personnel</b>		
International Consultant/s 6 months	10,000	60,000
<b>Component total</b>		<b>60,000</b>
<b>Travel and Subsistence</b>		
International Consultant Air Travel (3 Regions and ITTC)	8,000	32,000
Domestic Travel National Consultants (3 Regions)	2,000	6,000
DSA International Consultant/s 80 Days	200/day	16,000
National Consultants 15 days per Region (3)	200/day	9,000
<b>Component total</b>		<b>63,000</b>
<b>Miscellaneous</b>		
Contingencies	2,135	2,135
Report Editing, Design Printing and Distribution	10,000	10,000
<b>Component total</b>		<b>12,135</b>
<b>ITTO Administration</b>		
Programme Support (11%)	14,865	14,865
<b>Grand Total</b>		<b>150,000</b>

## APPENDIX C-2

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

#### 1. Background

In 1990 ITTO commissioned a study PD 61/89 (M) entitled "Statistical Information and Market Indicators: Study of the Trade and Market for Tropical Hardwoods In Japan". The study carried out a review of the Japanese market for tropical hardwood products; trends and prospects for tropical hardwood products; and a guide for foreign traders on Japan's import products' standards. Similarly, in 1997 ITTO commissioned the study PD 25/96 Rev.2 (M) "China's Consumption of Forest Products and its Demand for them in the International Market by The Year 2010", an update of an earlier study. The study provided forecasts to the year 2010 on China's production, consumption and trade of tropical forest products.

The markets for tropical hardwood products in these countries have changed substantially in the last years. Imports of tropical products have been falling in Japan while China has become the largest importer of tropical logs and sawnwood, the largest exporter of wooden furniture and the third largest exporter of tropical plywood. New standards of formaldehyde emission levels in Japan are further affecting tropical plywood imports. It is, therefore, timely to provide a reassessment of the timber market in China and Japan. Where appropriate, this reassessment should be carried out in close association with similar studies being currently carried out by other organisations.

#### 2. The proposal

It seems pertinent that a study be conducted to gain an insight into the current supply and demand status of the timber market in China and Japan and the opportunities in these markets for ITTO exporters. It is proposed that international/national consultants be engaged to carry out a study in close association with local agencies and institutions.

The international consultant(s) shall travel to China and Japan in order to obtain secondary information on production, trade and consumption of timber from relevant forest-related agencies. The consultant(s) shall also coordinate the collection of primary data in main urban consumption centres through the engagement of national consultants, where appropriate. The following terms of reference describe the consultancy work. The Review should also consider the results of relevant related studies including outcomes from ITTO project PD 171/02 Rev.3 (M) "Transparency in Trade Flows and Distribution of Tropical Wood Products in China", which aims at providing information to domestic and foreign traders on tropical wood product flows and information, and analyzing consumer attitudes and purchasing attitudes to certified tropical forest products.

#### 3. Terms of Reference

##### I. Statistical Data Review

Building upon the results of the market studies to be undertaken under PD 171/02 Rev.3 (M) with an aim of not duplicating efforts, 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 China and Japan. This analysis should cover industrial roundwood, sawnwood, veneer, plywood, builders joinery and wood furniture.
2. Identify the sources of statistical data used in (1) above and provide an assessment of the reliability and timeliness of this data.

##### II. Tropical Timber Consumption Analysis

3. For the main Chinese urban consumption centres of Beijing, Heilongjiang, Liaoning, Guangdong and other as determined, 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.
4. For each of the urban consumption centres above, identify and report on the end-use distribution (construction, builders' woodworking, furniture, furniture components, flooring, etc.) for each tropical timber product referred to above.
5. Report on distribution channels in the tropical timber market in China and Japan. This report, where possible, should include the end-uses for each tropical timber product.

6. Assess the current trends of the market for tropical timber products in these two countries, providing a view of end-use sectors where tropical timbers are likely to be competitive vis-à-vis temperate hardwoods, softwoods and other substitutes.
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. Assess the perceived non-tariff barriers to tropical timber imports.

### III. Final Reporting

9. Prepare a preliminary report for the consideration of the Secretariat and present a final report to the Committee on Economic Information and Market Intelligence.
10. 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.

### 4. Duration

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

### 5. Budget

Budget component	Unit cost	Total
<b>10. Personnel</b>		
13. National consultants (10 man-months)	1,500	15,000
16. International consultant(s) (8 man-months)	10,000	80,000
<b>19. Component total</b>		<b>95,000</b>
<b>30. Duty travel</b>		
31. DSA national consultants (15 days x 10 cities)	150	22,500
32. International Travel [ITTC, China, Japan*] DSA international consultant(s) (60 man-days)	8,000 200	24,000 12,000
33. Domestic travel (in China, Japan)	7,500	7,500
<b>39. Component total</b>		<b>66,000</b>
<b>60. Miscellaneous</b>		
63. Contingencies		1,180
64. Publication: editing, design and printing		16,000
65. Communications		2,000
<b>69. Component total</b>		<b>19,180</b>
<b>Sub-total</b>		<b>180,180</b>
<b>80. ITTO Administration</b>		
84. Programme support costs (11%)		19,820
<b>89. Component total</b>		<b>19,820</b>
<b>100. GRAND TOTAL</b>		<b>200,000</b>

\*The first trip to China and Japan via Yokohama for briefing from the Secretariat

## APPENDIX C-3

### 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 sound 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, including bamboo and rattan, 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, including bamboo and rattan, 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-fifth session and a final report at its Thirty-sixth 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 eighteen months.

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

## APPENDIX C-4

### 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 million<sup>3</sup> in 1992 but totaled 20 million m<sup>3</sup> 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 two years.

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



## APPENDIX C-5

### PROMOTION INVESTMENT IN NATURAL FOREST-BASED INDUSTRIAL DEVELOPMENT [ITTO Yokohama Action Plan, Section 3.3, Goal 1, Action 1]

Flourishing forest industries based on sustainable sources are essential for achieving sustainable forest management. Building such industries requires investment, but, unfortunately, investments in industries based on products derived from natural tropical forests have dwindled in recent years. The main reasons for this have been related to environmental concerns, which have led to tighter regulations and consequent increases in production costs and restrictions on market access. Although attempts have been made to reverse these trends, there is an urgent need to promote more private investment in natural tropical forest-based industrial development as an essential part of the achievement of sustainable forest management. To contribute towards this goal, it is proposed that ITTO convene an investment promotion forum to fully discuss the issue, and, in conjunction with this, an investment promotion seminar focussed on a specific wood product.

1. Convene an international investment promotion forum to:
  - (i) Review the forest industry recent past investment and investment trends (focus on natural forest-based industries).
  - (ii) Critically exam constraints to private-sector investment in natural forest-based industrial development.
  - (iii) Discuss and recommend measures to enhance the investment environment and to attract investment for forest industries based on sustainable managed natural forests.

2. Promotion of a Selected Further Processing Product: e.g. Flooring

To promote domestic production and marketing of export flooring materials in selected countries.

Activities:

- (i) Identify key flooring products which are or could be manufactured in a competitive way by selected producer country(s) for a selected import market.
  - (ii) Commission and undertake comprehensive studies on their production technologies and markets.
  - (iii) Identify producers and potential products, as well as buyers and consumers and other potential partners for eventual joint-venture or for other forms of production/trade cooperation, and organize a promotion seminar among these partners.
  - (iv) Convene a promotion seminar, in conjunction with the international forum on the selected product. The seminar programme could include:
    - Information on the selected product.
    - Report on the existing and potential markets.
    - Report on production and manufacturing technology.
    - Reports on selected case studies on the potential of selected companies to produce and market one or more of the flooring products.
    - A report on the potential for cooperation on production/trade promotion between producers and importers/consumers.
3. Budget for investment forum and associated seminar: US\$250,000

## APPENDIX D

### STATEMENT OF THE TRADE ADVISORY GROUP (T-A-G)

Barney Chan, Coordinator  
5 November 2003

#### Introduction

The year has been difficult for the trade. Demand for tropical timber has been severely affected in many of the major markets as the world economies struggled to shake off economic recession. SARS and the Middle East conflicts have all had a serious impact on consumer confidence and this has affected the timber trade. Currency fluctuations have also made trading difficult. The Japanese Yen, the US dollar and the Euro have been extremely volatile and currency hedging has become an even more important skill in the timber business.

While we have seen encouraging signs of improvement in the prices for logs and sawnwood in some producing regions, the tropical plywood sector is still reeling from desperately low prices.

At these price levels production is becoming unprofitable to the point where mills are either cutting back on production or even being forced to close. The consequences of this have been serious job losses in the sector.

#### Illegal Logging and the Trade in Illegal Timber

Illegal logging and associated illegal trade exists. No country is immune. Its causes are complex and unique to each particular situation. We do know that illegal activities are especially rampant where there has been a breakdown in the rule of law and in areas of civil unrest.

TAG condemns those who engage in illegal activities. As representatives of the legitimate industry, it is in our own self-interest that efforts are made to curtail illegal logging.

It concerns us that discussions on illegal logging are becoming increasingly politicized. There appears to be a rush to judgment, to indict all of industry for the illegal activities of a few. This is wrong. If we continue down this path, the future of the tropical timber trade is at risk.

It is imperative that we move forward together in a positive direction that pursues solutions. Industry must be an equal partner in this pursuit.

Industry has been remiss in answering some of the absurd allegations that surround the very real problem of illegal logging. We have left unanswered charges of gross negligence.

We do so no longer.

Producing and consuming countries have systems in place that account for the purchasing and inventory of raw materials and products. Domestic industry and the international trade operate on a system of permits, certificates and receipts.

TAG recommends that ITTO consider a review and audit of such existing systems with a focus on producing countries that request assistance in examining their tracking systems for effectiveness and identifying areas for improvement.

Verifying the legality of the origin of wood is a priority issue for industry. We invite ITTO to join us in addressing our concern.

#### Plantation Developments

The TAG would wish to support the comments of the Chairperson for the Expert Panel on Project appraisal with regards to the imbalance in project funding. We understand the driving forces behind this imbalance and would like to make two comments:

- (1) With regards to the need to generate good industry/marketing projects, we need to identify ways to harness the expertise in project formulation that exists in government circles with the practical experiences of the private sector.
- (2) With a clear preference for project work in the area of Forestry and Forest management, the TAG would like to encourage more projects in the area of plantation development. Industrial plantations will be playing a more important role in the future and the impact of small landowner and community timber plantations can have an important role in generating income for the rural populations while also providing raw materials for industrial operations.

### CITES

I bring to your attention a recent problem industry has experienced with the Convention on International Trade in Endangered Species (CITES).

Industry was excluded from a meeting of the CITES Mahogany Working Group that took place in early October. The purpose of the meeting was to assess preparations for the implementation of Appendix II for Big-leaf mahogany.

TAG finds it ironic that in spite of the growing emphasis on transparency and stakeholder participation in the international timber trade and international organizations that assist the trade, the voice of industry was silenced by CITES.

We regret this decision by CITES and urge that ITTO request CITES to reconsider their position of excluding industry in future dialogues.

We appreciate the efforts made by the Secretariat to attend CITES meetings and encourage its continued participation.

### The New Agreement

The TAG would, at this juncture, like to place on record some views on the new ITTA. Like many others here we think that the present form of the Agreement has served the Organization well. The Council has, over the years, proved that it can be flexible and move with the times as new issues arise.

The process of negotiation and consensus building that has developed in the organization is unique in the international community and ITTO has a well deserved reputation for being an action oriented body, unlike many other international agencies.

Our view is that "if it is not broken, do not fix it". The way we work could benefit from some tinkering and it is always refreshing to see how self-critical the organization is. We have a bit of 'tweaking' to do as we go along but lets not abandon this efficiently operating mechanism we have right now.

In the new agreement we would like to see mechanisms strengthened to maintain a free and frank debate on the issues of illegal logging and associated illegal trade.

In addition, we recommend strengthening the forum for consultation to promote non-discriminatory timber trade practices, which should, amongst others, address tariff and non-tariff trade barriers.

The TAG is fully supportive of maintaining two sessions per year as this gives us the opportunity to keep on top of issues affecting the sector and to react immediately. The TAG would like to see a fast track mechanism developed for small projects and activities under the discretion of the Executive Director thus enabling ITTO to respond even faster to emerging and urgent issues.

Thank you for your attention.

\* \* \*



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3 – 8 November 2003  
Yokohama, Japan

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL FROM  
THE THIRTY-THIRD SESSION OF THE COMMITTEE ON  
REFORESTATION AND FOREST MANAGEMENT  
3 – 8 November 2003**

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## REPORT

### Item 1 - Opening of the Session

The Thirty-third Session was opened, on 3 November 2003, by the Chairperson of the Committee on Reforestation and Forest Management, Mr. Henri-Félix Maître (France). The list of participants is reproduced in document ITTC(XXXV)/Info.2.

### Item 2 - Adoption of Agenda and Organization of Work

At its first meeting in a joint session on 3 November 2003, the Committee formally adopted the Agenda of its Thirty-third Session as contained in document CRF(XXXIII)/1.

### Item 3 - Admission of Observers

A list of observers admitted by the Committee in a joint session to attend its Thirty-third Session is contained in document ITTC(XXXV)/Info.3 Rev.1.

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

The Committees noted the presentation made by Mr. Patrick Hardcastle (United Kingdom), Chairman of the Expert Panel, at its Twenty-sixth Meeting (4-8 August 2003, Yokohama, Japan), on the Panel's report as contained in document CEM,CRF,CFI(XXXIII)/1. Problems and issues identified by the Panel included: (i) the increased number of proposals - 67 projects and 8 pre-projects for a total of 75 - reviewed by the Panel, which challenged the Panel's capacity to adequately review each proposal; (ii) poor problem analysis and translation into a logical framework for action; (iii) missing, incomplete or poorly presented information on background, risks and assumptions, institutional frameworks, TOR for personnel and budgets; (iv) the marked imbalance in the numbers of proposals as between the Divisions of the Secretariat, with the Reforestation and Forest Management Division receiving three times as many proposals as the other two Divisions combined; (v) the low number of proposals (only 16 projects and 2 pre-projects) attaining Panel Category 1 (a well formulated proposal that could be commended to the Committees with only minor modifications); and (vi) limited attention by submitting members to past general comments of the Expert Panels.

The Expert Panel reiterated its previous recommendation that radical changes of the project cycle were required to remedy the problem of the increasing number of poor quality proposals it was receiving. The Committees noted that the issues raised by the Expert Panel on Project Evaluation were also reflected in the report of the Expert Panel on Management of Project Implementation [document ITTC(XXXV)/8] and several delegations made suggestions on how to improve the project formulation process.

### Item 5 - Dissemination of Project Information and Information Exchange

As requested by the Committee on Reforestation and Forest Management during its Thirty-second Session [document CRF(XXXII)/7 Rev.1], the Secretariat provided an overview of a proposal on ways to improve the dissemination mechanisms and information exchange between projects [document CEM,CRF,CFI(XXXIII)/2]. The Committees took note of and expressed support to the actions proposed in the document while the Delegation of Gabon suggested that the ITTO Regional Consultants could serve as information links between projects in their region.

### Item 6 - Working Group on Lessons Learned from Ex-post Evaluations

As recommended by the Committees on Economic Information and Market Intelligence and Forest Industry at their previous joint session, a small working group composed of delegates from Brazil, the Philippines, Gabon, USA, the Netherlands and Switzerland was established to propose an appropriate course of action in order to make full use of lessons learned from past evaluations with a view to improving the design and implementation of ITTO projects. The group developed Terms of Reference and a budget for this initiative with a view to include this activity in the ITTO work programme of the three Committees for 2004-2005. The Terms of Reference are attached to the Report as Appendix I.

**Item 7 - Report on Completed Projects and Pre-Projects**

**7.1 Completed Projects**

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

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

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

The Committee then proceeded to review the following completed projects:

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

- 1) **PD 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 Completion Report, a series of technical reports, and the Final Financial Audit Report had been submitted by the Executing Agency. The Final Report and the publications are available from the Secretariat upon request. The Ecuadorian Delegation also provided a formal presentation of the project's accomplishments at the previous Session of the CRF. The Committee decided to consider the project as completed.

- 2) **PD 9/99 Rev.2 (F) Sustainable Management of Missahoe Reserved Forest Forestry Resource with the Participation of the Local Rural Communities for an Optimal Timber Production (Kpalime, Togo)**

The Committee took note that the Executing Agency had submitted the Completion Report, a series of Technical Reports and the Final Financial Audit Report. The Technical Reports are available from the Secretariat upon request. The Delegation of Togo made a presentation of the main project outcomes to the Committee. The Committee decided to consider the project as completed.

- 3) **PD 60/99 Rev.1 (F) Optimum Utilization of RADARSAT SAR Data in Conjunction with Enhanced FCD Model to Monitor Change in the Status of Forest Resources (Regional Asia)**

The Committee took note that the Executing Agency had submitted the Completion Report, Final Technical Report 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.

- 4) **PD 125/02 Rev.1 (F) II Latin American Forestry Congress (Guatemala)**

The Committee took note that the Executing Agency had submitted the Completion Report, the Proceedings of the Congress and the Final Financial Audit Report. The Committee therefore 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 recalled that this project was reported as completed, pending the Final Financial Audit Report, at the Twenty-fifth CRF Session. The Brazilian Delegation reiterated that the National Comptroller is currently finalizing the Final Financial Audit and that it will present its report to the Brazilian authorities in the



near future and immediately remit it to the Secretariat. The Committee reiterated its request that the Executing Agency submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session.

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

The Committee noted that this project was reported as completed, pending Financial Audit, at the Thirty-second CRF Session. The Malaysian Delegation informed the Committee that the Final Financial Audit Report is being finalized and will shortly be submitted to the Secretariat. The Committee took note of this information.

**3) \*\*PD 28/94 Rev.2 (F) Continuation of the Publication of the Journal "Bosques Y Desarrollo" and the Organization of a Communication and Information Service (Peru)**

The Committee noted that this project was reported as completed at its Twenty-seventh Session. The Committee at its Thirty-first Session further noted that the final financial audit, carried out by instruction of the National Comptroller of the Peruvian Government, had flagged an amount of approximately US\$ 95,000 in unsubstantiated expenses. In January 2002, INRENA elevated the matter to the Ministry of Agriculture's State Attorney, in order to initiate the pertinent legal actions against the Executing Agency. The Peruvian Delegation provided an updated report on the legal proceedings to the Committee, highlighting the fact that this process is currently underway in the Peruvian judicial system and, as such, now lies beyond the competence of INRENA. In view of the former, INRENA requested the Committee to liquidate the unsubstantiated funds and allow the closure of the project within the ITTO, while at the same time guaranteeing that the Peruvian Government will give the legal process due course. The Committee expressed its satisfaction with the Peruvian Delegation's report and, therefore, decided to liquidate the aforementioned funds and consider the project as completed.

**4) PD 12/96 Rev.2 (F) Development of a Sustainable Management Plan for the Souanke-Sembe-Kelle Area (Phase II) (Congo)**

The Committee took note that the Executing Agency had submitted the Completion Report and the Technical Report. An adequate Final Financial Audit Report has not yet been submitted. The Committee therefore decided to consider the project as completed upon the reception of a satisfactory Final Financial Audit Report by the Secretariat.

**5) \*PD 26/96 Rev.4 (F) Studies on the Management Standards of Hill Dipterocarp Forests in Sarawak from a Watershed Management Point of View (Phase II) (Malaysia)**

The Committee was informed that this project was erroneously reported as completed during the previous Council Session although the Final Financial Audit Report had not yet been submitted. The Delegation of Malaysia informed the Committee that the financial audit is currently being carried out and the Final Financial Audit Report will be submitted shortly. The Committee decided to consider this project as completed as soon as the Secretariat receives and accepts the Final Financial Audit Report of the project.

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

The Committee recalled that this project was reported as completed, pending the Final Financial Audit Report, at its previous Session. The Peruvian Delegation informed the Committee that the National Comptroller is currently finalizing the Final Financial Audit and that it will present its report to INRENA in the near future and immediately submit it to the Secretariat. The Committee urged the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session.

**7) \*PD 2/98 Rev.2 (F,I) Management and Utilization of Paca (*Guadua Sarcocarpa*) (Peru)**

The Committee took note at its previous Session that the Completion Report and the Final Technical Report, as well as a series of technical reports had been submitted by the Executing Agency. Moreover, it noted that Final Financial Audit Report had recently been submitted to the Secretariat. The Committee therefore decided to consider the project as completed.

- 8) PD 54/98 Rev.1 (F) **Institutional Strengthening of the Geographic Information System (GIS) of the National Environmental Authority (ANAM) for the Monitoring and Evaluation of Panama's Forest Resources with a View to their Sustainable Management (Panama)**

The Committee recalled that this project was reported as completed, pending the Final Financial Audit Report, at its previous Session and that the Panamanian Delegation provided a formal presentation of the project's accomplishments at the previous Session of the CRF. The Committee urged the Executing Agency to submit the project's Final Financial Audit Report to the Secretariat prior to the next Council Session.

- 9) 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 Completion Report had been submitted to the Secretariat. The Delegation of Indonesia informed the Committee that the final financial audit of the project is currently being carried out and will be submitted shortly. The Committee requested the Executing Agency to submit the Final Technical Reports and the Final Financial Audit Report without delay, and recommended a presentation of the project results at the next Committee Session.

- \* The project was reported as 'Completed Projects, Pending Financial Audit' during a previous Council Session.
- \*\* The Committee requested the Peruvian Delegation to provide an update on the status of the judicial procedures related to the findings of the final audit of this project.

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

- PD 12/97 Rev.1 (F) "Forest, Science and Sustainability: The Bulungan Model Forest" (Indonesia): This project was reported as completed at the Thirty-first Session of the Committee and was presented by Mr. Petrus Gunarso, the Project Coordinator of the follow-up project.
- PD 115/90 Rev.1 (F) "Rehabilitation of Natural Forests" (Malaysia): The Executing Agency submitted the Draft Completion Report after the deadline. Mr. Shaharuddin Bin Mohamad Ismail made a presentation of the project's results and achievements.
- PD 7/99 Rev.2 (F) "East New Britain Balsa Industry Strengthening Project – Phase II" (PNG): This project will be completed shortly. Mr. Neville Howcroft made a presentation of the results achieved to date by the project.

## 7.2 Completed Pre-Projects

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

- 1) PPD 20/01 Rev.2 (F) **Participatory Rural Appraisal in the Planning and Establishment of Sustainable Community Based Forest Management Model (Indonesia)**

The Committee took note that the Executing Agency has submitted the Completion Report, the Final Financial Audit Report as well as a Project Proposal titled "Participatory Establishment of Collaborative Sustainable Forest Management in Dusun Aro, Jambi" [PD 210/03 (F)]. The Committee decided to consider the pre-project as completed.

- 2) PPD 22/01 (F) **Tropical Forest Fire Monitoring and Management System based on Satellite Remote Sensing Data in China (China)**

The Committee took note that the Executing Agency has submitted the Completion Report, the Final Financial Audit Report as well as a Project Proposal titled "Tropical Forest Fire Monitoring and Management System Based on Satellite Remote Sensing Data in China" [PD 228/03 (F)]. The Committee decided to consider the pre-project as completed.

**(B) Completed Pre-Projects, Pending Financial Audit**

- 1) \* PPD 8/95 Rev.2 (F) **Mangrove Resource Information System of the Scope and Content of Existing Databases (Japan)**

The Committee took note that this pre-project was included in the agenda by mistake and should be eliminated.

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

The Committee took note that the Executing Agency had submitted the Completion Report and the Technical Report. The Committee decided to consider the project as completed as soon as the Secretariat receives a satisfactory Final Financial Audit Report.

- 3) PPD 29/01 Rev.1 (F) **Development of Criteria and Indicators for Sustainable Forest Management in the Philippines (Philippines)**

The Committee took note that the Executing Agency had submitted the Completion Report, the Final Financial Audit Report as well as a Project Proposal titled "Adoption and Implementation of an Appropriate System of Criteria and Indicators for the Philippines" [PD 225/03 (F)]. The Committee decided to consider the pre-project as completed.

\* The pre-project was reported as 'Completed Pre-Projects' during a previous Council Session.

**Item 8 - Ex-post Evaluation**

**(A) Ex-post Evaluation**

The Committee was informed that the ex-post evaluations of Group 1 (Demonstration Areas/Model Forests for SFM) and Group 2 (Reduced Impact Logging) of the following projects, selected by the Committee at its Thirtieth Session, have been completed:

**Group 1: Demonstration Areas/Model Forests for SFM**

- PD 105/90 Rev.1 (F) Model Forest Management Area – Phase I (Malaysia)
- PD 14/92 Rev.2 (F) A Demonstration Program of Sustainable Utilization of Tropical Forests by Means of Differentiated Management in Hainan Island, China – Phases I, II, III (China)
- PD 14/95 Rev.2 (F) Model Forest Management Area – Phase II (Malaysia)
- PD 16/95 Rev.2 (F) Forest Health Monitoring to Monitor the Sustainability of Indonesian Tropical Rain Forests (Indonesia)
- PD 12/97 Rev.1 (F) Forest, Science and Sustainability: The Bulungan Model Forest (Indonesia)

**Group 2: Reduced Impact Logging**

- PD 74/90 Rev.1 (F) Better Utilization of Tropical Timber Resources in Order to Improve Sustainability and Reduce Negative Ecological Impacts (Global-Germany)
- PD 104/90 Rev.2 (F) Studies of the Management Standards of Hill Dipterocarp Forests in Sarawak from a Watershed Management Point-of-View (Malaysia)
- PD 26/96 Rev.4 (F) Studies of the Management Standards of Hill Dipterocarp Forests in Sarawak from a Watershed Management Point-of-View – Phase II (Malaysia)
- PD 45/97 Rev.1 (F) On-site Training for Tropical Foresters and Forestry Trainers (Brazil)

The Committee took note of the presentations made by the Consultants assigned to conduct the ex-post evaluations of Group 1 (Dr. Erik Lammerts van Bueren) and Group 2 (Dr. Dennis Dykstra) of the evaluation summaries contained in the respective documents CRF(XXXIII)/5 and CRF(XXXIII)/6. The delegations of those countries whose projects were subject to the ex-post evaluations, commended the consultants on their work and expressed their agreement with the reports.

The Committee subsequently decided to establish a small working group composed of representatives of the United States of America, Indonesia, Togo, Germany and the Netherlands to discuss the outcomes of the ex-post evaluations of the completed projects, particularly with regard to their implications for future projects in the area of reforestation and forest management and the work of the Committee. The results of the working group are attached as Appendix II to the Report.

The Secretariat further informed the Committee that two consultants have been engaged to carry out the ex-post evaluations for projects of Group 3 (Mangroves) during the months of January to February 2004. The Committee took note that the results of the ex-post evaluations of mangrove projects will be presented to the Committee during its Thirty-fourth Session in July 2004.

The Committee noted the presentation made by Dr. Olav Bakken Jensen on his report as contained in document CRF(XXXIII)/8 "Analysis of Problems in the Commissioning, Formulation and Implementation of PD 1/96 Rev.3 (F) 'Sustainable Forest Management in the Nargana District, Kuna Yala Indigenous Territory, Panama'". The consultancy was carried out based on a decision taken by the Committee during its Thirty-second Session.

#### **(B) Selection of Projects for Ex-Post Evaluation**

According to Decision 3(XXVIII), "Ex-post Evaluation of Projects", the Committees are requested to consider as candidates for ex-post evaluation all completed individual projects or group of projects. The Committee, at its Thirty-second Session, requested the Secretariat to prepare a "Shortlist of Completed Projects Relevant for Ex-post Evaluation in the Field of Reforestation and Forest Management" for the Thirty-third Session [document CRF(XXXIII)/7].

The Committee took note of the aforementioned document and established a small informal working group consisting of delegates representing Brazil, Côte d'Ivoire, Norway, United States of America and the Secretariat to consider the ex-post evaluation of projects using the list as the basis for their work.

The working group, in reviewing the list, noted that the projects under the theme of plantation forestry had not been previously recommended for ex-post evaluation and therefore presented to the Committee a list of 5 projects pre-selected for ex-post evaluation grouped under this theme. The working group's report was considered by the Committee, which approved the following projects for ex-post evaluation:

PD 3/95 Rev.2 (F)	Conservation and Provenance Plantings and Integrated Pest Management to Sustain Iroko Production in West Africa	Ghana
PD 16/96 Rev.4 (F)	Ex Situ Conservation of Shorea Leprosula and Lophopetalum Multinervium and their Use in Future Breeding and Biotechnology	Indonesia
PD 30/96 Rev.3 (F)	Project for A 2,500 ha Timber Production Plantation in the Reserved Forest of Haho-Baloe (Plateaux Region - Togo) - Phase I	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 further requested the Secretariat to make the necessary arrangements for the conduct of the ex-post evaluation before the Thirty-fifth Committee Session in December 2004. In addition, it also decided the Secretariat prepare an updated "Shortlist of Completed Projects Relevant for Ex-post Evaluation in the Field of Reforestation and Forest Management" for the Thirty-fifth Session, which should also include the projects contained in document CRF(XXXIII)/7 but not selected for ex-post evaluation at this Session. Moreover, at its Thirty-fifth Session, the Committee should consider prioritizing for ex-post evaluation completed projects under the theme of biodiversity conservation.

## **Item 9 - Review of Project and Pre-Project Work in Progress**

### **9.1 Project Work in Progress**

#### ***(A) Projects under implementation***

The Committee took note of a status report [document CRF(XXXIII)/4] by the Secretariat on the 74 projects, in the field of Reforestation and Forest Management, that have been approved by the Council, and which are either: A) in the process of implementation (71), B) awaiting the signing of an Agreement (2), or C) falling under the sunset provision since the last Session (1).

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

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

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

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

The Committee took note of the Executing Agency's efforts to comply with ITTO rules and procedures on project implementation and finalize the project's activities and outputs by June 2004.

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

The Committee urged the Executing Agency to submit the Completion Report, Technical Report and Final Financial Audit Report without delay.

**3) PD 44/95 Rev.3 (F) Management and Conservation of Mangroves in the Gulf of Fonseca, Honduras Phase I (Completed), Phase II (Operational) (Honduras)**

The Committee took note of the Executing Agency's request for budget modifications in order to successfully implement the project's activities and that the Secretariat had considered it justified. In this light, the Committee endorsed these budgetary modifications.

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

The Secretariat informed the Committee that the implementation of the project has experienced many delays due to political unrest, difficulties in securing a separate bank account for the project and the change of Government and of the project coordinator in 2001. In July 2002 the Executing Agency therefore requested a project extension until December 2003 and provided a new Workplan. Due to the inadequate external financial audit report submitted by the EA, which did not separate ITTO's and the Government of Fiji's contributions and expenses, the Committee, at its Thirty-first Session, approved the project extension under the condition that the EA submits the revised budget based on an adequate financial statement. Since the latter was not forthcoming, the Secretariat requested the EA to suspend all project activities until the financial problems are resolved, i.e. the provision of an adequate financial audit report and the opening of a separate bank account for ITTO funds. In October 2003 ITTO received notice from the EA that it is unable to open a separate bank account. The audit report submitted at the same time still did not separate ITTO's and the Government of Fiji's contributions and expenses. The Committee took note of the Secretariat's decision to send a mission to Fiji after this Session to assess the situation and assist the EA in solving the financial problems.

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

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

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

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

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

The Secretariat informed the Committee that:

- Due to persistent problems with counterpart funds and the inappropriate use of ITTO funds by one project, in October 2003 the ITTO Secretariat sent a mission to Cameroon to assess the actual situation concerning the implementation and use of funds of ITTO projects by ANAFOR (formerly ONADEF), by examining the accounts and records, and goods and services provided under the projects, and visiting any project facilities and sites. During the past year ANAFOR has been undergoing a restructuring process that is due to be completed in mid 2004.
- The mission reported the following findings with regard to project PD 21/98 Rev.2 (F):
  1. The Forest Classification Act regarding the gazetting of Si-Kop forests as community forest still has not been signed by the Ministry, although the signing of this Act was stated as an assumption for a successful project implementation in the project document more than four years ago;
  2. The Executing Agency was unable to provide evidence that the unspent amount of \$110,982.00 was available in the bank and admitted that it has utilized these funds for other expenditures without prior consultation with and expressed approval of ITTO;
  3. The Annual Financial Audit Report for the year ended 31 December 2002 has not yet been submitted by the Executing Agency;
  4. The lack of regular and adequate counterpart funds is a serious problem hampering progress in project implementation, including the additional funds of 35 millions CFA Francs for the maintenance of local roads; and
  5. The need to obtain the assurance of the relevant authority about the continuing capability of the Executing Agency (ANAFOR), with regard to any negative implications of the restructuring process for project implementation.
- Based on the findings, the mission made the following recommendations:

Prior to the continued support of this project by ITTO, the following pertinent issues have to be resolved:

  - The signing of the Forest Classification Act and gazetting of the forest;
  - The replenishment of the unspent ITTO funds (US\$ 110,982) that have been utilized by the Executing Agency for other expenditures without prior consultation with and expressed approval by ITTO;
  - The submission of a satisfactory audited financial statement for the year ended 31 December 2002;
  - The availability of regular and adequate counterpart funds in the future, including the additional CFA 35 million for the local roads; and
  - Assurance about the continuing capability of the Executing Agency ANAFOR with regard to the implementation of project activities.
- Based on the findings of the monitoring mission and in accordance with Article 25, Paragraph 4, of the ITTA, 1994, and Article IX, Section 9.01, of the Project Agreement, the Executive Director has decided to suspend this project until the recommendations by the mission are fully complied with.

The Committee recommended that the suspension of the project be maintained until the conditions for further ITTO support as stated by the ITTO mission have been fully met.

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

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the project will not be negatively affected by the current political situation of the country. Due to the recent political unrest, the Delegation of Côte d'Ivoire requested a twelve-month extension, without additional funds, and had already provided the Secretariat with adequate justifications. The Committee took note of the information provided and endorsed a twelve-month extension of the project until June 2004 without additional funds.

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

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the project is affected by security problems at the project sites, which are a result of the current political situation in the country. All project activities have been suspended until the security situation is improved. The Delegation therefore requested a twelve-month extension, without additional funds, and had provided the Secretariat with adequate justifications. The Committee took note of the information and endorsed a twelve-month extension of the project without additional funds until December 2004.

**10) PD 48/98 Rev.1 (F) Reforestation of the Abutia Plains by Indigenous Communities in the Volta Basin (Ghana)**

The Secretariat informed the Committee that the Executing Agency had requested a twelve-month extension until December 2004, without additional funds, and provided adequate justifications. The Committee took note of the information and endorsed a twelve-month extension until December 2004, without additional funds, for the completion of project activities.

**11) PD 49/98 Rev.1 (F) Participatory Tropical Forest Development by Women in Indigenous Communities (Ghana)**

The Secretariat informed the Committee that the Executing Agency requested a twelve-month extension, without additional funds, but did not provide adequate justifications. The Delegation from Ghana informed the Committee that the Forestry Commission has set up a small working group to support the Executing Agency in the preparation of the detailed Workplan and associated budget covering the extension period, to be submitted before the end of December 2003. The Committee took note of the information and endorsed a twelve-month extension until December 2004, without additional funds, for the completion of project activities, pending the submission of the detailed Workplan and associated budget to the Secretariat.

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

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the project will not be negatively affected by the current political situation of the country. Due to the recent political unrest, the Delegation requested a twelve-month extension of the project until December 2004, without additional funds, and had provided the Secretariat with adequate justifications. The Committee took note of the information and endorsed a twelve-month extension until December 2004 without additional funds, for the completion of project activities.

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

The Committee took note of several delays in the implementation of field activities due to both external and internal factors and the timely submission of the independent audit for year 2002. Moreover, it observed that the level of communication of the Executing Agency (SINERGIA) with the Secretariat was poor. The Colombian Delegation assured the Committee that ITTO's Official Contact Point in Colombia would take the necessary measures to improve these aspects of the project. The Committee urged the Executing Agency to comply with ITTO procedures in a timely fashion and make all efforts to improve the field implementation of the project.

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

The Secretariat informed the Committee that:

- This project is implemented by ANAFOR and therefore was subject to the monitoring mission by ITTO in October 2003, the objectives of which were explained under project PD 21/98 Rev.2 (F).
- The mission reported the following findings with regard to project PD 23/99 Rev.2 (F):
  1. The main outstanding issue is the completion of the report by the international consultant after receiving inputs from the national Experts, who refused to cooperate since they are yet to be paid through the counterpart funding;
  2. The expenditures included the vehicle that was bought at an amount of \$12,244.00 in excess of the approved budget without a satisfactory explanation and without prior approval by ITTO. Moreover the Executing Agency was unable to provide evidence of an unspent amount of \$13,804.00 in the bank and admitted that it has utilized these funds for other expenditures without prior consultation with and expressed approval of ITTO;
  3. The lack of regular and adequate counterpart funds is a serious problem hampering progress in project implementation; and
  4. The need to obtain the assurance of the relevant authority about the continuing capability of the Executing Agency (ANAFOR), with regard to any negative implications of the restructuring process for project implementation.
- Based on the findings, the mission made the following recommendations:  
Prior to the continued support of this project, the following issues have to be resolved:
  1. The replenishment of the unspent ITTO funds that have been utilized by the Executing Agency for other expenditures without the prior consultation with and the expressed approval of ITTO;
  2. The availability of regular and adequate counterpart funds in the future; and
  3. Assurance about the continuing capability of the Executing Agency ANAFOR with regard to the implementation of the project activities.
- Based on the findings of the monitoring mission and in accordance with Article 25, Paragraph 4, of the ITTA, 1994, and Article IX, Section 9.01, of the Project Agreement, the Executive Director has decided to suspend this project until the recommendations by the mission are fully complied with.

The Committee recommended that the suspension of the project be maintained until the conditions for further ITTO support as stated by the ITTO mission have been fully met.

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

The Secretariat informed the Committee that:

- This project is implemented by ANAFOR and therefore was subject to the monitoring mission by ITTO in October 2003, the objectives of which were explained under project PD 21/98 Rev.2 (F).
- The mission reported the following findings with regard to project PD 27/99 Rev.2 (F):
  1. The Executing Agency was unable to provide evidence that the unspent amount of \$8,795.00 was available in the bank and admitted that it has utilized these funds for other expenditures without prior consultation with and expressed approval of ITTO;
  2. The Annual Financial Audit Report for the year ended 31 December 2002 has not yet been submitted;
  3. The lack of regular and adequate counterpart funds is a serious problem hampering progress in project implementation;
  4. The need to develop an operational financial management system of demanding (billing for) / receiving of the income generated from the Concessionaire and the subsequent sharing among the beneficiaries; and
  5. The need to obtain the assurance of the relevant authority about the continuing capability of the Executing Agency (ANAFOR) with regard to any negative implications of the restructuring process for project implementation.



- Based on the findings, the mission made the following recommendations:  
Prior to the continued support of this project, the following issues have to be resolved:
  1. The replenishment of the unspent ITTO funds that have been utilized by the Executing Agency for other expenditures without the prior consultation with and the expressed approval of ITTO;
  2. The submission of a satisfactory audited annual financial statement for the year ended 31 December 2002;
  3. The development of a financial management system of demanding (billing for) / receiving of the income generated from the Concessionaire and the subsequent sharing among the beneficiaries;
  4. The availability of regular and adequate counterpart funds in the future; and
  5. Assurance about the continuing capability of the Executing Agency ANAFOR with regard to the implementation of the project activities.
  
- Based on the findings of the monitoring mission and in accordance with Article 25, Paragraph 4, of the ITTA, 1994, and Article IX, Section 9.01, of the Project Agreement, the Executive Director has decided to suspend this project until the recommendations by the mission are fully complied with.

The Committee recommended that the suspension of the project be maintained until the conditions for further ITTO support as stated by the ITTO mission have been fully met.

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

The Committee took note of the Executing Agency's request for budget modifications, based on the outcome of a mid-term evaluation, in order to successfully implement the project's activities and that the Secretariat had considered this request justified. In this light, the Committee endorsed these budgetary modifications.

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

The Committee observed that several factors, mostly external, were delaying the implementation of the project's field activities. It also noted that, under the current circumstances, it will be extremely difficult for the project to achieve the originally envisioned quantitative outputs. In this light, the Committee decided an independent mid-term evaluation be carried out for this 3-year project in order to analyse the project's constraints and provide alternatives that will allow for a successful completion of the project. Moreover, the Committee considered that the ITTO monitoring and evaluation funds allocated to this project be used to cover the cost of this evaluation.

**18) PD 62/99 Rev.3 (F) Reforestation Pilot Project for the Recovery of Degraded Areas in the Medium Doce River Region, State of Minas Gerais, Brazil (Brazil)**

The Committee took note of the Executing Agency's request for budget modifications in order to successfully implement the project's activities and that the Secretariat had considered this request as justified. In this light, the Committee endorsed these budgetary amendments.

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

The Committee took note of the Executing Agency's request for budget modifications in order to successfully implement the project's activities and that the Secretariat had considered this request as justified. In this light, the Committee endorsed these budgetary amendments.

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

The Committee took note of the Executing Agency's request for budget modifications in order to successfully implement the project's activities and that the Secretariat had considered this request as justified. In this light, the Committee endorsed these budgetary amendments.

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

The Committee took note that the submission of a detailed workplan and revised YPO for the project's first year incorporating the Project Steering Committee's recommendations was seriously delayed by the Executing Agency. In this light, it urged the Executing Agency (ANCON) to comply with this requirement as soon as possible

- 22) PD 17/00 Rev.3 (F) Conservation and Development in the Natural Protected Areas System of Tambopata (Peru) – Madidi (Bolivia)**

The Committee took note of the Executing Agency's request for budget modifications in order to successfully implement the project's activities and that the Secretariat had considered this request as justified. In this light, the Committee endorsed these budgetary amendments.

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

The Delegation of Côte d'Ivoire informed the Committee that the implementation of the Project will not be negatively affected by the current political situation of the country. The Committee took note of the information.

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

The Delegation of Switzerland expressed concern about the slow progress of this project and the ability of the Executing Agency to implement the project in an effective and efficient manner. The Committee took note of the information by the Secretariat that these concerns will be examined during the upcoming Project Steering Committee meeting scheduled for 9 December 2003.

- 25) 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 of the Executing Agency's request for budget modifications in order to successfully implement the project's activities and that the Secretariat had considered this request as justified. In this light, the Committee endorsed these budgetary amendments.

- 26) PD 142/02 Rev.2 (F) Sustainable Production of National Forests under the "Regime of Forest Concessions" (Brazil)**

The Committee took note that, at the request of the Brazilian Government, the initially signed agreement for project implementation is currently being renegotiated and will be finalized shortly.

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

The Committee took note that the Project Agreement will be signed shortly.

**(B) Projects awaiting implementation agreement**

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

The Secretariat informed the Committee that the Agreement for project implementation and the CFC Grant Agreement were amended and forwarded to the Secretariat of the Common Fund for Commodities (CFC) in January 2003, for their finalization. The Committee took note of the information.

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

The Committee took note of the information by the Secretariat that the Project Agreement has been signed in September 2003.

**9.2 Pre-Project Work in Progress**

**(A) Pre-Projects under implementation**

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

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

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

The Committee recalled that at its Thirtieth Session, it had decided that a technical workshop by experts relevant to the issue of demonstration areas is necessary in order to advise on future work to be considered by the Committee. The workshop should discuss the following: (a) the conceptual framework of demonstration areas for sustainable forest management and possible networking between DAs; (b) the assessment of the current situation and the lessons learnt from different existing DAs; (c) the operational framework and potential level of information sharing under a possible network of DAs. The workshop proposal prepared by the Secretariat [document CRF(XXXI)/6] was approved by the Committee during its Thirty-first Session. The Committee took note that the workshop is still awaiting financing.

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

The Brazilian Delegation mentioned that it had taken up the pending matters with the Executing Agency and insisted on its compliance with ITTO requirements and that it would submit the documents to the Secretariat shortly. The Committee reiterated its request that the Executing Agency should present without further delay the pre-project's Final Report, the Final Financial Audit Report and the Project Proposal to the Secretariat.

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

The Brazilian Delegation mentioned that it had taken up the pending matters with the Executing Agency and insisted on its compliance with ITTO requirements and that it would submit the documents to the Secretariat shortly. The Committee reiterated its request that the Executing Agency should present without further delay the pre-project's Final Report and the Final Financial Audit Report to the Secretariat.

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

The Committee noted that the pre-project was supposed to be completed in June 2003 and that the Secretariat had received no information for this Session on this pre-project. The Delegation of Papua New Guinea informed the Committee that pre-project activities would be completed by end of December 2003. The Committee took note of this information.

- 5) 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 requested the Executing Agency to submit the project Completion Report, Technical Report and Final Financial Audit Report without delay.

**(B) Pre-Projects awaiting implementation agreement**

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

The Committee took note that the Pre-project Agreement has been signed on 10 September 2003.

**Item 10 - Consideration of Project and Pre-Project Proposals**

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

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

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

• **PROJECTS ASSESSED BY THE COMMITTEE**

Project No.	Title
PD 5/00 Rev.4 (F)	Training and Application of ITTO Criteria and Indicators for Sustainable Forest Management at the Forest Unit Level in Natural Production Forests of Ecuador (Ecuador)
PD 99/01 Rev.3 (F)	Establishment and Management of the Alto Purús Reserved Zone (APRZ) and a Basis for Cooperation in Transboundary Conservation between Peru and Brazil (Peru)
PD 105/01 Rev.3 (F)	Restoration of Mahogany to World Tropical Timber Trade: Contributions of Genetics, Biodiversity Conservation, Pest Management and Native Species Plantations – Phase I (Ghana)
PD 134/02 Rev.1 (F)	Rehabilitation and Sustainable Utilization of Mangrove Forest, at Langkat, North Sumatra (Indonesia)
PD 165/02 Rev.3 (F)	Conservation of Biological Diversity through Sustainable Forest Management Practices (Malaysia)
PD 195/03 Rev.2 (F)	To Establish a National Monitoring Information System for the Effective Conservation and Sustainable Management of Thailand's Forest Resources (Thailand)
PD 197/03 Rev.2 (F)	Support for the Implementation of a Sustainable Forest Development Master Plan in Eco-floristic Area IV, Togo (Togo)
PD 222/03 Rev.1 (F)	Harmonization of Forest Related Terms and Definitions (Philippines)

Project No.	Title
PD 224/03 Rev.1 (F)	Transboundary Biodiversity Conservation: The Pulong Tau National Park, Sarawak State, Malaysia (Malaysia)
PD 225/03 Rev.1 (F)	Adoption and Implementation of an Appropriate System of Criteria and Indicators for the Philippines (Philippines)
PD 239/03 Rev.1 (F)	Development and Installation of a Forest Resources Monitoring System (FORMS) by Utilizing the Forest Canopy Density (FCD) Model Developed in ITTO Project PD 66/99 Rev.1 (F) (Philippines)
PD 240/03 Rev.1 (F)	Alternative Financing Model for Sustainable Forest Management in San Nicolás – Second Phase: Non-Kyoto Rehabilitation Areas (Colombia)
PD 253/03 (F)	Promotion of Silvicultural Knowledge on Tropical Species (Ecuador)
PD 256/03 Rev.1 (F)	Alternative Mixed Plantation Systems and Restoration Strategies for Conservation and Sustainable Production of Native Timber Species in Ghana (Ghana)

Details of the technical evaluation of these proposals are presented in 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 59/02 Rev.2 (F)	Pre-Project for the Conservation and Management of Genetic Resources in the Natural Tropical Forests of Ecuador (Phase I) (Ecuador)
PPD 65/02 Rev.1 (F)	Management and Conservation of Forest Seeds (Côte d'Ivoire)
PPD 84/03 Rev.1 (F)	Formulation of a Sustainable Forest Management Project for the Production Forest Area in the Northern and North-Eastern Regions of the Department of Antioquia, Colombia, South America (Colombia)
PPD 86/03 Rev.1 (F)	Promotion of Community-based Commercial Forest Plantations in Tanah Laut, South Kalimantan, Indonesia (Indonesia)

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

**Item 11 - Policy Work**

ITTC policy work instructions to Committees, pursuant to Decision 4(XXV) include:

- Use the current ITTO Action Plan, the policy-relevant aspects of the annual 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 2003, 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 Delegation of Togo informed the Committee on the outcomes of national training workshop on the application of the ITTO Criteria and Indicators, which took place in Kpalime (Togo), from 21 to 24 July 2003, with the technical assistance of Dr. Jürgen Blaser (Switzerland). Thirty-five people from the timber industry, the forestry administration, other public administration and NGOs were trained. Moreover, a national working group was set up to further elaborate and adapt the ITTO C&I for their utilization in Togo. The Committee took note of the information.

The Secretariat reported to the Committee on the preparations for the FAO/ITTO International Expert Consultation on Criteria and Indicators, which will take place on 2-4 March 2004 in Cebu City, the Philippines. The objectives of the International Expert Consultation are to make recommendations to the UNFF, and others regarding the following issues:

- a) Developing a communication network among processes, countries and other relevant partners to provide a mechanism for exchange of information, building on existing networks.
- b) Improving common understanding of concepts, terms and definitions related to criteria and indicators.
- c) Identifying common approaches, methods and protocols for collecting, storing and sharing data.
- d) Strengthening criteria and indicator processes and inter-process cooperation and sharing of information and know-how.
- e) Exploring 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.

Participation in the Expert Consultation will be by invitation only. Invited participants will include experts on criteria and indicators representing the on-going international processes on criteria and indicators for sustainable forest management, technical and policy experts from governments, international organizations, and the environmental and developmental non-governmental community. The Committee took note of the information.

- (ii) In cooperation with relevant organizations, monitor the political implications for the resource base of climate change and related policy developments, and the contribution of the resource base to the mitigation of the effects of climate change [ITTO Yokohama Action Plan, Section 3.2, Goal 1, Action 3].

The Committee took note of the presentation made by Mr. Ichiro Nagame, the Director for UNFCCC of the Japanese Forestry Agency on recent developments regarding climate change and forestry within the context of the UNFCCC negotiations and their relevance for tropical forests. The ensuing discussion by the Committee revolved around issues related to the application of the terms, definitions and modalities currently negotiated to the specific conditions of tropical countries.

As per recommendation by the Council, the Committee discussed the draft ITTO Work Programme for 2004-2005, as contained in document ITTC(XXXV)/14, especially the section pertaining to the strategic policy activities of the Committee. The draft Work Programme of the CRF including the amendments made by the Committee is attached to the report as Appendix III.

#### **Item 12 - Election of Chairperson and Vice-Chairperson for 2004**

Mr. A.S.K. Boachie-Dapaah of Ghana was elected as Chairperson for 2004. Ms. Jennifer Conje of the United States of America was elected as Vice-Chairperson for 2004.

#### **Item 13 - Dates and Venues of the Thirty-fourth, Thirty-fifth and Thirty-sixth Sessions of the Committee**

The Thirty-fourth Session of the Committee would be held in conjunction with the Thirty-sixth Session of the International Tropical Timber Council in Interlaken, Switzerland, on 20-23 July 2004.

The Thirty-fifth Session of the Committee 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 Committee would be held in conjunction with the Thirty-eighth Session of the International Tropical Timber Council in Brazzaville, Republic of Congo.

**Item 14 - Other Business**

1. The Committee took note of the presentation made by Mr. Duncan Sutherland of the New South Wales Rural Fire Service - as requested by the Australian Delegation - on the outcomes of the 3rd International Wildland Fire Conference and Summit, which took place in Sydney, Australia from 4 to 8 October 2003 and which was co-sponsored by ITTO under the provisions of Decision 6(XXXIII). The official Communiqué of the Summit was made available to the delegates during the Session. The Committee decided to consider the Communiqué and its implications for ITTO's work on forest fire during its Thirty-fourth Session as part of the policy discussion.
2. The Committee also took note of the presentation made by Dr. Dennis Dykstra on a new reduced impact logging software developed by the US Forest Service as requested by the Delegation of the USA. Copies of the software and User's Guide were made available to the delegates during the Session.

**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 5/00 Rev.4 (F) and allocate US\$ 252,991 for its implementation.
2. The Committee recommended that the Council approve PD 105/01 Rev.3 (F) and allocate US\$ 337,027 for its implementation.
3. The Committee recommended that the Council approve PD 165/02 Rev.3 (F) and allocate US\$ 526,401 for its implementation.
4. The Committee recommended that the Council approve PD 195/03 Rev.2 (F) and allocate US\$ 677,743 for its implementation.
5. The Committee recommended that the Council approve PD 197/03 Rev.2 (F) and allocate US\$ 317,093 for its implementation.
6. The Committee recommended that the Council approve PD 222/03 Rev.1 (F) and allocate US\$ 21,200 for its implementation.
7. The Committee recommended that the Council approve PD 224/03 Rev.1 (F) and allocate US\$ 740,781 for its implementation.
8. The Committee recommended that the Council approve PD 225/03 Rev.1 (F) and allocate US\$ 520,076 for its implementation.
9. The Committee recommended that the Council approve PD 239/03/03 Rev.1 (F) and allocate US\$ 347,118 for its implementation.
10. The Committee recommended that the Council approve PD 240/03 Rev.1 (F) and allocate US\$ 555,429 for its implementation.
11. The Committee recommended that the Council approve PD 256/03 Rev.1 (F) and allocate US\$ 301,750 for its implementation.

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

1. The Committee recommended that the Council approve PPD 59/02 Rev.2 (F) and allocate US\$ 84,305 for its implementation.
2. The Committee recommended that the Council approve PPD 65/02 Rev.1 (F) and allocate US\$ 30,125 for its implementation.
3. The Committee recommended that the Council approve PPD 84/03 Rev.1 (F) and allocate US\$ 56,326 for its implementation.
4. The Committee recommended that the Council approve PPD 86/03 Rev.1 (F) and allocate US\$ 70,596 for its implementation.

**Item 16 - Report of the Session**

The Committee accepted this Report for submission to the Council.



## Appendix I

### LESSONS LEARNED FROM EX-POST EVALUATIONS AND RECOMMENDATIONS OF EXPERTS PANELS

#### TERMS OF REFERENCE OF THE WORKING GROUP

##### Introduction

A large number of ITTO completed projects has been subject to an ex-post evaluation. In order to draw lessons from these evaluations with the view to improving project formulation, implementation and monitoring, the three technical committees have compiled experiences from these evaluations for the consideration of a joint Session of the committees during their Thirty-third Session in November 2003 in Yokohama. During the Session, the Committees decided to establish a Working Group to carry an in-depth analysis of the lessons which can be learned from these evaluations and make appropriate recommendations to improve the effectiveness of projects and project management.

##### Objective

To improve the effectiveness and efficiency of the ITTO project work and enhance its contribution to ITTO Objectives and priorities.

Tasks of the Working Group: based on a document prepared by a consultant, the Working Group will:

- review lessons which can be learned from ex-post evaluations as contained in Documents CRF(XXX)/19; CEM,CFI(XXXII)/5; and CEM-CFI(XXXIII)/3;
- review lessons which can be learned from ex-post evaluations of 14 projects in the fields of Demonstration Areas/Model forests for SFM and Reduced Impact Logging, as included in the reports of ex-post evaluation tabled at this Thirty-third Session of the Committee on Reforestation and Forest Management;
- based on lessons learned from ex-post evaluation of ITTO completed projects, on recommendations of the Experts Panel for Project Appraisal, on recommendations of the Experts Panel on Management of Project Implementation and on experiences in project management from other similar organizations, propose measures to strengthen the various components of the ITTO Project Cycle, from project identification and formulation to project implementation, review and evaluation;
- identify specific measures to be taken to strengthen the Project Cycle by the various bodies involved in relevant components of the Project Cycle, including, inter alia: Member countries and Contact Points, Executing Agencies, ITTO Secretariat, Panel of Experts for Technical Appraisal of Project Proposals, Committees and Council;
- propose measures to build strong linkages between project identification/formulation and project management/implementation and to strengthen countries capacity in these domains;
- taking into account the apparent recurrence of problems related to the quality and management of ITTO projects, and its impact in the attainment of ITTO's goals, identify a mechanism for a regular review of the status of implementation of the recommendations of the Working Group.

##### Expected output

It is expected that the Working Group will Compile, analyze and translate lessons learned and recommendations into implications for project identification/formulation and project management/implementation, and submit its report for consideration at the Thirty-fourth Session of the Joint Committees in July 2004.

##### Composition of the Working Group

- 3 representatives from producing countries, one from each producing region;
- 3 representatives from consuming countries;
- the Chairperson of the Panel of Experts for Technical Appraisal of Project Proposals;
- the Chairperson of the Panel of Experts on Management of Project Implementation;
- an invited expert, knowledgeable of project management in similar organizations.

Duration

5 working days

Budget

Air tickets:	\$50,000.00
DSA:	\$17,000.00
Consultant's fee (2 months)	\$24,000.00
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Total	\$91,000.00
ITTO Prog.Sup.costs (11%)	\$ 9,100.00
Total :	\$100,100.00

Supporting Documents:

CRF(XXX)/19 [Agenda Item 7] Report to the ITTC from the Thirtieth Session of the Committee on RFM;  
CEM,CFI(XXXII)/5 Lessons learnt from ex-post evaluation missions carried out by the Committee on FI;  
CEM-CFI(XXXIII)/3 Lessons learnt from ex-post evaluation missions carried out by the Committee on EIMI;  
ITTC(XXXIV)/6 Report of the Expert Panel to Improve ITTO Project Formulation and Appraisal;  
ITTC(XXXV)/8 Report of the Expert Panel on Management of Project Implementation;  
ITTC Decision 8(XXIV);  
CEM-CFI(XXXIII)/6 Second Mid-term Evaluation of PD 73/89 (M,F,I) "Assistance for Project Identification and Formulation";  
Reports of the Panel of Experts for Technical Appraisal of Project Proposals (Twenty-third to Twenty-sixth Sessions);  
Rules and Procedures Applying to ITTO Projects;  
ITTO Manual for Project Formulation (Second Edition);  
ITTO Manual for Project Monitoring, Review and Evaluation (Second Edition);  
ITTO Financial Rules and Rules Relating to Projects;  
Original reports of ex-post evaluation of relevant projects and any synthesis report (for consultation at the ITTO Secretariat).

## Appendix II

### Key Findings of Ex-Post Evaluation Mission Reports Report of the Working Group

On 4 November 2003, a small working group was convened and asked to review information from the findings of Ex-Post Evaluation missions presented to the Thirty-fifth Session of the ITTO, and to identify those that would be particularly useful to member countries and the ITTO in our efforts to improve on-going and future projects. The working group met and discussed these matters. It was comprised of the following members:

1. Jerilyn Levi, USA - Chairperson
2. Petrus Gunarso, Indonesia - Reporteur
3. Peter Schroeder, Germany - Member of the working group
4. Atayi-Agbobly Ayih, Togo - Member of the working group
5. Erik van Bueren, Netherlands – Resource Person to the working group
6. Polycarpe Masupa-Kambale – ITTO Secretariat - Facilitator

We would like to thank the consultants, the ITTO Secretariat, and others for their fine work. It is evident that ex-post evaluation is an important tool for monitoring, evaluation and impartial review of completed projects. Lessons learned are fundamental to guiding our efforts to improve projects and achieve the goals of the ITTO. There should be a distinct effort to generalize ex-post evaluation results to fully enable the use of findings to promote successful projects.

The group identified a number of findings that can be grouped into two main categories to serve as recommendation for further consideration/decision of the Council/Committee.

#### First, effective project design and planning are fundamental to project success.

- Projects need to be designed to meet criteria that benefit the ITTO as a whole.
- Projects should explicitly state how their objective(s) directly contribute to ITTO priorities e.g. objective 2000. (We should think ITTO interests first, followed by member countries interests second.)
- Sound project design provides the basis for effective projects and efficient implementation. Three elements are key to project design:
  - Elements which constitute the strategic value of the project (location, representativeness, complexity, etc.)
  - Consistent logical framework
  - Participatory formulation process
- It is necessary to be cautious about designing unnecessarily complex projects, because complex projects tend to increase the risk of failure, project cost and time.
- It also suggested that planning for the project fully explore the possible risks involved, and that they be frankly described in the project formulation.
- Further development of risk assessment is needed. Ex-post evaluation should help us to promote the success of a project by taking into account risks and minimizing their impact.
- In addition, it is suggested that the executing agency make efforts to simplify projects, in some cases by implementing a “phased” or “step-wise” approach.

#### Second, it is key that training and extension activities be included in all projects, given ITTO's development goals.

- Training, extension and dissemination of “lessons learned” should be treated as essential part of the project.
- Consideration should be given to including these activities during all phases of the project, and not just at the end of the project.
- Consideration should also be given to helping member countries to run impartial ex-post evaluation exercises for themselves in order to build country capacity.
- Incorporating common lessons learned can also be used to improve the ITTO manual on implementation and monitoring processes.

In conclusion, countries should treat a finished project not as an end in itself, but as an opportunity to “scale up” results. The project should not be seen as a charity, funded by donors, but rather as an investment of member countries involved in the project to further the goals of ITTO.

## Appendix III

### WORK PLAN 2004-2005 COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT

#### STRATEGIC POLICY ACTIVITIES

Activity	Implementation Approach and Cost Implications
(i) In cooperation with relevant organizations, monitor the political implications for the resource base of climate change and related policy developments, and the contribution of the resource base to the mitigation of the effects of climate change [ITTO Yokohama Action Plan, Section 3.2, Goal 1, Action 3].	<b>Priority: high</b>  The Committee will continue monitoring work by considering presentations of experts from relevant organizations on priority issues and recent developments related to climate change. The Committee will also discuss the outcomes of the COP negotiations of the UNFCCC and will make recommendations to Council on further activities by ITTO in this area. <b>Funding: No additional funding required</b>
(ii) Promote the conservation, rehabilitation and sustainable management of mangroves, in collaboration with relevant organizations [ITTO Yokohama Action Plan, Section 3.2, Goal 1, Action 4, ITTC Decision 4(XXXIII)].	The Committee will work to strengthen the implementation of the ITTO Mangrove Work Plan 2002-2006, particularly in the following areas:  c. Updating of the World Mangrove Atlas in collaboration with ISME, UNESCO, WCMC and FAO; (estimated cost: US\$200,000).  d. Assessing existing, and if applicable, develop new methodologies and guidelines for assessing qualitative and quantitative aspects of mangroves and criteria and indicators for sustainable management of mangrove ecosystems; (estimated cost: US\$ 60,000). <b>Funding: Should be implemented and funded through the project cycle</b>
(iii) 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 will discuss the outcome of the ITTO/FAO joint Expert Consultation on Criteria and Indicators and the training workshops on C&I, as well as the recommendations by the Expert Panel for the revision of the ITTO Criteria and Indicators as per Decision 4(XXXIV) and will make recommendations to the Council regarding the C&I revision process. <b>Funding: Assured through Decision 4(XXXIV); any additional funding should come from BPF Sub-Account B</b>
(iv) Develop and promote the implementation of Guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 3].	<b>Priority: high</b>  The Committee will consider the need and, if appropriate, recommend to Council the implementation of 10 national workshops to further promote the implementation of the

## Activity

## Implementation Approach and Cost Implications

ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests. Furthermore, the Committee will consider undertaking, in close collaboration with other organizations, the development of technical manuals on forest landscape restoration. The estimated budget for 10 national workshops and the development of the manuals is US\$ 500,000.

**Funding: BPF Sub-Account B**

### Additional activity:

ITTO will also support the Global Workshop on Forest Landscape Restoration to be organized by the Global Partnership on Forest Landscape Restoration

**Funding: US\$ 100,000 through voluntary contributions; any shortfall should be covered from the BPF Sub-Account B**

- (v) 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].

**Priority: high**

The Committee will consider the results of the implementation of pre-project PPD 83/03 (F) "Study on Encouraging Private Sector Investment in Industrial Forest Plantations in the Tropics", which was approved by Council during the Thirty-fourth Session (US\$147,630, pending finance).

**Funding: through the project cycle**

- (vi) Contribute appropriately to national and international efforts in the area of prevention and management of fire in relation to tropical timber-producing forests [ITTO Yokohama Action Plan, Section 3.2, Goal 2, Action 7].

The Committee will consider the results of the implementation of Decision 6(XXXIII) on prevention and management of forest fire.

**Funding: Assured through Decision 6(XXXIII)**

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

The Committee will consider the issue and make recommendations taking into account recent developments, including CBD's work programme on forest biodiversity and ITTO renewed cooperation with IUCN. The review and updating would require funds estimated at US\$100,000.

*The Committee should also consider the option of integrating the update of the Biodiversity Guidelines in an updated version of the ITTO Guidelines for Sustainable Management of Natural Tropical Forests.*

**Funding: BPF Sub-Account B**

## Appendix IV

### TECHNICAL ASSESSMENT OF PROJECT PROPOSALS

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

#### Conclusion of the Thirty-third 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 5/00 Rev.4 (F) and recommended the Council to allocate US\$ 252,991 for its immediate implementation.

2. **PD 99/01 Rev.3 (F)**      **Establishment and Management of the Alto Purús Reserved Zone (APRZ) and a Basis for Cooperation in Transboundary Conservation between Peru and Brazil** (Peru)

#### Conclusion of the Thirty-third Committee

The Committee noted that the Government of Peru had not resubmitted a revised proposal incorporating the recommendations given by the Committee at its previous Session. The Committee therefore decided not to consider this proposal any further.

3. **PD 105/01 Rev.3 (F)**      **Restoration of Mahogany to World Tropical Timber Trade: Contributions of Genetics, Biodiversity Conservation, Pest Management and Native Species Plantations – Phase I** (Ghana)

#### Conclusion of the Thirty-third 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 105/01 Rev.3 (F) and recommended the Council to allocate US\$ 337,027 for its immediate implementation.

4. **PD 134/02 Rev.1 (F)**      **Rehabilitation and Sustainable Utilization of Mangrove Forest, at Langkat, North Sumatra** (Indonesia)

#### Conclusion of the Thirty-third Committee

The Committee noted that the Executing Agency did not submit a revised proposal. The Committee recommended that the proposal be revised taking into account the recommendations of the Twenty-sixth Expert Panel, for direct submission to the Committee for final appraisal.

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

#### Conclusion of the Thirty-third Committee

The Committee noted that the revised proposal addressed most of the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 165/02 Rev.3 (F) and recommended the Council to allocate US\$ 526,401 for its immediate implementation.

6. **PD 195/03 Rev.2 (F)**      **To Establish a National Monitoring Information System for the Effective Conservation and Sustainable Management of Thailand's Forest Resources** (Thailand)

#### Conclusion of the Thirty-third Committee

The Committee noted that the revised proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the project PD 195/03 Rev.2 (F) and recommended the Council to allocate US\$ 677,743 for its immediate implementation.

7. **PD 197/03 Rev.2 (F) Support for the Implementation of a Sustainable Forest Development Master Plan in Eco-floristic Area IV, Togo (Togo)**

Conclusion of the Thirty-third 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 197/03 Rev.2 (F) and recommended the Council to allocate US\$ 317,093 for its immediate implementation.

8. **PD 222/03 Rev.1 (F) Harmonization of Forest Related Terms and Definitions (Philippines)**

Conclusion of the Thirty-third 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 222/03 Rev.1 (F) and recommended the Council to allocate US\$ 21,200 for its immediate implementation.

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

Conclusion of the Thirty-third 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 224/03 Rev.1 (F) and recommended the Council to allocate US\$ 740,781 for its immediate implementation.

10. **PD 225/03 Rev.1 (F) Adoption and Implementation of an Appropriate System of Criteria and Indicators for the Philippines (Philippines)**

Conclusion of the Thirty-third 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 225/03 Rev.1 (F) and recommended the Council to allocate US\$ 520,076 for its immediate implementation.

11. **PD 239/03 Rev.1 (F) Development and Installation of a Forest Resources Monitoring System (FORMS) by Utilizing the Forest Canopy Density (FCD) Model Developed in ITTO Project PD 66/99 Rev.1 (F) (Philippines)**

Conclusion of the Thirty-third 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 239/03 Rev.1 (F) and recommended the Council to allocate US\$ 347,118 for its immediate implementation.

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

Conclusion of the Thirty-third 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 240/03 Rev.1 (F) and recommended the Council to allocate US\$ 555,429 for its immediate implementation.

13. **PD 253/03 (F) Promotion of Silvicultural Knowledge on Tropical Species (Ecuador)**

Conclusion of the Thirty-third Committee

The Committee noted that the Twenty-sixth Expert Panel had made four specific recommendations for necessary amendments to the project proposal before it is submitted to the Committee for further appraisal. The Committee further observed that the Government of Ecuador had not resubmitted a revised proposal

incorporating the aforementioned recommendations to the Committee. The Committee decided that the proposal should be revised, taking into account the recommendations of the Twenty-sixth Expert Panel, and be submitted directly to the Committee for its consideration at the next Session; otherwise, the Committee will not consider it any further

14. **PD 256/03 Rev.1 (F) Alternative Mixed Plantation Systems and Restoration Strategies for Conservation and Sustainable Production of Native Timber Species in Ghana (Ghana)**

Conclusion of the Thirty-third 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 256/03 Rev.1 (F) and recommended the Council to allocate US\$ 301,750 for its immediate implementation.



## TECHNICAL ASSESSMENT OF PRE-PROJECT PROPOSALS

1. **PPD 59/02 Rev.2 (F) Pre-project for the Conservation and Management of Genetic Resources in the Natural Tropical Forests of Ecuador (Phase I) (Ecuador)**

### Conclusion of the Thirty-third 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 59/02 Rev.2 (F) and recommended the Council to allocate US\$ 84,305 for its immediate implementation.

2. **PPD 65/02 Rev.1 (F) Management and Conservation of Forest Seeds (Côte d'Ivoire)**

### Conclusion of the Thirty-third Committee

The Committee noted that the revised project proposal adequately addressed the Expert Panel's comments and recommendations. Therefore, the Committee approved the pre-project PPD 65/02 Rev.1 (F) and recommended the Council to allocate US\$ 30,125 for its immediate implementation.

3. **PPD 84/03 Rev.1 (F) Formulation of a Sustainable Forest Management Project for the Production Forest Area in the Northern and North-Eastern Regions of the Department of Antioquia, Colombia, South America (Colombia)**

### Conclusion of the Thirty-third 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 84/03 Rev.1 (F) and recommended the Council to allocate US\$ 56,326 for its immediate implementation.

4. **PPD 86/03 Rev.1 (F) Promotion of Community-based Commercial Forest Plantations in Tanah Laut, South Kalimantan, Indonesia (Indonesia)**

### Conclusion of the Thirty-third 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 86/03 Rev.1 (F) and recommended the Council to allocate US\$ 70,596 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*	
				26th EP	33rd CRF
PD 5/00 Rev.4 (F)	252,991	Ecuador	24	2a***	1
PD 99/01 Rev.3 (F)	840,181	Peru	26	2a***	5
PD 105/01 Rev.3 (F)	337,027	Ghana	48	1	1
PD 134/02 Rev.1 (F)	304,810	Indonesia	24	4a	2a
PD 165/02 Rev.3 (F)	Phase I: 526,401	Malaysia	36	1	1
	Phase II:		24		
PD 195/03 Rev.2 (F)	677,743	Thailand	36	1	1
PD 197/03 Rev.2 (F)	317,093	Togo	36	1	1
PD 222/03 Rev.1 (F)	21,200	Philippines	12	1	1
PD 224/03 Rev.1 (F)	740,781	Malaysia	24	1	1
PD 225/03 Rev.1 (F)	520,076	Philippines	30	1	1
PD 239/03 Rev.1 (F)	347,118	Philippines	24	1	1
PD 240/03 Rev.1 (F)	555,429	Colombia	36	1	1
PD 253/03 (F)	99,213	Ecuador	10	1	2a
PD 256/03 Rev.1 (F)	301,750	Ghana	48	1	1

\* For Categories of Recommendation see Table B.

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

PROJECT DOCUMENT	BUDGET ITTO CONTRIBUTION (US\$)	GEOGRAPHICAL COVERAGE	DURATION (months)	RECOMMENDATION*	
				26th EP	33rd CRF
PPD 59/02 Rev.2 (F)	84,305	Ecuador	9	2a***	1
PPD 65/02 Rev.1 (F)	30,125	Côte d'Ivoire	6	2a**	1
PPD 84/03 Rev.1 (F)	56,326	Colombia	9	1+BPF	1
PPD 86/03 Rev.1 (F)	70,596	Indonesia	5	1	1

\* For Categories of Recommendation see Table B.

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

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

TABLE B

Categories of Decision for 26th Expert Panel	Categories of Recommendation from 33rd CRF to the Council
<p>1. The Panel concluded that, with the incorporation of (any minor) (the) amendments noted, the (pre-) project proposal could be commended to the Committee for final appraisal. (In the view of the Panel, this (pre-) project proposal is eligible for consideration for financing from the Bali Partnership Fund in accordance with Decision 8(XXV).)</p> <p>2. The Panel concluded that the (pre-) project proposal requires essential modifications (which are necessary for the project to succeed) and the Panel will need to assess the modified (pre-) project proposal before it can commend it to the Committee for final appraisal.</p> <p>3. The Panel concluded that a re-formulation of the (pre-) project proposal is essential and the Panel will need to assess the re-formulated proposal before it can commend it to the Committee for appraisal.</p> <p>4. The Panel concluded that a pre-project (not exceeding US\$ ..... ) is necessary in order to assess the situation and the viability of the proposed work and the possible formulation of a project proposal.</p> <p style="padding-left: 40px;">a: (Such a pre-project proposal could be commended to the Committee for final appraisal.)</p> <p style="padding-left: 40px;">b: (The Panel will need to assess the pre-project proposal before it can commend it to the Committee for appraisal.)</p> <p>5. The Panel concluded that it could not commend the modified or revised (pre-) project proposal and submits it to the Committee for further appraisal.</p> <p>6. The Panel concluded that the (pre-) project proposal (, in its present form,) is not sufficiently relevant to the mandate of ITTO. (The Panel encourages the submitting agency to seek other sources of project support.)</p> <p>7. The Panel concluded that there is insufficient information to assess the (pre-) project proposal adequately.</p> <p>(Text in Parentheses is optional.)</p>	<p>1. Recommend to the ITTC to approve the (amended) proposal for implementation by ITTO and recommend it for immediate financing.</p> <p>2. Recommend to the ITTC that the proposal be revised and resubmitted:</p> <p style="padding-left: 40px;">a) directly to the relevant Committee, or</p> <p style="padding-left: 40px;">b) to the Expert Panel.</p> <p>3. Recommend to the ITTC to approve the proposal for ITTO sponsorship for funding through other relevant financial institutions, in accordance with Article 20, (6) and (7), and Article 28, of the ITTA, 1994.</p> <p>4. Recommend to the ITTC that a decision on the proposal be deferred until the next session.</p> <p>5. Recommend to the ITTC that the proposal should not be further considered by ITTO.</p>

\* \* \*

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FOURTEENTH SESSION  
3 – 8 November 2003  
Yokohama, Japan

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL**

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

**(3 – 8 November 2003, Yokohama, Japan)**



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

**Item 1: Opening by the Chairperson**

1. The Vice-Chairperson, Mr. Christopher Ellis (U.S.A), acted as Chairperson at this Session of the Committee, as the Chairperson, Mr. Pravit Chittachumnonk (Thailand), informed the Secretariat earlier that he would not be able to attend this Session. He welcomed delegates to the Fourteenth Session of the Committee.

**Item 2: Adoption of Agenda and Organization of Work**

2. The Committee adopted its agenda as presented in document CFA(XIV)/1. The Chairperson drew the attention of the Committee to the work of the Panel on Sub-Account B of the Bali Partnership Fund (BPF) for the allocation of funds under Sub-Account B of the BPF, created under Council Decision 4(XXX), and chaired by the Chairperson of the Committee. The Panel will report directly to the Council. It would convene its first meeting on mid-day 6 November 2003. He informed that the selection of the members of the Panel was to be finalized 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(XXXV)/Info.3/Rev.1 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-sixth Meeting of the Expert Panel for Technical Appraisal of Project Proposals [Document CEM,CRF,CFI(XXXIII)/1] was discussed in the joint Session of the Committees on 3 November 2003, 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: Dissemination of Project Information and Information Exchange**

5. The Chairperson noted that this agenda item was taken in Joint Committee and there was no need to discuss it further in the CFA.

**Item 6: Working Group on Lessons Learned from Ex-Post Evaluations**

6. Similarly, the Chairperson noted that this agenda item was taken in Joint Committee and there was no need to discuss it further in the CFA.

**Item 7: Draft Biennial Administrative Budget for the Years 2004-2005**

7. The Secretariat introduced document CFA(XIV)/2, which had been distributed to Members in August 2003 in accordance with Rule 3 of the ITTO's Financial Rules and Rules Relating to Projects that was amended by the Council at its Thirty-fourth Session in May 2003 [Decision 7(XXXIV)], for the preparation of the draft administrative budget for a biennial period, instead of an annual period. Following the instructions made at the Second Session of the Committee that the proposed budgets "should always be constructed using the current official U.N. exchange rate for the month of the Session in which it was considering the budget proposals", and as has been done in previous years, in the preparation of the proposed administrative budgets for 2002 and 2003, the Secretariat amended the draft budget for 2004 in document CFA(XIV)/2/Amend.1, dated 24 October 2003, applying the revised exchange rate of 111 Yen to US\$1.00 against the rate of 120 Yen to US\$1.00 which was used in July 2003.

8. The Secretariat explained that the revised proposed budget for 2004 amounted to US\$5,507,521 against the approved budget for 2003 of US\$4,633,195 (representing an increase of US\$874,326 or 18.87%). The Secretariat pointed out that all expenditures in the proposed budget for 2004 have been kept at the same level as those for 2003, and that the increase was due primarily to increases in the dollar/Yen exchange rate, an increase in the U.N. Salary Scale and benefits (resulting in a total increase of US\$523,688), and the additional cost of US\$300,000 for two Regional Officers (for Africa and Latin America). Previously, in 2003, US\$400,000 was allocated for these two positions on a trial basis by utilizing savings from the Administrative Budget for 2001 (US\$238,483) and the balance (US\$161,517) from unearmarked funds from the Pre-Project Sub-Account. Furthermore, an amount of US\$20,000 has been budgeted to enable the Organization to arrange for a more appropriate scheme for life insurance for non-Japanese staff members.

9. A number of delegates supported continuing the work of the two Regional Officers. However, several delegates expressed strong concern about the increase in the Administrative Budget. Recognizing the unavoidable increases noted above in paragraph 8, the Committee suggested that the costs for the two positions of Regional Officers be sought from other sources, particularly because their work was directly related to project identification and formulation, monitoring and assistance in implementation.

10. Some delegates supported the continuation of the work of the Regional Officers, but noted that the functions of the two positions are within the core activities of the Organization, and therefore these positions should be captured in the Administrative Budget. Members' attention was drawn to the discrepancy between the current economic downturn and the unsupportable increase in the Administrative Budget.

11. The Secretariat explained briefly the nature of work carried out by the Regional Officers and noted that the budget for two positions includes fee/salary which account for about two-thirds and the balance covers administrative support costs, operation and communication expenses.

12. A delegate asked whether a Regional Officer might be created for Asia, and whether the current Resident Officer in Indonesia would be considered for this position. The Secretariat recalled the decision of the Council in this regard that only two posts were created (in Latin America and Africa) due to the remoteness of the two regions from Japan. The Secretariat also explained that the Resident Officer in Indonesia is part of Project PD 89/90 (F) but he also assisted in the Organization's work in neighboring countries.

13. The Committee requested the Secretariat to revise the draft Administrative Budget for 2004 that excludes the costs for the two Regional Officer positions. This document [CFA(XIV)/2/Amend.2] was introduced by the Secretariat at the meeting of the Committee on 5 November 2003 which shows the estimated expenditures for 2004 amounting to US\$5,207,521 and represented an increase of 12.40% against the approved amount for 2003 of US\$4,633,195.

14. Delegates expressed their appreciation to the Secretariat for the preparation of the revised budget and recommended its approval to Council.

15. The Committee recommends that the Council approve the Administrative Budget for the Financial Years 2004 and 2005 in the amounts of US\$5,207,521 and US\$5,328,061 respectively. The amount for 2004, will be further increased by US\$69,499 to take account of the discount to be granted to Members for prompt payment of their contributions in 2003 (in accordance to Rule 4, paragraph 3, of the Financial Rules and Rules relating to Projects), but at the same time, will be reduced by US\$1,020 by utilizing the bank interest earned in 2003 to square out the net amount to be assessed from Members. The net amount to be assessed from Members towards the Administrative Budget for the Financial Year 2004 is therefore US\$5,276,000 as presented in the document CFA(XIV)/2/Amend.3 (entitled "Approved Biennial Administrative Budget for the Financial Years 2004-2005"). The assessed contribution from Members to the budget for 2004 is shown in this document and the Secretariat will be sending Invoices to Members for payment in accordance to the Financial Rules.

#### **Item 8: Review of Contributions to the Administrative Budgets**

16. The Secretariat introduced document CFA(XIV)/3, prepared on 24 October 2003 which detailed the history of Members' contributions to the Administrative Budgets for the financial years from 1986 to 2003, including assessments, receipts, interest charges, and arrearages in contributions. The Secretariat informed that only \$747,031.05 (32%) had been received to date from Producing Members out of the total of \$2,320,000. As shown in the document, arrearages in contributions from Producing Members amount to \$3,999,461.89 and the outstanding payment of interest charges levied on late contributions under the ITTA, 1983, amount to \$221,457.44



17. Members noted with 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 status noting that only 32% of the contributions had been received from Producing Members for the year 2003 and strongly urged the Members to settle their obligation.

18. In response to the queries by several delegates, the Secretariat informed that many Members in arrears have lost their voting rights at the end of seven months from when their contributions were due, and their votes could be redistributed to the other Members in the same group in accordance with Article 10 of the ITTA, 1994. The Committee was further informed about 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 allowed write-off on an annual basis, one-fifth of a Member's arrears to the period 1986-1996, as well as 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. The Secretariat reported that a number of Members' arrears, including interest, had been written off. However, Members were reminded that those with accumulated arrears as stipulated in Decision 7(XXXIII), will not be eligible to have their project or pre-project proposals considered after 2004. A copy of the Decision 7(XXXIII) was distributed for reference.

19. The delegate from Indonesia advised the Committee that its contribution for the financial year 2003 is being processed, and the full payment would be made before the end of November 2003. The delegate from the Democratic Republic of the Congo also advised that his Government had already taken action to remit the payment of its contribution for 2003.

20. The Committee took note of the report.

#### **Item 9: Current Status of the Administrative Account**

21. The Secretariat presented document CFA(XIV)/4 reporting the current status of the Administrative Budget for 2003 (as of 24 October 2003) 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 2003 from interest earned in 2002, it is anticipated that the estimated expenditures for current year will be \$4,508,982 (i.e. \$124,213 less than the total amount approved in the budget for 2003). This was due to some cost saving efforts exercised by the Secretariat and that one post of Projects Manager has been vacant since July this year after the departure of the former incumbent.

22. 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 \$908,123.21 would be expected and accordingly, 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", will not be sufficient.

23. The Secretariat also informed the Committee that payments had been received since January to date from Members of arrears in contributions in previous years in the total amount of \$317,120.82 as well as bank interests earned on time deposits of the amount \$82,964.00; and after deducting the amount of \$410,000 allocated for use in accordance with Decision 6(XXXIV) for the partial funding of "Negotiating a Successor Agreement to the ITTA, 1994" plus the amount of \$900,000 to be transferred to the Special Reserved Fund as authorized by the Council at its Thirty-first Session, the balance of the Working Capital Account remains at \$3,151,361.82.

24. The Committee took note of the report and decided to recommend to the Council to authorize the Executive Director, through a Decision, to transfer an additional amount not exceeding \$600,000 from the Working Capital Account to the Administrative Account for use in 2003 should there be a shortfall in payment of assessed contributions from Members to meet the expenditures in 2003.

#### **Item 10: Reconsideration of the Recommendation to write-off Former Member's Arrears**

25. The Secretariat recalled that, at its Thirteenth Session held in May 2003, the Committee made a recommendation to the International Tropical Timber Council, to write-off the amount of US\$24,836.72 due from the Russian Federation, a former Member, subject to the full settlement should the Country decide to rejoin.

Subsequently, the Council at its Thirty-fourth Session held in May 2003, requested the Committee to reconsider at its Fourteenth Session, the recommendation to write-off former Members' arrearages to the Organization.

26. One delegate was in agreement with the write-off, provided that the Country concerned should settle in full its obligation upon rejoining unless the Council decided otherwise.

27. Another delegate drew the attention of the Committee to the paragraph 3 of Article 43 of ITTA, 1994, which states "Financial obligations to the Organization incurred by a Member under this Agreement shall not be terminated by its withdrawal", and accordingly, he could not agree to the write-off.

28. The Committee after some deliberations decided to withdraw the recommendation made at the Thirteenth Session to write-off former Member's Arrearages and requested the Secretariat to continue with its effort of debt recovery.

#### **Item 11: Resources of the Special Account and the Bali Partnership Fund**

29. The Secretariat presented document CFA(XIV)/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\$1,189,458.79 and regular ex-post evaluations of projects, as approved, are being carried out.

30. With regard to the resources of the Bali Partnership Fund, the Secretariat informed the Committee that as of the end of the last session, thirty-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\$2,438,854.26. 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 will report directly to the Council.

31. The Secretariat informed that subsequent to the preparation of this document an amount of US\$57,126.00 was received as voluntary contribution from the Government of the United States of America on 23 October 2003.

32. 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.

33. The Committee took note of the document.

#### **Item 12: Review of Appointment of Auditor for 2003**

34. The Secretariat 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.

35. The Secretariat further added that the reports of the Independent Public Accountants on the Accounts for the two Financial Years 2001 and 2002, were reviewed by the Committee at its Eleventh and Thirteenth Sessions and were subsequently adopted by the Council. Accordingly, the Committee may wish to recommend to the Executive Director for the re-engagement of the current audit firm PriceWaterhouseCoopers, Tokyo, for the last year of the three-year term, to conduct the audit of the financial accounts of the Organization for the Financial Year 2003.

36. The Committee decided to recommend to the Executive Director for the re-engagement of the current audit firm PriceWaterhouseCoopers, Tokyo, to conduct the audit of the financial accounts of the Organization for the Financial Year 2003.

#### **Item 13: Draft Biennial Work Programme of the Committee for the Years 2004 - 2005**

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

38. In response to the various points raised by some delegates, the Secretariat explained that the work programme for the years 2004-2005 had been drawn up taking account the Yokohama Action Plan 2002-2006 as well as the current staff resources of the Organization. The Chairperson requested Members to examine the "Biennial Work Programme for the years 2004-2005" with an eye to including or excluding those items, as appropriate, to reflect their interests and priorities. He also advise that a draft Decision will be prepared by the Secretariat that would include the regular activities and financial requirement for their implementation to be funded through voluntary contributions or other sources. The Decision would be deliberated later in the week at the Chairperson's Open-Ended Drafting Session prior to its consideration and approval by the Council, after which financing would be sought through voluntary contributions or other sources. The Secretariat confirmed that the financing for the positions of the two Regional Officers no longer included in the Administrative Budget would also be sought through voluntary contributions or other sources.

39. The Committee noted a compelling need for greater transparency in associating the Administrative Budget and other funding mechanisms with the Biennial Work Programme in the documents prepared for Council. The Committee requested the Executive Director to take steps to take this into account in the preparation of the next Biennial Work Programme and Biennial Administrative Budget. Furthermore, noting the concerns regarding utilization of the "Unearmarked Funds" in the Special Account and the Bali Partnership Fund Account to cover the costs of projects and activities within the Biennial Work Programme, the Committee recommended the expansion of the scope of the Panel on the Sub-Account B of the BPF to cover also the allocation of funds from the "Unearmarked Funds" as an interim measure.

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

#### **Item 14: Election of Chairperson and Vice-Chairperson for 2004**

41. The Vice-Chairperson of the Committee for 2003, Mr. Christopher Ellis of the U.S.A, was elected as Chairperson of the Committee for 2004. Mr. Shaharuddin Mohamad Ismail of Malaysia was elected as Vice-Chairperson of the Committee for 2004.

#### **Item 15: Dates and Venue of the Fifteenth, Sixteenth and Seventeenth Sessions**

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

#### **Item 16: Other Business**

##### **Draft Decision on "Executing Agencies Account"**

43. The Secretariat introduced a draft decision for the establishment of a new account, to be called "Executing Agencies Account", and explained that this decision would rectify the misleading perception about the status of available funds of the Organization arising from the current practice of including funds committed (but not yet disbursed) for projects and pre-projects in the Special Account and the Bali Partnership Fund, and this decision would assist a number of major donors experiencing difficulties in securing new funds. The new account would be subject to the full accounting and auditing in accordance with the ITTO financial procedures.

44. The Secretariat, in response to comments from Members, confirmed that the funds in the Executing Agencies Account would be "earmarked funds" and the fifty per cent of interest earned from the investment of the unutilized fund in this Account transferred into the "unearmarked funds" of the Special Account could only be utilized in the future for activities approved by Council.

45. The Committee recommended that the decision be forwarded to the Council for approval after due deliberations in the Producer/Consumer Members' Caucuses and Chairperson's Open-Ended Drafting review.

##### **Financing the Regional Officer Positions**

46. The Chairperson reminded the Committee of earlier discussions of the Committee which endorsed the continuation of the two Regional Officers and accordingly, the need to find other sources of financing these positions in the amount of US\$300,000 per annum for the years 2004-2005 as a priority for the Organization. The Chairperson proposed increasing the percentage charge for Programme Support by an additional two percent (2%) to the total charges to be deducted in all budgets of projects, pre-projects and activities. He noted that this would increase the percentage charge to 8% [from the current percentage of 6%], except in the case of ITTO-executed Pre-Projects, Projects, and Council-approved activities, when this percentage would increase to 13% [from the current percentage of 11%]. He estimated that this increase of two per cent would result in an overall increase of around US\$200,000 - \$250,000 per annum, subject to the momentum of voluntary and other contributions, and would allow the availability of considerable funds towards the financing of these positions. The Committee advised that other funding sources, including voluntary contributions from Members, should be made available for meeting any shortfalls in the estimated budget for the two Regional Officers as a priority.

47. The delegate of Japan noted that the proposal was acceptable as an emergency measure and expressed strong reservations since it was his government's considered view, shared by some others, that such positions should be financed through the Administrative Budget. On the other hand, other Members were of the view that because the work of the Regional Officers relates mainly to project support, the costs should be financed from outside the Administrative Budget. The Chairperson noted the division of the Committee on this issue and suggested it was a matter to be considered in the renegotiation of the ITTA, 1994.

48. Some delegates requested that the Committee refer to the Secretariat a specific requirement that the Regional Officers have detailed work programmes that spell out their duties and responsibilities, including a mandate to raise awareness on the need for Members to meet their financial obligations to the Organization. The Committee noted that in doing so it would facilitate evaluation of the Regional Officer positions and agreed to raise this in its report to Council.

49. The delegate of The Netherlands suggested not to increase the charges to 13% in the case of ITTO-executed Pre-Projects, Projects, and Council-approved activities, while considering other options for financing at a future date.

50. The Committee agreed to recommend to the Council to approve the proposed percentage increase in the Programme Support charges to projects, pre-projects and activities, subject to the followings:

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

**Item 17: Recommendations to the International Tropical Timber Council**

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

- (1) To approve the revised Administrative Budget for the Financial Year 2004 of the amount of US\$5,207,521 as presented in document CFA(XIV)/2/Amend.3 (Approved Biennial Administrative Budget for the Years 2004-2005). The assessed contributions from Members will be US\$5,276,000 to take account of the discount to be given to Members for timely payment of their contributions in 2003 and to utilize part of the bank interest earned in the same year;
- (2) To authorize the Executive Director to transfer, if necessary, an additional amount not exceeding \$600,000.00 from the Working Capital Account (WCA) to the current account in the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization for the year 2003;
- (3) To establish with effect from the year ended 31 December 2003, a Financial Account – (henceforth named Executing Agencies Account); independent of the existing accounts of the International Tropical Timber Organization (Administrative Account, Special Account and the Bali Partnership Fund Account); to authorize the Executive Director to transfer into the Executing Agencies Account, the funds committed for projects, pre-projects and activities pending disbursements; and also to authorize the Executive Director to transfer fifty per cent of interest earned on the Executing Agencies Account to the “unearmarked fund” in the Special Account, and to transfer the remaining balance of interest earned into the Bali Partnership Fund in accordance with Article 21 of the ITTA, 1994, and Rule 19 of the “Financial Rules and Rules Relating to Projects ;
- (4) To authorize the increase to the charges to be deducted in all budgets of projects, pre-projects and activities, to 8% (from the current percentage of 6%), except in the case of ITTO-executed projects, pre-projects and Council-approved activities when this figure will be 13% (from the current percentage of 11%), to be deposited as Programme Support in the Special Account and the Bali Partnership Fund, beginning with projects, pre-projects and activities submitted for consideration at the Thirty-sixth Session of the Council, as considered in paragraph 46 of this Report; and
- (5) To expand the scope of the Panel on the Sub-Account B of the Bali Partnership Fund to cover the allocation of resources from the “Unearmarked Funds” in the Special Account and the Bali Partnership Fund Account, as an interim measure.

**Item 18: Report of the Session**

52. The Committee adopted this report as amended.

Annex I

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

**ADMINISTRATIVE AND FINANCE ACTIVITIES**

<b>Activity</b>	<b>Implementation Approach and Cost Implications</b>
(vii) Review the independent audited statement for the 2003 and 2004 financial years [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(viii) Make recommendations to Council on the appointment of auditors for a three-year term for the purpose of auditing the accounts of the Organization for the 2004, 2005 and 2006 financial years [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(ix) Review and make recommendations to Council, as necessary, regarding the Organization's administrative budget for the year 2005 of the approved biennial administrative budget for the years 2004-2005 [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(x) Examine and make recommendations to Council, regarding the approval of the Organization's biennial administrative budget proposals for the financial years 2006-2007 [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(xi) Review the assets of the Organization to ensure prudent asset management and that the Organization has sufficient reserves to carry out its work [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.
(xii) Examine and make recommendations to Council, on the budgetary implications of the Organization's work programme, and the actions that might be taken to secure the resources needed to implement it [ITTA, 1994, Article 27(6)].	Routine. Regular Sessions' work.

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**ANNEX V**

**REPORT OF THE INFORMAL ADVISORY GROUP (IAG)**

**DOCUMENT: ITTC(XXXV)/2**





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

**2 November 2003  
Yokohama, Japan**



**Thirteenth Meeting of the Informal Advisory Group (IAG)  
Yokohama, Japan, 2 November 2003**

**Report of the Chairperson**

**Introduction**

1. The Thirteenth Meeting of the IAG was convened on Sunday, 2 November 2003 at the ITTO Secretariat Conference Room at 10:00 a.m. chaired by Dr. B.C.Y. Freezailah (Malaysia), Chairperson of the Council. The meeting was attended by Mr. Henri-Félix Maitre (France), Chairperson of the Committee on Reforestation and Forest Management (CRF), Ms. Astrid Bergquist (Sweden), Vice-Chairperson of the Committee on Forest Industry (CFI), Mr. Christopher Ellis (USA), Vice-Chairperson of the Committee on Finance and Administration (CFA), Ms. Aulikki Kauppila (Finland), Consumer Spokesperson, Mr. Mitsunori Namba (Japan), Representative of the Host Government of the Headquarters and Dr. Manoel Sobral Filho, the Executive Director.
2. The IAG considered the following agenda items for discussion:
  - i. Brief background on the IAG:
    - Decision 5(XXVI);
    - Report of the IAG at its Twelfth Meeting, 11 May 2003;
  - ii. Decision 8(XXXIII) – “Preparations for Negotiating a Successor Agreement to the ITTA, 1994”. Outcome of the Working Group held in Curitiba, Brazil, 25-29 August 2003;
  - iii. Council decision-making process;
  - iv. Draft decisions/elements of decisions submitted pursuant to ITTC Decision 7(XXXIII) – “Measures to Reduce Costs and Improve the Efficiency and Effectiveness of the Organization”;
  - v. List of possible decisions for the Thirty-fifth Session of the ITTC and report to the Council; and
  - vi. Other matters.
3. In its deliberations, the IAG noted and made reference to Decision 5(XXVI) and the Report of the Informal Advisory Group (IAG) at its Twelfth Session held on 11 May 2003, Panama City, Panama as contained in document ITTC(XXXIV)/2 dated 11 May 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.

**Decision 8(XXXIII) – “Preparations for Negotiating a Successor Agreement to the ITTA, 1994”. Outcome of the Working Group held in Curitiba, Brazil, 25-29 August 2003**

4. The IAG noted that the Report of the Working Group on Preparations for Negotiating a Successor Agreement to the ITTA, 1994 as contained in document ITTC(XXXV)/7 dated 1 October 2003 would be presented for the consideration of the Council under item 12(c) of its provisional agenda. In this connection, the IAG recommended that the report be noted by the Council for the consideration of PrepCom II on 10-12 November 2003.
5. The IAG noted the gist of the outcomes of the Inter-Sessional Working Group which focused on (i) the exclusion of coniferous tropical wood in spite of the role of tropical coniferous forests as an important source of timber, (ii) non-timber forest products and other non-timber forest values and (iii) review of articles of ITTA, 1994 and their categorization into articles without or with minor changes (A), articles requiring updating (B) and articles needing essential modifications (C).
6. The IAG felt that the report could serve as a basis for further progress to be made at PrepCom II including the preparation of a single working document containing a draft text for the Successor Agreement as the basis for its negotiation. The IAG also considered the possibility of undertaking further inter-sessional work pursuant to Decision 6(XXXIV) without the need to have a new decision to be adopted by the Council, prior to the commencement of the UN Negotiating Conference in July 2004. In this connection, the IAG noted that a draft decision on ‘Finalizing Preparatory Work for the Negotiation of a Successor Agreement to the ITTA, 1994’ had been submitted by the Government of Japan involving the reconvening of the Working Group in April 2004 and funding of US\$100,000 to be financed by the Government of Japan. The IAG recommended that the proposal be submitted for the consideration of the Council at its current Session as a follow-up under Decision 6(XXXIV), without the need for a new decision to be adopted by the Council.

7. The IAG further identified a number of areas where difficulties in negotiations could be envisaged including the issues relating to the distribution of votes, the proposed Programme of Work Account or Regular Programme Component linked to GDP/votes held by consuming member countries. The relative appropriateness in the use of the term 'Ecosystem Services' vis-à-vis Environmental Services was also raised. In the case of voting, the need for the Group of Producing Countries in Africa to discuss the issue was identified by the Working Group and the Secretariat had been requested to prepare a paper exploring options for the distribution of votes including the use of import values in place of import volumes. The possible link between the current problem of payment of membership contributions and the existing distribution of votes was also observed. The IAG stressed that caution be exercised in the use of terms not defined in the ITTA, 1994 and ITTO Guidelines. In view of the importance of the issue in voting, the IAG felt that the matter be addressed within the Council rather than the CFA.
8. In the absence of the Producer Spokesperson and other members of the IAG from producing member countries, the IAG was of the view that producing members had not reached a consensus on the issue relating to ecosystem/environmental services but felt that the focus of the new agreement should be on sustainable management of tropical forests and the promotion of tropical timber from sustainably managed sources. As such and in view of currently limited resources, any expansion of the scope of the agreement should be approached cautiously.
9. In light of the possible difficulties to be encountered, the IAG stressed the important role of the consumer and producer caucuses in ventilating and addressing the issues involved. The need for the producers to select a new Producer Spokesperson was also highlighted. In this connection, the IAG recommended that adequate time be provided to the caucuses to facilitate their deliberations at the current Session of the Council.

#### **Council Decision-Making Process**

10. In full anticipation of the heavy agenda of the Organization in 2004 including, in particular, the run-up to and commencement of the process of negotiating a successor agreement to ITTA, 1994 in July 2004, the IAG recognised the need to avoid over-burdening the Organization with new work and decisions. In this regard, the IAG recommended that ITTO work should focus on the negotiation process as well as bread and butter issues and that new initiatives should be kept to the minimum and covered as far as possible through existing decisions of the Council. More time should be allocated for discussions within the consumer and producer caucuses in view of the presence of new participants. The IAG however noted that most of the items in the agenda of the Council at its current Session would focus on completed work and work in progress, thereby requiring less time for consideration and less number of decisions to be adopted by the Council.
11. The IAG further noted that the shorter duration of the sessions of the Council in 2004 and 2005 would not enable the Council to apply its Streamlining Decision – Making Procedures as provided for in paragraph 4, Part B, Annex I of Decision 7(XXXIII). The IAG recommended that the attention of the Council be drawn to this situation with a view to adopting practical interim arrangements within the context of the review of procedures under Paragraph 4(c), Part B, Annex I of the decision, which had yet to be undertaken by the Council. The IAG also recommended that stricter measures in time management be undertaken to facilitate the work of the Council and Committees at their sessions in 2004 and 2005.

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

12. The IAG noted that the Secretariat had received and circulated 3 draft decisions/elements of decisions comprising 2 proposals from Japan and 1 proposal from Switzerland. In addition, three proposals were submitted by the Secretariat. The IAG duly deliberated on these proposals and made the following recommendations for the consideration of the Council:
  - i. Measures to Improve Quality of Project Proposals and to Reduce Number of Proposals (Japan)

The IAG acknowledged the merit of the draft decision in respect of its intention to improve the quality of project proposals. To that extent, it would be possible for the draft decision to be incorporated as a follow-up to Decision 8(XXXIV) without the need for a new decision to be taken by the Council. However, the IAG felt that the objective of the draft decision to reduce the number of project proposals might constitute a source of contention that could adversely affect the environment for the negotiation of the successor agreement to ITTA, 1994. In view of this concern,

the representative of the Host Government of the Headquarters agreed to further improve/review the proposal.

ii. Finalizing Preparatory Work for the Negotiation of a Successor Agreement to the ITTA, 1994 (Japan)

In line with its consideration and recommendations relating to item (ii) of the agenda above, the IAG recommended that the draft decision could be incorporated as a follow-up to Decision 8(XXXIII) without the need for a new decision to be adopted by the Council.

iii. CSAG – TAG Panel Discussion on Phased Approaches to Certification and Collaboration with Yale School of Forestry and Environmental Studies, WWF International and Others on International Symposium on the Impacts of Forest Certification (Switzerland)

While the objective of the CSAG-TAG Panel Discussion could be further refined, the IAG recognised its rationale of strengthening the roles and relationships between the CSAG and TAG. However, in view of the shorter duration of the 36th Session of the Council, the IAG recommended that this draft element be incorporated as the theme for the ITTO Annual Market Discussion – 2004 and that the budget of the draft element amounting to US\$50,000 be incorporated into the budget of the on-going pre-project PPD 14/00 (M) "Strengthening the Market Discussion", without the need for a new decision to be adopted by the Council.

With regard to the draft element on the convening of the international symposium, the IAG also recommended that it be incorporated as a follow-up to Decision 4(XXXIII) on Public Relations, Education and Outreach and that the budget of the draft element amounting to US\$60,000 be incorporated into Activity PP-A/33-125, without the need for a new decision to be adopted by Council. In arriving at this recommendation, the IAG reiterated the need to keep in mind that ITTO should not endorse or be seen to endorse any particular certification scheme or standard and to this end, organizations to be invited should be carefully identified.

iv. ITTO Biennial Work Programme for 2004-2005 (ITTO Secretariat)

The IAG noted the appropriateness of the biennial work programme as opposed to an annual work programme, in view of the shorter duration of the sessions of the Council in 2004 and in order for Council to avoid taking decisions on a piece-meal basis.

v. Executing Agencies Account

The IAG noted the rationale of this draft decision to rectify the misleading perception about the status of available funds of the Organization arising from the current practice of including funds committed for projects and pre-projects in the Special Account and Bali Partnership Fund. Further noting that the draft decision would provide for the full accounting and auditing of the Executing Agencies Account in accordance with ITTO financial procedures, the IAG recommended that the draft decision be deliberated by the CFA for submission to the Council for consideration at its current Session.

vi. Management of the Administrative Budget for 2003

The IAG noted with concern the unsatisfactory situation with regards to the payment of contributions to the Administrative Budget 2003 particularly by producing members, resulting in the need to transfer, in addition to the amount of US\$300,000 authorised under Decision 2(XXXIV), an amount not exceeding US\$600,000 from the Working Capital Account to the Administrative Account to meet the shortfall of funds to implement the work programme of the Organization for 2003.

The IAG further underlined the serious implications of the continuing depletion of the Working Capital Account on the financial position of the Organization. The IAG recommended that the draft decision be deliberated by the CFA with a view to submitting it for the consideration of the Council at its current Session.

**List of possible decisions for the Thirty-fifth Session of the ITTC and report of the Council**

13. The IAG considered the possible list of decisions to be considered and adopted by the Council at its Thirty-fifth Session as follows:
- i. Project, Pre-Projects and Activities
  - ii. ITTO Biennial Work Programme for 2004-2005
  - iii. Executing Agencies Account
  - iv. Management of the Administrative Budget for 2003
14. 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, other initiatives could be undertaken through existing decisions.

**Other Matters**

15. The IAG was informed that due to the general election in Japan on 9 November 2003, the Host Government regretfully would not be in a position to host a reception in conjunction with the Thirty-fifth Session of the Council.
16. In view of the several reports emanating from Decisions 2(XXIX) and 9(XXX), the IAG underlined the merit of analysing and synthesizing these reports in order to crystallize the salient factors limiting progress towards achieving sustainable forest management and the ITTO Objective 2000. The IAG was informed that these reports would serve as useful inputs to the on-going work on the preparation of the "Status of Tropical Forest Management Report" pursuant to Decision 9(XXX) which would address such a need.

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