



SUMMARY OF THE THIRTY-FOURTH SESSION OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL: 12-17 MAY 2003

The thirty-fourth session of the International Tropical Timber Council (ITTC-34) took place from 12-17 May 2003, in Panama City, Panama. Approximately 220 participants attended the session, representing 43 member countries, two potential members, nine intergovernmental organizations and specialized agencies, and 23 non-governmental organizations (NGOs).

The Council adopted 11 decisions on: projects, pre-projects and activities; the management of the administrative budget; the Asia Forest Partnership; criteria and indicators (C&I) for sustainable forest management (SFM); matters related to Article 16 of the 1994 International Tropical Timber Agreement (ITTA, 1994) related to the Executive Director of the International Tropical Timber Organization (ITTO) and staff; negotiations for a successor agreement to the ITTA, 1994; cooperation between ITTO and the Convention on International Trade in Endangered Species (CITES) on broad-leaf mahogany; the management of project implementation; the biennial work programme and administrative budget; phased approaches to certification; and the expansion and diversification of international trade in tropical timber. At the session, delegates approved nine projects and eight pre-projects.

The Committees on Economic Information and Market Intelligence (CEM), Reforestation and Forest Management (CRF), and Forest Industry (CFI) convened their thirty-second sessions to review completed projects and pre-projects, consider *ex-post* evaluations, select projects and pre-projects for approval by the Council, and address policy work. The Committee on Finance and Administration (CFA) held its thirteenth session to review financial and administrative matters, including contributions to the Administrative Budgets for 1986-2003, the current status of the Administrative Account and amendments to the Financial Rules. Delegates also held the ITTO Annual Market Discussion on World Trade and Business Developments.

Upon leaving the Miramar Intercontinental Hotel on Saturday to discover the tropical forests of Panama during the weekend, the prevailing mood was one of serene satisfaction. In many respects, ITTC-34 demonstrated a fine balance between policy setting and taking concrete steps to implement the ITTO's objectives. The positive impressions of the meeting did not, however, hide concerns about the ITTO's financial future at this critical juncture.

A BRIEF HISTORY OF THE ITTA

The International Tropical Timber Agreement (ITTA) was negotiated under the auspices of the United Nations Conference on Trade and Development (UNCTAD). The negotiations aimed at: providing an effective framework for cooperation and consultation between countries producing and consuming tropical timber; promoting the expansion and diversification of international trade in tropical timber and the improvement of structural conditions in the tropical timber market; promoting and supporting research and development to improve forest management and wood utilization; and encouraging the development of national policies for the sustainable utilization and conservation of tropical forests and their genetic resources, and maintaining the ecological balance in the regions concerned.

The ITTA was adopted on 18 November 1983, and entered into force on 1 April 1985. It remained in force for an initial period of five years and was extended twice for two-year periods. The Agreement was renegotiated in 1993-1994. The successor agreement to the ITTA (ITTA, 1994) was adopted on 26 January 1994, and entered into force on 1 January 1997. The ITTA, 1994 contains broader provisions for information sharing, including non-tropical timber trade data, allows for consideration of non-tropical timber issues as they relate to tropical timber, and includes the Year 2000 Objective to enhance members' capacities to implement a strategy for achieving exports of tropical timber and timber products from

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sustainably managed sources by the year 2000. The ITTA, 1994 also established the Bali Partnership Fund to assist producing members in achieving the Year 2000 Objective. Initially concluded for three years, the 1994 Agreement was extended for an additional three-year period, which will end on 31 December 2003.

The ITTA established the ITTO, headquartered in Yokohama, Japan, which provides a framework for tropical timber producer and consumer countries to discuss, exchange information and develop policies on issues relating to international trade in, and utilization of, tropical timber and the sustainable management of its resource base. The ITTO has 57 members divided into two caucuses: producer countries (31 members) and consumer countries (25 members, including European Community member States). The ITTO membership represents 95% of world trade in tropical timber and covers 75% of the world's tropical forests.

The governing body of the ITTO is the International Tropical Timber Council (ITTC), which includes all members and meets twice a year. Four committees advise and assist the Council on issues for consideration and decision: the CEM, CRF, and CFI deal with the ITTO's major areas of work; and the CFA considers financial and administrative matters concerning the ITTO's management. The CEM, CFM and CFI are supported by the Expert Panel for Technical Appraisal of Project Proposals, which meets twice a year. Since 1998, the Council has also been advised by an Informal Advisory Group (IAG).

ITTC-31: The 31st session of the ITTC met in Yokohama, Japan, from 29 October-3 November 2001. The Council adopted decisions on: forest law enforcement; developing a draft workplan on mangrove forest ecosystems; establishing a database of statistics on the trade of bamboo and rattan; and assisting the development of auditing systems for the implementation of C&I for SFM. At ITTC-31, members pledged US\$8.96 million to fund work for the promotion of tropical forest conservation and sustainable development, and the Council approved and financed several projects.

ITTC-32: The ITTC held its 32nd session in Bali, Indonesia, from 13-18 May 2002. The Council provided funds to facilitate input from, and participation of, a civil society advisory group (CSAG) at ITTC-33. The Council also adopted decisions on: the ITTO's contribution to the World Summit on Sustainable Development; a revised Mangrove Workplan; guidelines for the restoration and management of degraded and secondary tropical forests; forest law enforcement in Africa; SFM in the Congo Basin; certification; and preparations for negotiating a successor agreement to the ITTA, 1994. Member States pledged US\$8.129 million to fund selected projects and pre-projects, and the Council approved 19 projects and 10 pre-projects.

ITTC-33: The 33rd session of the ITTC met from 4-9 November 2002, in Yokohama, Japan. The Council adopted the ITTO's 2003 work programme, and decisions on: public relations, education and outreach; partnerships for SFM; prevention and management of forest fires; measures to reduce costs and improve the efficiency and effectiveness of the organization; extension of the ITTA, 1994; and preparations for negotiating a successor agreement to the ITTA, 1994. The Council approved 12 projects and 15 pre-projects. No pledges were made to fund selected projects and pre-projects. At the session, the CSAG held a panel discussion on the certified forest products marketplace.

ITTC-34 REPORT

ITTC-34 opened on Monday morning, 12 May 2003. ITTC Chair Bin Che Yeom Freezailah (Malaysia) welcomed participants and expressed gratitude to Panama for hosting the meeting. Drawing attention to the upcoming negotiations of a successor

agreement to the ITTA, 1994, he noted the need for enhanced cooperation and international assistance, and stressed that environmental, social and economic dimensions must remain at the core of the negotiations. He called for balancing consumer and producer countries' obligations, noted the role of the CSAG and Trade Advisory Group (TAG) in enriching the process, and highlighted sensitive sovereignty issues.

Noting that effective implementation of the ITTA, 1994 is difficult, ITTO Executive Director Manoel Sobral Filho presented the findings of regional workshops aimed at assisting developing producer countries to build sustainable trade and compete with temperate forest producers. He called for enhanced collaboration between the private sector and NGOs to develop C&I for SFM. Sobral stressed the role of partnerships and recent meetings to increase market access for tropical timber.

The Plenary also heard opening statements from Emile Doumba, Minister of Forest Economy, Water and Fisheries of Gabon, Satyadeow Sawh, Minister of Fisheries, Crops, Livestock and Forestry of Guyana, Jorge Viana, Governor of the State of Acre, Brazil, Ricardo Anguizola, National Environment Authority of Panama and Arturo Vallarino, First Vice-President of Panama.

Later in the week, the Council heard statements from the Food and Agriculture Organization (FAO), and from the United Nations Forum on Forests (UNFF).

Delegates then adopted the meeting's agenda (ITTC(XXXIV)/1) without amendment. ITTO Executive Director Sobral announced that quorum was reached for this session and that no changes in membership had been registered since ITTC-33. Delegates adopted the proposed distribution of votes for 2003 and admitted all States and organizations seeking observer status. The following Bureau members were in office during the session: Chair Bin Che Yeom Freezailah (Malaysia), Vice-Chair Jan McAlpine (US), CEM/CFI Chair Fidel Reyes Lee (Guatemala), CEM/CFI Vice-Chair Astrid Bergquist (Sweden), CRF Chair Henri-Félix Maître (France), CRF Vice-Chair A.S.K. Boachie-Dapaah (Ghana), CFA Chair Pravit Chittachumnonk (Thailand), CFA Vice-Chair Christopher Ellis (US), Producer Spokesperson Charles Sikapiék (Cameroon), and Consumer Spokesperson Aulikki Kaup-pila (Finland).

Throughout the week, delegates convened in Council, Joint Committee and Committee sessions. The CEM and CFI convened jointly during the session. A Chair's Open-Ended Drafting Group also convened to consider draft decisions.

The following report summarizes Council and Committee discussions and decisions, organized by agenda item. *Editor's Note: The Earth Negotiations Bulletin does not report the names of countries in informal negotiating sessions or drafting groups when requested to do so.*

COUNCIL SESSIONS

The Council convened daily to address: the role of phased approaches to certification for SFM; civil society and private sector partnerships for SFM; matters related to Article 16 of the ITTA, 1994, regarding the ITTO Executive Director and staff; measures to improve project formulation and appraisal; preparations for negotiating a successor agreement to the ITTA, 1994; forest law enforcement in the context of sustainable timber production; CITES listing proposals; progress in achieving the Year 2000 Objective; issues affecting market access for tropical timber; progress in implementing ITTO's 2003 work programme; review of, and contributions to, the Special Account and the Bali Partnership Fund; the 2002 annual draft report; and the Fellowship Programme.



REPORTS: Twelfth meeting of the IAG: On Monday, ITTC Chair Freezailah presented the report of the IAG (ITTC (XXXIV)/2) to the Council. The IAG had held its 12th meeting on Sunday, 11 May 2003. The IAG proposed that ITTC-34 consider and adopt decisions on issues, including: project implementation management; preparations for negotiating a successor agreement to the ITTA, 1994; training for C&I and reporting; cooperation with other organizations; the administrative account; C&I; CITES listing of broad-leaf mahogany; and coverage of ITTC sessions and negotiating conferences by the *Earth Negotiations Bulletin*.

Canada objected that not all of the draft decisions set out in the report for consideration by ITTC-34 had been circulated prior to Council session, as required by Decision 7(XXXIII). Noting that the ITTA is in a transition period, Chair Freezailah and Switzerland called for flexibility.

Issues affecting market access for tropical timber: On Thursday, the Secretariat outlined the report on issues affecting market access of tropical timber (ITTC(XXXIV)/10). He highlighted recommendations for ITTO and the international community regarding:

- improving data compilation and analysis;
- monitoring tariff and non-tariff barriers, including through studies on product standards and quality grading rules;
- researching trade impacts on SFM, and *vice versa*;
- addressing illegal harvesting and trade, through, *inter alia*, participating in the Forest Law Enforcement and Governance process, and developing international principles and mechanisms;
- certification, including encouraging the development of national C&I in producer member countries; and
- filling gaps in market access knowledge, including through further research on tropical timber substitutes.

He said producing countries should, *inter alia*, review and align domestic barriers and impediments to export trade, and implement C&I for SFM. He noted that recommendations for consuming countries included: harmonizing the use of terms such as “legality” and “sustainability” of origin, and coordinating specification requirements; collecting information on market barriers and impediments to tropical timber in importing countries; and coordinating legislation and implementation of the public procurement of tropical timber.

Ghana supported extending coverage of species-specific data on production and trade, monitoring tariff and non-tariff barriers and, with Malaysia, improving linkages with the World Trade Organization (WTO). Canada opposed equating low rent capture in tropical forest concessions with subsidies, and requested that references to the pending US/Canada WTO dispute on the counter-vailing duty to compensate forestry subsidies be deleted. Malaysia called for: removing subsidies; encouraging the development of training programmes; and discussing SFM beyond the ITTO process. The US encouraged ITTO to follow up on information received concerning the WTO process and to clearly identify responsibilities. The European Community (EC) underscored the clear separation of jurisdiction between ITTO and the WTO, and the need for ITTO to adapt to trade rules.

On Friday, the drafting group considered a draft decision on measures to promote the expansion and diversification of international trade in tropical timber (ITTC(XXXIV)/7). A consumer country recommended the inclusion of “technical regulations” as a topic for review in the proposed study on measures. Another consumer country urged the addition of a preambular paragraph noting the connection between product standards and market access. A producer country supported a comprehensive study, and another insisted on retaining specific reference to the impact of

regulations on trade in panel products. Producer countries requested, and consumer countries opposed, inclusion in the study of a review of tariffs and of regional trade agreements. One consumer country noted that the inclusion of regional trade agreements and tariffs would considerably increase the study’s ambit and cost.

On Saturday, the final session of the Council adopted the decision, as forwarded by the drafting group.

Final Decision: In Decision 12(XXXIV), the ITTC authorizes the Executive Director to engage two consultants, from producer and consumer countries, to undertake a study to be presented at ITTC-36, which will:

- identify product standards, quality or grading requirements, building codes, and technical regulations that may affect the trade of tropical timber and timber products, and assess their possible impacts on trade in tropical timber, *inter alia*, with respect to panel products;
- assess the capacity of tropical timber producing countries to meet existing and evolving product standards and technical regulations for timber products in importing countries and, where gaps exist, identify and propose ways to address them and provide assistance to producer countries;
- propose recommendations for consideration by Members and the Council; and
- in the context of the WTO Doha Development Agenda, report to ITTC-36 on tariffs, negotiations and the negotiating process as related to tropical timber products.

Objective 2000: On Thursday, the Council addressed reporting on assistance provided to producer countries to identify factors limiting progress toward achieving Objective 2000, and progress in implementing national training workshops on the use of ITTO formats for reporting on SFM.

Diagnostic missions: Patrick Hardcastle, ITTO Consultant, summarized the outcomes of the diagnostic mission in Guyana (ITTC(XXXIV)/8). He reviewed Guyana’s basic forestry statistics, highlighting limited timber production and challenges due to low soil fertility, high species diversity, difficult access, and the fragile ecology. He emphasized problems relating to: inefficient resource use; poor market understanding; destructive competitive behavior; limited investment in training; and inadequate management. He stressed the need for greater efficiency, specialization, training, low capital-based approaches, a greater emphasis on employment, improved communication and information, and government financing incentives. Hardcastle said the ITTO should: support operator and managerial training initiatives; provide technical expertise on industry restructuring; give guidance on product design and specification; and support a local market information service.

Guyana agreed with the findings and recommendations of the mission and said more work is needed in Guyana on: lesser-used species; reducing inefficiencies; improving access to markets; and managing mangrove forests. Ghana enquired about Guyana’s methods to control chainsaw logging. The Tropical Forest Foundation described a new partnership for training in Guyana.

Jeffrey Sayer, Centre for International Cooperation in Agricultural Research for Development, presented the findings of the diagnostic mission in Trinidad and Tobago (ITTC(XXXIV)/9). He described Trinidad and Tobago’s forestry industry, past successes in forestry management, and new socioeconomic trends. Sayer outlined the mission’s recommendations for: greater capacity building; better information generation and management; increased involvement of civil society; and greater private sector engagement. He encouraged the submission of an ITTC project proposal on capacity building and information management.



Trinidad and Tobago endorsed the mission's recommendations, noted the value of submitting a project proposal, and recommended the Caribbean region as a venue for future workshops and meetings. France commented on the difficulties in commercializing teak. Guatemala raised questions regarding ITTO's commitments after diagnostic missions are completed, and the procedures involved when establishing the missions.

National training workshops: Jürgen Blaser (Switzerland) reported on progress in the implementation of national training workshops on the use of ITTO formats for reporting on SFM, conducted under ITTO Decision 9(XXX). He explained that the objectives of the workshops include: testing and using C&I as tools for sustainable management at the forest management-unit level; informing and training managers; exchanging experiences; and reviewing the pertinence of C&I at the forest management-unit level. He said that workshops have been held in Congo, Papua New Guinea, Côte d'Ivoire, Vanuatu, the Philippines, Cameroon and Colombia, and noted that Brazil, Peru, Ecuador, Bolivia, Panama, Myanmar and Togo have expressed interest in holding future workshops. He highlighted that the workshops have increased field actors' awareness of the ITTO and have drawn attention to the need for harmonizing terminology. Blaser also noted that an Expert Panel meeting will convene in late 2003 to, *inter alia*: revise C&I; simplify the questionnaire for reporting; and link ITTO C&I, auditing, certification and harmonization with other C&I processes.

Guatemala suggested that future workshops take into account the recommendations and conclusions of the International Conference on C&I for SFM held in Guatemala City, Guatemala, in February 2003. Highlighting its commitment to capacity-building activities, Switzerland called for more national training workshops and encouraged countries to submit their national reports. ITTO Executive Director Sobral noted that reports have been received from Colombia, Congo, Indonesia, Myanmar, Peru, Philippines, Thailand, Togo and Vanuatu, and urged other members to submit their reports, using the approved reporting formats, as soon as possible.

On Friday, the drafting group considered a draft decision on C&I for SFM (5(XXXIV)). The consumer group suggested, and delegates agreed, to add a paragraph requesting the ITTO Secretariat to prepare a document collating the outcomes from workshops, including comments from member countries, as well as relevant recommendations from the international expert meeting on C&I, which is called for under the decision. On Saturday, the final session of the Council adopted the decision without amendment.

Final Decision: In Decision 4(XXXIV), the Council:

- requests the Executive Director to arrange national level workshops in eight producer countries to train officials, forest managers, forest concessionaires and others involved in SFM, in the effective use of ITTO Reporting Formats at national and forest management unit levels;
- strongly encourages all producer countries to submit their first national-level report by 31 August 2003, using the ITTO C&I Reporting Format, to allow the Status of Tropical Management report to be compiled by early 2004;
- authorizes the Executive Director to render assistance to producer countries to complete their first national-level reports, through workshops and/or financing expertise; and
- requests the Executive Director to convene an expert panel to review the outputs of the national training workshops, the international expert meeting and other relevant fora, and make recommendations to ITTC-36 for the revision of ITTO's C&I and Reporting Formats.

The decision further authorizes the Executive Director to convene jointly with the FAO an international expert meeting on C&I to consider: developing a communication network among processes, countries and other relevant partners; improving a common understanding of concepts, terms and definitions; identifying common approaches to, and methods for, collecting, storing and sharing data; strengthening processes and inter-process cooperation; and the merits of forming an *ad hoc* international technical advisory group to address technical issues related to C&I.

Progress in implementing the ITTO Work Programme for 2003: On Saturday, the Secretariat presented the progress report on the implementation of the ITTO work programme for the year 2003 (ITTC(XXXIV)/16), noting a significant increase in the Secretariat's workload. Aulikki Kauppila, Consumer Group Spokesperson, suggested that activities be added regarding collaboration of ITTO with other organizations and processes such as the United Nations Framework Convention on Climate Change (UNFCCC) and the UNFF. She urged ITTO participation in the Conference of Parties to UNFCCC, and preparatory work for and participation in the UNFF's intersessional working group on decentralization of the UNFF. The US announced a contribution of US\$101,060 to the Congo Basin Partnership Fund (CBPF), and noted its continued support to address research needs in the Congo Basin. The report was adopted by Council.

2002 Annual Report: On Saturday, the Secretariat presented the ITTO's annual report for 2002 (ITTC(XXXIV)/4) and reviewed the report's structure, focusing on its summary of projects and pre-projects in 2002, policy work, the world timber situation and work of the Committees. The Council approved the report.

PHASED APPROACHES TO CERTIFICATION: On Monday, Markku Simula, ITTO Consultant, presented the results of regional workshops on the potential role of phased approaches to certification in tropical timber producer countries as a tool to promote SFM. He stressed the need for phased approaches to address practical constraints to implementing certification, and noted the widespread interest in phased approaches to certification among all stakeholders. He suggested that the Council: endorse the use of phased approaches; carry out a cost-benefit analysis of certification; raise awareness among governments on the merits of phased approaches; and provide support for regional initiatives, particularly in Africa and the Asia-Pacific region. Simula also recommended, *inter alia*, that governments, where appropriate, use incentives to promote the implementation of phased approaches and that the private sector recognize the potential of phased approaches and participate in developing voluntary standards.

Brazil stressed that the legal requirements of phased approaches should be based on domestic legislation. Japan said certification can play a role in combating illegal logging and that mutual recognition of certification schemes is important. Switzerland stressed the need for action to increase producer access to certification.

On Friday, the drafting group considered a draft decision (11(XXXIV)). One consumer country expressed concern about preambular wording, which he felt inferred Council support for certification. Producer countries recommended the inclusion of deadlines for consultants to present their work on procedures for phased approaches and on evaluation of the costs and benefits. They also called for a deadline for the Executive Director to report on a workshop on phased approaches. Producer countries recommended deleting a paragraph that encouraged the promotion of projects related to phased approaches.

On Saturday, the final session of the Council adopted the decision, as forwarded from the drafting group.



Final Decision: Under Decision 10(XXXIV), the ITTC notes the outcomes and recommendations of the regional workshops on phased approaches to certification held in Jakarta, Libreville and Panama City in the first half of 2003, and recognizes the need for further development and promotion of phased approaches to certification as a tool to promote SFM in ITTO producer member countries.

The decision also authorizes the Executive Director to:

- engage two consultants, one from a producer and one from a consumer country, to develop procedures to implement phased approaches to certification;
- engage two consultants, one from a producer and one from a consumer country, to undertake a study to evaluate the costs and benefits of certification in selected producing member countries; and
- convene an international workshop on phased approaches to certification, and report to the Council no later than ITTC-38.

The decision includes an annex containing terms of reference (ToR) for the development of procedures and for the study on financial cost-benefits analysis.

PARTNERSHIPS FOR SUSTAINABLE FOREST

MANAGEMENT: On Tuesday, Barney Chan, TAG Spokesperson, presented the report of the Working Group on Civil Society/Private Sector Partnerships for SFM (ITTC(XXXIV)/5) and recommended, *inter alia*, the establishment of a revolving fund to support at least 10 partnerships annually. Brazil, supported by Ghana, Guatemala and Panama, stressed the need to adopt one format aligning projects with national and ITTO policies. Switzerland, supported by the Philippines, recommended further work on stakeholders' responsibilities. Ghana called for synchronizing project submissions and funding reviews with ITTO project cycles. Chan recommended that the Secretariat have full authority to allocate funds to partnerships. No decision was taken on this item.

MEASURES TO IMPROVE PROJECT FORMULATION

AND APPRAISAL: On Wednesday, Patrick Hardcastle, Chair of the Expert Panel for Technical Appraisal of Project Proposals, presented the Expert Panel's Report on Measures to Improve ITTO Project Formulation and Appraisal (ITTC(XXXIV)/6). Noting the generally low quality of project proposals, he suggested revising the proposal format, and called for, *inter alia*, a greater role for country focal points and consultants. He recommended a smaller expert panel, web-based information, and that proposals are revised only once.

The US called for further operational and financial analyses. Australia mentioned broader consultation and a stronger evaluative role for the Secretariat. Switzerland and the EC said projects should be of international value. Japan stressed the need for proper management of project implementation. Colombia suggested strengthening the initial stages of proposal development. New Zealand called for revising the proposal manual and better training. Ghana, with Indonesia, stressed the need for cost-efficient national capacity building. The Philippines called for improved coordination between the ITTO and experts. The Netherlands said projects should reflect the ITTO's core competencies.

The matter was further discussed in the drafting group on Friday. A consumer country suggested broadening the scope of the review and including a timetable and priority actions for introducing changes. After consultations in a small group, delegates reached consensus on expanding the scope to include cost efficiency when implementing the recommendations. On Saturday, the Council adopted the decision without amendment.

Final Decision: In Decision 11(XXXIV), the ITTC requests the Executive Director to, *inter alia*: assess the financial and human resources implications of the recommendations proposed by the

Expert Panel; and prepare and send out a questionnaire to members on perceived difficulties in project formulation and suggestions for improving project appraisal.

PREPARATIONS FOR NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994: On Wednesday, Jürgen Blaser, Chair of the Working Group on Preparations for Negotiating a Successor Agreement to the ITTA, 1994, presented the Working Group's Report (ITTC(XXXIV)/7). He summarized the results of a membership survey that was appended to the decision that created the Working Group (Decision 8(XXXIII)), concluding that: not all countries responded to the survey; there is a desire to retain the agreement; ITTA, 1994 is an adequate basis from which to begin negotiations; there is consensus on ITTO's position in the international context; and there is considerable variation regarding the scope of the new agreement. Blaser then presented a "road map" for the negotiations, suggesting that PrepCom I: set the context of the negotiations; define the elements to be considered, particularly scope; and identify intersessional work. He suggested that PrepCom II address organizational issues, funding, and remaining administrative issues.

Brazil highlighted the importance of the ITTO, expressed the need to explore new financing arrangements, and suggested the Global Environment Facility (GEF) as a possible funding source. The Republic of Korea said the negotiations should address the ITTA, 1994's objectives. ITTC Chair Freezailah proposed, and Switzerland supported, a tentative schedule for future Council and PrepCom sessions.

On Friday, the drafting group considered a draft decision on a successor agreement to the ITTA, 1994 (4(XXXIV)). Delegates proposed amendments to a paragraph requesting the Executive Director to engage consultants to prepare a background paper to summarize experiences, possibilities and constraints of environmental service payments for the purpose of informing the Council and the PrepCom. A producer country proposed that the background paper summarize experiences regarding implementation of the current ITTA. A group of consumer countries suggested that the paper take stock of all studies available regarding internationally-traded and potentially tradable environmental services. A consumer country expressed skepticism about the usefulness of holding an intersessional meeting between the first two PrepComs. After convening a small group, delegates agreed on a revised draft, which incorporated: a reference to internationally-traded and potentially tradable environmental services; clarification that, in case of shortfall, funds from the Working Capital Account may only be used to finance negotiations; a new annex including ToR for the environmental services study; and a request to the Executive Director to engage consultants to prepare a background paper summarizing experiences in implementing ITTA, 1994. Regarding the ToR, delegates agreed to: add reference to "environmental" goods and services flowing from forests; delete reference to the scale of internalization of services; and insert a reference to global biodiversity benefits, including those in relation to tropical timber producing forests.

On Saturday, the Council adopted the decision without amendment.

Final Decision: Under Decision 6(XXXIV), the ITTC requests the PrepCom to take measures to implement intersessional work as needed, including extending the mandate of the Working Group, if necessary. The ITTC requests the Executive Director to: engage consultants to prepare a summary of the experiences of implementation of the current ITTA, 1994 and a paper taking stock of the most relevant studies available regarding internationally traded and potentially tradable environmental services; and advise the Secretary-General of UNCTAD to arrange for the United Nations



Conference for the first session of the negotiations of a successor agreement to the ITTA, 1994, in Geneva, Switzerland, from 26-30 July 2004.

The decision also specifies that ITTC-36 will convene in Switzerland from 20-23 July 2004, and ITTC-37 in Yokohama, Japan, from 13-18 December 2004.

SUSTAINABLE FOREST MANAGEMENT IN THE CONGO BASIN: On Friday, Jeffrey Sayer, Centre for International Cooperation in Agricultural Research for Development, presented the report of the Workshop to Develop a Regional Applied Research Programme Focusing on Social, Economic, and Environmental Aspects of Tropical Forest Management (ITTC(XXXIV)/11). He stated that researchers in the Congo Basin are constrained by difficult working conditions, that research is often driven by external interests rather than by local needs, and that the amount of published research on issues in the Congo Basin is relatively low. Sayer summarized the results of a survey of concessionaires, which states that newer concessions are often vertically integrated and their timber exports are generally to Asia, whereas older concessions are less integrated and their exports are to Europe. He expressed the need for continued research in this area and for improved forest research capacity in the Congo Basin.

Gabon noted that a lack of resources and unfavorable working conditions are the causes of insufficient research, and Cameroon said there are many capable, albeit under-funded, researchers in the region. France noted that it will continue its involvement in research activities in the region, and urged others to provide long-term research funding. The US said the Congo Basin Forest Partnership (CBFP) establishes a platform to deal with these issues at the regional and national levels and that ITTO has been integral in enabling the partnership.

The Secretariat presented the report of the Training Workshop for Trainers in Forest Management (ITTC(XXXIV)/12), explaining that the workshop's main objectives were to: review and analyze current challenges in SFM and forest concession management (FCM); enhance understanding of SFM and FCM principles and concepts; identify concession managers' responsibilities to integrate social and environmental aspects of SFM; and define actions to improve SFM training standards in forestry training institutes.

Noting the weaknesses of current SFM training efforts, Cameroon stressed the need for improved curricula at forestry schools and improved linkages with ministries and universities. Gabon underscored the importance of training forest managers.

No decision was taken on this item.

FOREST LAW ENFORCEMENT IN THE CONTEXT OF SUSTAINABLE TIMBER PRODUCTION AND TRADE: On Wednesday, the Secretariat presented a preliminary report on the case study on Export and Import Data on Tropical Timber Products in the Context of International Trade (ITTC(XXXIV)/14). He drew attention to case study work in the UK, China and Indonesia, and noted Myanmar's interest in participating. He said the Council may wish to provide additional funding to hire a consultant to prepare a final report, as available funds will be exhausted.

Carlos Chirinos Arrieta, Peruvian Environmental Law Society, presented a case study on the Development and Implementation of Guidelines for the Control of Illegal Logging with a View to SFM in Peru (ITTC(XXXIV)/15). He highlighted the need for alternatives to the concession system for small-scale producers, and said in Peru the poor loggers are punished for illegal logging, while those who promote and fund such activities are not. He called for stronger management practices and management opportunities for small-scale foresters. ITTO Executive Director Sobral explained that similar case studies were underway in Malaysia and Brazil.

Japan and Ghana stressed the need to define "illegal activities." Switzerland said ITTO should design programmes to enforce laws and combat illegal trade, using declarations of species, origin and production methods, and supporting traditional land use. Ghana said regulations alone were unsuccessful in Ghana, and called for institutional capacity building. Malaysia highlighted its bans on log imports from Indonesia and on square logs, and expressed regret that illegal logs still enter Malaysia under false declarations of origin. Indonesia called for enhancing cooperation, including through information sharing, and suggested extending the CRF mandate to include illegal logging. The EC said it did not wish to restrict trade. The US cautioned against using measures such as trade restrictions, and suggested addressing illegal logging through SFM. No decision was taken on this item.

CITES LISTING PROPOSALS: On Thursday, ITTC Chair Freezailah took note of the absence of new proposals from member countries to list species on CITES appendices.

COOPERATION BETWEEN ITTO AND CITES ON MAHOGANY: A decision on cooperation between ITTO and CITES on broad-leaf mahogany was discussed by the drafting group on Friday. The producer group stressed the importance of scientific information when reviewing the listing of broad-leaf mahogany in CITES Appendix II, and called for a request to the ITTO Executive Director to offer to the CITES Secretariat "a joint process of scientific and technical research." Many delegates cautioned against broadening the decision beyond the ITTO's mandate and objectives, with one country stressing that CITES itself has considerable technical expertise and financial resources. After consultations, delegates agreed to emphasize collaboration with the CITES Secretariat through technical, scientific and financial cooperation.

The final session of the Council adopted the decision as forwarded from the drafting group.

Final Decision: In Decision 7(XXXIV), the ITTC requests the Executive Director to: offer collaboration to the CITES Secretariat in order to provide technical, scientific and financial support to the Mahogany Working Group; and contact ITTO member countries that are mahogany range States to identify their needs for effective implementation of CITES Appendix II, and to assist those countries to develop and submit projects that address those needs.

MATTERS RELATED TO ARTICLE 16 OF THE ITTA, 1994: On Tuesday, ITTC Chair Freezailah proposed that Council re-appoint ITTO Executive Director Sobral for another three-year term terminating in 2006.

On Friday, the drafting group discussed the decision on matters related to Article 16 of the ITTA, 1994. Delegates agreed to "renew," instead of "extend," ITTO Executive Director Sobral's mandate to November 2007, instead of November 2006. The Council unanimously approved the proposal and Executive Director Sobral accepted. On Saturday, the Council adopted the decision without amendments.

Final Decision: In Decision 5(XXXIV), the ITTC renews the mandate of ITTO Executive Director Manoel Sobral Filho from 6 November 2003 to 5 November 2007 as the second term of his appointment.

JOINT COMMITTEE SESSION

A Joint Committee session between the CRF, CEM and CFI, chaired by Henri-Félix Maître (France), convened on Monday and Tuesday.

REPORT OF THE EXPERT PANEL FOR TECHNICAL APPRAISAL OF PROJECT PROPOSALS: On Monday, Patrick Hardcastle, Chair of the Expert Panel for Technical Appraisal of Project Proposals, presented the Expert Panel's report



(CEM, CRF, CFI (XXXII)/1), highlighting, *inter alia*, poor problem analysis and translation into logical frameworks for action, missing background information, and the large number of project and pre-project proposals.

ANNUAL MARKET DISCUSSION: On Tuesday, delegates held the Annual Market Discussion on world trade and business developments. The discussion was opened by Barney Chan, TAG Coordinator.

Country Presentations: Guillermo Villarreal, Empresa Selloro, outlined timber market conditions in Panama. He recommended that Panama generate income and employment through natural resource utilization, and focus on exports to increase the value of timber production and on lessening environmental impacts.

Ivan Tomaselli (Brazil) presented market data on the Brazilian timber industry, and expressed concern that as the "Conformité Européenne" marking becomes mandatory in the EU, Brazilian plywood exports will lose access to that market.

Alhassan Attah (Ghana) described trends in Ghana's timber industry, highlighting policy reforms including measures to combat illegal logging, and fiscal incentives to promote domestic processing. He said challenges include slow growth of value-added industries, certification, and conflicts between mining and forestry. He called for enhanced cooperation between the private sector, government and local communities.

Siti Syaliza Mustapha, Malaysian Timber Council, outlined the establishment of the Malaysian Timber Certification Council and stressed the need for coordination with other certification organizations. She said timber market issues include unjustified association of tropical timber trade and illegal logging, the undermining of national certification efforts by advocates of other schemes, and non-tariff barriers.

Wendy Baer, International Wood Products Association, presented tropical timber market conditions in the US and described the challenges and opportunities in tropical timber trade, raising concerns regarding the trade impact of listing broad-leaf mahogany on CITES Appendix II.

Guest Presentations: Doaa Abdel-Motaal, WTO, provided an overview of the WTO Doha Round of negotiations. Noting that the WTO and the ITTO have common goals, she highlighted WTO rules and negotiations relevant to the ITTO.

James Griffiths, World Business Council for Sustainable Development (WBCSD), presented opportunities and challenges for a sustainable forest products industry, and WBCSD's relevant activities aimed at the mutual recognition of credible certification systems. He said the benefits of a sustainable forest products industry include the creation of employment and infrastructure, whereas challenges lay in, *inter alia*, the fragmentation of global forest policies and the lack of markets for ecosystem services.

Auvo Kaivola, Pan-European Forest Certification, presented international perspectives on certification. He underscored the importance of transparency and peer reviews, stressed the need to ensure compatibility and mutual recognition between national schemes, and said challenges include raising awareness, integrating intergovernmental schemes, ensuring cost-effectiveness and combating illegal logging.

Discussion: Delegates discussed, *inter alia*, non-wood substitution of timber products and means to counter this phenomenon, the establishment of minimum certification standards, and the relationships between ITTO and WTO.

COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT

The CRF, chaired by Henri-Félix Maître (France), met on Monday, adopted its agenda and organization of work (CRF(XXXII)/1), and admitted observers. The Committee held sessions on Monday, Tuesday, Wednesday and Friday to consider, *inter alia*, completed and proposed projects and pre-projects, ex-post evaluations, policy work and procedural and other business.

COMPLETED PROJECTS AND PRE-PROJECTS: On Monday, delegates heard presentations and reviewed a report on completed projects and pre-projects on reforestation and forest management (CRF(XXXII)/3). Ricardo Umali, Sustainable Ecosystems International, described work in the Philippines on the conservation and maintenance of biological diversity in tropical forests managed primarily for timber production. Pablo Mateus Alarcón, CORMADERA, presented the results of a timber development project in Ecuador, stressing the need to continue developing know-how. Marcelo Argüelles de Souza, Acre State Government, Brazil, presented information on forestry in Acre, highlighting policy instruments based on the integration of forest public policy, community-based forest management, support to industry and local social services.

On Tuesday, Khanita Meedej (Thailand) reviewed studies for the installation of a continuous monitoring system for the sustainable management of forest resources in Thailand. Neyra Herrera (Panama) described efforts to strengthen Panama's geographic information system for monitoring and evaluating forest resources. Delegates also reviewed the status of completed pre-projects concerning the improvement of living standards through community participation in SFM in Cambodia, and the development of an integrated forestry master plan in Togo.

EX-POST EVALUATIONS: On Tuesday, delegates postponed the review of *ex-post* evaluations of projects until the 33rd session of the CRF.

PROJECT AND PRE-PROJECT PROPOSALS: On Tuesday, delegates requested the revision of several project proposals and approved proposals addressing:

- the conservation and reforestation of Panama's threatened mangrove forests;
- the development of human resources in SFM and reduced-impact logging in the Brazilian Amazon;
- technical assistance for the development of a project proposal on institutional strengthening for forest fire prevention, mitigation and management in Panama;
- genetic improvement of tropical forest species in Guatemala;
- collaborative forest management in the Philippines; and
- the rehabilitation and multipurpose sustainable management of mangrove forest ecosystems in Ecuador.

POLICY WORK: On Wednesday, the CRF heard presentations on various policy work issues. On promoting understanding and use of the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests, the Secretariat described six ongoing regional workshops.

Regarding monitoring progress in the application of C&I for SFM, and cooperation with relevant organizations, the Secretariat outlined the results of a series of national training workshops on C&I and reporting formats and presented the outcomes of the International Conference on C&I for SFM, held in Guatemala City, Guatemala, in February 2003.

Regarding monitoring the political implications for the resource base of climate change and related policy developments, Carmenza Robledo-Abad, Swiss Federal Laboratories for Material Testing and Research (EMPA)/Inter-cooperation, described how initiatives under the UNFCCC process relate to forest issues and



explained how the Kyoto Protocol's Clean Development Mechanism (CDM) relates to ITTO project work. A financing model for SFM that utilizes the tools under the CDM was presented by Maria Patricia Tobón Hincapié, CORNARE. Focusing on a CDM project in Colombia, she reviewed baseline setting, verification, monitoring and community engagement activities, and described means to attract buyers of CDM credits. Untung Iskandar, Association of Forest Concession Holders, described an initiative in Indonesia to promote SFM using a CDM project. Switzerland said the ITTO should increase its involvement with the UNFCCC and build capacity in developing countries to enhance environmental services.

The Secretariat reported on the Regional Workshop to Facilitate the Transfer of Environmentally Sound Technologies for Mangroves, held in Managua, Nicaragua, in March 2003.

On monitoring and assessing the environmental, social and economic costs and benefits of forest plantation development and utilizing that information to promote new plantations, the Secretariat presented a proposal to examine private-sector involvement in industrial forest plantations and evaluate factors inhibiting plantation investment. Norway said biodiversity is a concern for plantation forests and the US noted that both technical and institutional factors need to be considered. Switzerland said the ecological impacts of plantations should be addressed and Brazil stressed the need to consider both incentives and technology investment.

DATES AND VENUES OF UPCOMING SESSIONS OF THE COMMITTEES: Delegates agreed that the 33rd session of the CRF will be held in Yokohama, Japan, from 3-8 November 2003, in conjunction with ITTC-35; the 34th session of the CRF will be held in Switzerland from 20-23 July 2004, in conjunction with ITTC-36; and the CRF's 35th session will be held in Yokohama from 13-18 December 2004, in conjunction with ITTC-37.

OTHER BUSINESS: Delegates noted an Indonesian project that is coming under "sunset" due to lack of financing, and encouraged project ideas in Côte d'Ivoire and Bolivia.

RECOMMENDATIONS TO THE ITTC: The CRF recommended to Council the approval of projects in Ecuador, Panama, the Philippines and Brazil and recommended the approval of three pre-projects.

ADOPTION OF THE REPORT: The CRF adopted its report (CRF/XXXII/7) without amendment, on Friday.

COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE AND COMMITTEE ON FOREST INDUSTRY

The CEM/CFI, chaired by Fidel Reyes Lee (Guatemala), met on Monday and adopted the agenda (CEM, CFI (XXXII)/1) and admitted observers. The two committees continued to meet on Monday, Tuesday, Wednesday and Friday to, *inter alia*, consider completed projects and pre-projects, *ex-post* evaluations, and project and pre-project proposals.

COMPLETED PROJECTS AND PRE-PROJECTS: On Monday, delegates heard reports on two completed pre-projects and one completed project (CEM, CFI (XXXII)/2).

Under CEM projects, the Secretariat outlined completed pre-projects on the economic valuation of production forests and agroforestry systems in the Peruvian Amazon and on assessing the feasibility of, and support for, a tropical timber promotion campaign.

Under CFI projects, Brazil outlined a completed project on information and technical assistance for production and trade of tropical timber in Brazil. The Secretariat took note of the projects and pre-projects and declared them complete.

EX-POST EVALUATIONS: When discussing the selection of projects for *ex-post* evaluation on Monday, delegates agreed to postpone consideration of the completed Brazilian project on information and technical assistance until the CEM/CFI's 33rd session.

Peter Kanowski, Australian National University, presented the *ex-post* evaluation of a project on the utilization, collection and trade of tropical non-wood forest products in the Philippines (CEM, CFI (XXXII)/4). He said the project focused on providing local forest communities with information and technologies to promote their income and livelihood. He noted the project's successes, but called for enhanced development of partnerships and communication strategies, and better understanding of the ecological context, sustainability and market access. The Secretariat said similar projects were ongoing in Southeast Asia and Latin America. The USA stressed the need to make information more readily available, preferably on the Internet.

The Secretariat noted the completion of *ex-post* evaluations on technology transfer and the commercialization of selected cocowood utilization technologies in the Philippines, and on the utilization, collection and trade of tropical non-wood forest products, also in the Philippines.

The Secretariat also introduced a report on lessons learned from *ex-post* evaluation missions carried out by the CFI (CEM, CFI (XXXII)/5), and noted that the projects on development of training on assessment of SFM in Indonesia and on the development and installation of a computer management system for the control of forest production in Gabon are eligible for *ex-post* evaluation.

PROJECT AND PRE-PROJECT PROPOSALS: On Tuesday, CEM/CFI Chair Reyes Lee introduced project and pre-project proposals (CEM, CFI (XXXII)/6). Under the CEM, the Secretariat presented China's proposal for an economic database on bamboo and rattan. Delegates recommended that Council approve the proposal for ITTO sponsorship for funding from other financial institutions. The Committee approved proposals on timber and timber products trade in the Philippines, upgrading and strengthening the National Forest Statistical Information System in Venezuela, and development of the National Forest Information System in Guatemala.

Regarding CFI proposals, delegates recommended reducing the cost of a project on the promotion of tropical non-wood forest products in China. Delegates approved proposals on: updating training in forest management and forest concession management in Central African forestry schools; building capacity for furniture and lumber industries in the Philippines; studying the utilization of plantation teak in Myanmar; promoting the utilization of rubberwood from sustainable sources in Indonesia; and promoting certified timber and timber products trade in Guatemala, with the US recommending that attention be paid to identifying markets for lesser-known species. The Secretariat presented a project document on the demonstration of rubberwood processing technology and promotion of sustainable development in China and other Asian countries. Côte d'Ivoire presented project ideas on the industrial development of offcuts and on training in log and sawn wood recognition techniques in the timber trade.

On Wednesday, delegates adopted revised proposals for projects on timber and timber products trade in the Philippines, and the promotion of tropical non-wood forest products in China.

POLICY WORK: On Tuesday, the Secretariat introduced an informal document on work directed at technical and environmental standards and international standard activities. On Wednesday, Lamon Rutten, UNCTAD, presented measures to bring increased transparency to the tropical hardwood plywood trade, and an analysis of the causes of market fluctuations and price instabilities. He noted that the tropical plywood industry is losing



market share to alternative plywood types. Identifying major problems in this industry, including a lack of clear pricing mechanisms and reliable information about market trends, he said market transparency can be improved with better cooperation at the corporate, national and international levels.

Richard Murphy, Imperial College, presented a review of current work on life cycle assessments (LCA) for tropical timber products, explaining that LCA is a system analysis tool to describe the "cradle-to-grave" environmental impacts of products and processes. He highlighted that the eco-profile of tropical timber compares favorably with synthetic materials, but that drawbacks include long transportation distances and energy-intensive harvesting. He outlined future priorities for tropical timber LCAs, including: the development of local expertise in LCA methods in tropical countries; the development of strong life-cycle inventory databases; and publication and dissemination of LCA results.

The Secretariat outlined, and delegates approved, policy work on: market access; timber certification; LCA of timber products; proposed listing of timber species on CITES appendices; trade in secondary processed wood products; matters on trade and SFM considered by the UNFF; and activities to fill gaps in data.

Regarding issues for discussion at the next session, CEM/CFI Vice-Chair Bergquist (Sweden) suggested, and delegates agreed, that the Committees continue considering ongoing issues, including certification, trade in secondary processed wood products and LCA of timber products.

DATES AND VENUES OF NEXT COMMITTEE

SESSIONS: On Wednesday, delegates agreed to defer the decision on the dates and venues of the next committee sessions to the Council.

OTHER BUSINESS: On Friday, the US noted a lack of available information on potential forest-related trade activities. They suggested, and the Secretariat agreed, that the Secretariat provide the relevant information on the ITTO website.

ADOPTION OF THE REPORT: On Friday, the Secretariat introduced the joint CEM/CFI draft report (CEM,CFI/XXXII/10). Regarding the CFI's recommendation to Council on work directed at technical and environmental standards and international standards activities in the field of forest industry, the US noted a large overlap between these activities and several proposed projects, and suggested that a decision on the corresponding draft proposal be deferred until the ToR of these activities are fully defined. Delegates agreed to delete the relevant paragraph, and approved the report.

COMMITTEE ON FINANCE AND ADMINISTRATION

The thirteenth session of the CFA, chaired by Pravit Chittachumnonk (Thailand), convened on Tuesday, Wednesday and Friday. On Tuesday, delegates adopted the Committee's agenda and organization of work (CFA(XIII)/1), admitted observers, and adopted the Report of the Expert Panel for Technical Appraisal of Project Proposals (CEM,CRF,CFI/XXXII/1).

REVIEW OF CONTRIBUTIONS TO THE ADMINISTRATIVE BUDGETS (1986-2003): The Secretariat presented the review of contributions to the administrative budget for 1986-2003 (CFA(XIII)/3 and rev.1). The US inquired about the arrears of the Russian Federation, a former ITTO member. The Secretariat said the Russian Federation must settle its arrears first, should it decide to rejoin the ITTO. He said another option was for Council to write-off the Russian Federation's arrears. Switzerland, the US and the EC called for further discussion about methods to secure the ITTO's financial future. Delegates agreed to keep the dialogue on this issue ongoing.

CURRENT STATUS OF THE ADMINISTRATIVE

ACCOUNT FOR 2003: On the current status of the administrative account for 2003 (CFA(XIII/4) and rev.1), the Secretariat highlighted an expected US\$150,459 deficit for 2003. He suggested that the CFA recommend that Council authorize the ITTO Executive Director to use funds from the Capital Account for 2003. Noting that such authorization had become routine, the US, supported by Switzerland, Australia, the EC, and Japan, proposed that Council allow the Executive Director to use the Capital Account when necessary.

On Wednesday, the Secretariat presented, and delegates approved with minor amendments, a draft decision which included the proposed authorization to the Executive Director.

On Friday, the drafting group considered, and approved with minor edits, a draft decision on this matter. On Saturday, the Council adopted the decision without amendment.

Final Decision: Under Decision 2(XXXIV), the ITTC notes with concern the insufficient receipts of contributions from members to the Administrative Budget due to untimely payment of assessed contributions, and recognizes that the receipts of contributions from members to the Administrative Budget before the end of each financial year often fall short of the estimated total expenditures. The decision also authorizes the Executive Director to: transfer, if and when necessary, an amount not exceeding US\$300,000 annually from the Working Capital Account to the current account in the Administrative Account to meet the shortfall of funds to implement the ITTO work programme; and to use the interest earned in the Administrative Account to hire on a temporary and intermittent basis, consultants and contractors to support the Secretariat in carrying out its duties.

The Council also requests that members pay their contributions to the Administrative Budget, as well as arrears in contributions; and that the Executive Director review the status of the Working Capital Account and report to Council should its balance fall below US\$2,500,000 at any time. The Council further urges the Secretariat to look for cost saving measures on a continuing basis and to exercise economies possible in incurring expenditures in the Administrative Budget.

RESOURCES OF THE SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND: The Secretariat presented, and delegates approved, the report on Resources of the Special Account and the Bali Partnership Fund (CFA(XIII)/5).

On Friday, the drafting group considered, and approved with minor edits, a draft decision on the management of project implementation. On Saturday, the final session of the Council adopted the decision without amendment.

Final Decision: In Decision 8(XXXIV), the ITTC, *inter alia*, notes the recommendation of the CFA's thirteenth session to accelerate the effective implementation of projects and pre-projects, and recognizes the substantial project funds in the Special Account and the Bali Partnership Fund that remain to be spent for approved project expenditures due to delays in implementation.

The decision requests the Executive Director to compile information on the current status of the ITTO's projects and pre-projects and identify causes of delay in their implementation and challenges in effective monitoring of the project work. The decision also requests the Executive Director to convene an Expert Panel by the end of October 2003, comprising three consumer member representatives that are main contributors to the Special Account and Bali Partnership Fund Account, and three producer member representatives, one from each geographic region. The Expert Panel is to determine the remedial actions necessary to address delays in project implementation and effective monitoring of project work, and prepare a report for consideration by ITTC-35.



AUDITOR'S REPORT FOR 2002: The Secretariat presented, and delegates approved, the Auditor's Report for 2002 (CFA(XIII)/2).

AMENDMENTS TO THE FINANCIAL RULES: On Tuesday, the Secretariat presented proposed Amendments to the Financial Rules Needed to Implement a Biennial Work Programme and Indicative Administrative Budget (CFA(XIII)/6). On Wednesday, the Secretariat presented, and delegates approved, a draft decision on a biennial work programme and administrative budget, amending the Financial Rules to allow the Executive Director to prepare a biennial draft administrative budget.

On Friday, the drafting group considered and approved, with minor edits, a draft decision on the biennial work programme. On Saturday, Council adopted the decision without amendment.

Final Decision: In Decision 9(XXXIV), the ITTC requests the Executive Director to prepare a biennial Work Programme and Administrative Budget for the 2004-2005 biennium, for consideration at ITTC-35. The ITTC also amends the Financial Rules and Rules relating to Projects, deciding that the Executive Director shall prepare a draft administrative budget for a biennial period, which will be sent to all members at least 90 days before the Council session at which the budget is to be approved. It says that revisions or amendments to the administrative budget for the second year in the biennial shall also be sent to all members at least 90 days before the Council session at which the second year's budget is to be reviewed and approved.

DATES AND VENUES OF SUBSEQUENT SESSIONS: The Secretariat announced that the next three CFA sessions will be held jointly with ITTC sessions.

OTHER BUSINESS: Congo and the US raised concern over the lack of funding for several approved projects and pre-projects, with the US stressing the need to improve ITTO's efficiency and to bring in additional contributions. Delegates agreed to keep discussion on this issue ongoing.

ADOPTION OF THE REPORT: On Friday, CFA Chair Chittachumnonk introduced, and delegates approved with minor amendments, the CFA's report (CFA(XIII)/7).

CLOSING PLENARY

ITTC-34 Chair Freezailah opened ITTC-34's final session on Saturday morning, 17 May.

REPORTS: Report of the Credentials Committee: Raúl Pinedo (Panama), Chair of the Credentials Committee, said all credentials of member countries and the EC had been approved.

ITTO Fellowship Programme: The Secretariat presented the progress report on the ITTO Fellowship Programme (ITTC(XXXIV)/17), outlining the status of the Fellowship Awards, and highlighting the need for additional funding to keep the Fund operational. Jan McAlpine, Chair of the Fellowship Panel, introduced the Panel's report (ITTC (XXXIV)/18), underlining the importance of the programme and thanking its main donors. The Council adopted the report and its recommendations.

Associated Sessions and Committees: CRF Chair Maître presented, and delegates noted, the CRF's report on its thirty second session (ITTC(XXXII)/7).

CEM/CFI Chair Reyes Lee presented, and delegates noted, the CEM/CFI joint report (CEM, CFI(XXXII)/10). Noting that the CEM and CFI had met jointly for the first time, ITTC Chair Freezailah congratulated Chair Reyes Lee and CEM/CFI participants for their successful and efficient work.

CFA Chair Chittachumnonk presented the CFA report on its thirteenth session (CFA(XIII)/7). Indonesia expressed concern regarding a recommendation to Council to write off the Russian Federation's contribution, subject to the full settlement should the

country decide to rejoin the ITTO. He noted that this may create a precedent contrary to the ITTA, 1994, and called on the Council to consider the recommendation. ITTC Chair Freezailah said this would be forwarded to the CFA at its next session, and delegates noted the report.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND: Japan pledged US\$2.3 million and encouraged other member countries to contribute. The US pledged US\$75,000 for Sub-Account B of the Bali Partnership Fund. The EC noted that it is a major donor of development assistance and that it is working to increase its collaboration with ITTO. ITTC Vice-Chair McAlpine urged members to contribute more funds, noting that several states have expressed views on the future direction of the organization without contributing support. Noting that rhetoric without action is unacceptable, she said the ITTO is at a critical moment and that members must work together to recognize how to take responsibility and advance the organization.

ITTO Executive Director Sobral summarized the current resources in the Bali Partnership Fund, noting that the CFI has reviewed the resources available and that about 50-60% of the projects approved by Council are generally initiated.

CFA Chair Chittachumnonk presented the report of the Panel on Sub-Account B of the Bali Partnership Fund, stating that current available resources in Sub-Account B at this session amount to US\$3,223,555 and that the Panel has counseled that the limit for financing at ITTC-34 from Sub-Account B should not exceed US\$1 million. He said the Panel recommended priority actions to focus on the Expert Panel for Technical Appraisal of Project Proposals, C&I for SFM, and measures to promote the expansion and diversification of international trade in tropical timber. He noted that the Panel recommended total financing on these priority actions from Sub-Account B to be US\$517,300.

DATES AND VENUES OF SUBSEQUENT SESSIONS: The Secretariat announced that ITTC-36 will be held from 20-23 July 2004, in Switzerland, followed by the first session of the negotiation for a Successor Agreement to be held from 26-30 July 2004, in Geneva, Switzerland. ITTC-37 will take place in Yokohama, Japan, from 13-18 December 2004.

OTHER BUSINESS: TAG Spokesperson Barney Chan, Sarawak Timber Association, urged the Council to support mutual recognition of schemes in its work on phased approaches. He called for close cooperation between ITTO and CITES, encouraged support for a CSAG/TAG partnership, and urged the ITTO to work with international agencies to forge a package of national and international measures to address illegal logging and trade.

CSAG Spokesperson Andrew Deutz, IUCN, said CSAG aims to broaden the participation of under-represented social groups, including local communities, labor and indigenous peoples. He welcomed the Decision on Negotiating a Successor Agreement to ITTA, 1994, which provides resources to ensure the participation of CSAG and TAG members from developing countries in the United Nations Conference for the negotiation for a successor agreement of the ITTA, 1994 in Switzerland in July 2004, and expressed hope that the Council will also find mechanisms to support the participation of CSAG members from producer countries in the PrepComs and future Council sessions. Deutz also said the CSAG looks forward to collaboration with TAG.

Robianto Koestomo, Association of Indonesian Forest Concession Holders, thanked Switzerland and Japan for financing its pre-project and expressed hope that ITTO would fund the resulting project. Maxim Lobovikov, International Network for Bamboo and Rattan (INBAR), expressed interest in establishing a stronger relationship between INBAR and ITTO, highlighting possible areas of cooperation, including statistics, illegal logging and certification.



ADOPTION OF DECISIONS: ITTC Chair Freezailah invited delegates to comment on the implementation of Decision 7(XXXIII) regarding the submission of proposed decisions to Council, and outlined the implications of this decision.

Aulikki Kauppila, Consumer Group Spokesperson, noted the decision's positive effects on the session's efficiency and transparency, and stressed that it allows donor communities to be informed about the financial implications of proposed decisions well beforehand. She noted a need for discipline to comply with the decision and, with Indonesia, Malaysia and Brazil, called for flexibility during the initial stages of its implementation. Switzerland and the US also expressed their support for the decision, with Switzerland inviting member countries to submit concerns and potential solutions to the Council at its next session. The EC acknowledged the importance of flexibility, but stressed the need to respect the terms and deadlines imposed by the decision.

ITTC Chair Freezailah then introduced, and the Council adopted without amendment, each of the decisions.

Projects, Pre-projects and Activities: The decision on projects, pre-projects and activities (1(XXXIV)) approves nine projects and eight pre-projects. The decision also authorizes:

- financing for immediate implementation of five projects approved at ITTC-34;
- the release of funds for the Freezailah Fellowship Fund;
- financing for the immediate implementation of five projects as soon as earmarked funds are available in the Special Account;
- the release of additional funds for four activities including: public relations, education and outreach; the role of ITTO in international and regional organizations and fora; staff secondment to UNFF; and the promotion of SFM in the Congo Basin; and
- financing for activities including: strengthening the Asia Forest Partnership; cooperation between ITTO and CITES; management of project implementation; and phased approaches to certification; C&I for SFM; negotiating a successor agreement to the ITTA, 1994; measures to promote the expansion and diversification of international trade in tropical timber; and the expert panel for technical appraisal of project proposals.

The decision also urges members to finance approved projects, and to make unearmarked contributions to the Special Account.

Strengthening the Asia Forest Partnership: A decision on strengthening the Asia Forest Partnership was approved by the drafting group on Friday, and adopted without amendment by Council on Saturday.

Final Decision: Decision 3(XXXIV) requests the Executive Director, in cooperation with relevant member organizations of the Collaborative Partnership on Forests, to support the governments of Japan and Indonesia in convening a regional workshop to operationalize the goals of the Asia Forest Partnership.

CLOSING STATEMENTS: Consumer Group Spokesperson Aulikki Kauppila lauded the cooperative spirit of the meeting and expressed satisfaction with the direction that the ITTO is taking. She noted the usefulness of the market access discussions and side event, and underlined the value of the decisions that were made at this session.

Producer Group Spokesperson Charles Sikapiex expressed satisfaction with the quality of the work completed at the meeting and commended the effort that was exerted throughout the week. Stressing the importance of issues relating to capacity building, financing, and removing constraints on trade, he said delegates must now focus on the work ahead in shaping the future direction of the ITTA to ensure its continued existence and relevance regarding sustainable management and use of tropical forests.

Underscoring the importance of collaboration between consuming and producing countries, the EC advocated intensified efforts to support long-term economic development in pursuit of poverty reduction. He highlighted new EU legislation on import of tropical timber, which provides harmonized policy standards and facilitates trade. Noting the EC's continued effort to enhance capacity building in producer countries, he expressed optimism regarding achieving Objective 2000.

Juan Carlos Navarro, Mayor of Panama City, thanked ITTO for its good work and lauded Duncan Poore's book, *Changing Landscapes*, for providing scientific insight into the changing nature of forests. He congratulated the ITTO on its work on mangroves, said ITTO's ongoing projects contribute to sustainable forestry around the world, and highlighted Panama's commitment to parks and public-private partnerships.

Ricardo Anguizola, Administrator-General of the National Environment Authority of Panama, congratulated delegates on their work and underscored Panama's commitment to SFM. He highlighted that SFM can help to alleviate poverty and emphasized the need for phased approaches to certification and cooperation with CITES.

ITTC Chair Freezailah thanked the Government of Panama and its people for hosting ITTC-34. He congratulated delegates on their professionalism and spirit of compromise, expressing hope for a similar positive atmosphere at PrepCom I. He said the decision on Negotiating a Successor Agreement to the ITTA, 1994, provides an excellent roadmap that will facilitate negotiations. Stating that certification is important for achieving SFM, Chair Freezailah noted that the decisions on market access and certification demonstrate the resilience and flexibility of ITTO's members and called for strengthened collaboration between the TAG and CSAG. He gavelled ITTC-34 to a close at 2:15 pm.

A BRIEF ANALYSIS OF ITTC-34

ITTC-34 proceeded as smoothly as one could expect from a multilateral process. Council sessions continued in the amicable tone that has come to characterize the ITTO in recent years, while its committee work was carried out with diligence and efficiency. This optic suggests that ITTO is maturing as an institution, and is making solid headway as it moves towards achieving Objective 2000. After all, ITTO enjoys broad international interest from a range of actors – governments, foresters, and industry – which, given ITTO's turbulent history, stands as testimony to the hard work of its membership. But to simply characterize ITTC-34 this way, risks glossing over some of the more important dynamics working through the organization – dynamics that explain, at least in part, why the ITTO has attracted attention in recent years. Bearing in mind that ITTC-34 was not a time for rocking the boat, given that the ITTC is about to begin to negotiate a successor agreement to the ITTA, 1994, this analysis will briefly review the ITTC's balancing act between policy and implementation, the role of NGOs at ITTC-34, and future prospects for the ITTC.

ITTO'S BIG SELL: A FINE BALANCE

When asked to identify ITTO's foremost strength, most observers and insiders are quick to point out that ITTO is uniquely positioned at the interface between project implementation and policy development. This means that many consider ITTO to be a well-suited forum for responding to policy concerns with currency on the international forest policy agenda, such as illegal logging, given its capacity for policy dialogue and its track record in delivering effective project work. Looking at ITTC-34 through this lens reveals a powerful relationship between policy and project work operating through the ITTO, a balancing act that goes some way in



explaining the political nature of the organization; but which also helps to explain why ITTO's membership and followers consider it to be so important. Not surprisingly, the issue of forest certification and illegal logging clearly illustrates how this balancing act played out during ITTC-34.

The issue of phased approaches to forest certification (PA) represents an interesting recent development in the implementation of sustainable forest management (SFM). PA is the practice of implementing the requirements of SFM into a forestry operation on a step-by-step basis. For tropical timber producers, PA is a realistic, achievable method of attaining forest certification, and is viewed as a way of improving market accessibility for their products. On the consumer side, there is a general willingness to discuss PA as one instrument in a basket of tools that helps in the implementation of SFM; but, at the same time, some consumers are reluctant to give PA their full nod of approval without knowing what its market effects will be. In more practical terms, consumers may be more willing to finance projects that develop producer capacity with a view of achieving SFM, than they will be to directly finance projects that involve specific certification schemes.

A tension between policy and project work at ITTC-34 was clearly evident in discussions around the PA decision. The proposed decision, which had been drafted by a producer country, initially included a study to evaluate the costs and benefits of certification, and develop guidelines that would facilitate the implementation of certification. Some consumer countries, adamant that the ITTO should not appear to endorse any one particular certification scheme, felt that the proposed decision, particularly the reference to "guidelines for implementing" PA, might give the impression that the ITTO explicitly endorses the use of PA as a strategy for implementing SFM. In the end, a decision was adopted, but in a form more consistent with the fact that PA remains an unresolved policy issue, as opposed to a universally accepted principle. Taking a step back, it is precisely this type of prolonged dialogue that many feel is ITTO's strength: it has the capacity to keep industry and forest managers at the table by engaging in protracted policy debates, yet is able to do so with a view to implementing effective project work. However, it is also the reason why some environmental NGOs have been reluctant to engage in the process: policy development at the ITTC is a slow process.

In terms of illegal logging, the balance between policy and project work is not nearly as precarious. There seems to be fairly clear agreement that illegal logging is a problem best dealt with on the ground where it occurs. Nevertheless, there are some who contend that illegal logging could be addressed using import restrictions and other demand-side tools; but those making this argument are not the ones writing the cheques. Not to mention, any reference to trade restrictions here would risk moving ITTO policy discussions dangerously close to the World Trade Organization; inviting specific trade obligations into the ITTO is, quite simply, a non-issue. Instead, the "exchequers" are advocating that more statistical information should be collected in order to provide a better perspective of the problem. Once the problem is adequately identified, an antidote including stronger local governance and law enforcement should follow. With illegal logging so high on the forest policy radar, it would not be unreasonable to expect ITTO to begin funding project work with this in mind.

N(O)GOS AND THE ITTO

Another dynamic that played out during ITTC-34 had to do with the participation of civil society. For its part, ITTC-33 was heralded by many as a major success, due, in large measure, to the inaugural Civil Society Advisory Group (CSAG) panel. But at ITTC-34, there was a noticeable lack of CSAG participants. There

were a few NGOs in attendance at ITTC-34, but it became clear as the week progressed that their involvement in the process appeared to be driven less by concerns about the routine goings on at ITTO than with project work partnerships.

There is a lacuna in the voices heard at the ITTC from interests such as trade unions, indigenous peoples, development, poverty, and municipalities. Re-activation of the CSAG and accompanying funding may be one solution; however, stronger engagement throughout the process may also be advantageous.

It must be pointed out that ITTC-34 decided to finance five representatives of both the CSAG and the Trade Advisory Group (TAG) to attend the United Nations Conference for the negotiation of a Successor Agreement to the ITTA, 1994 next summer in Switzerland. This is significant for a few reasons. First, it reveals that the ITTO, whatever its intentions, is serious about keeping the TAG and the CSAG in close proximity to the action. But, more importantly, it signals ITTO's unwillingness to fund either group in the PrepCom process where most of the serious negotiating will be carried out. This leaves open the question as to whether ITTO is trying to give the appearance of being inclusive, or whether it is seeking genuine involvement from the TAG and CSAG.

ITTO AND THE GREAT BEYOND

If one thing can be said about ITTO, it is that the institution sits poised at a very critical juncture. The ITTO can continue to play its important role as a mechanism for discussing and implementing projects or it can expand into new areas by increasing the ambit of the issues it addresses, the constituencies it engages, and the policies it develops. To attract the funding it needs to continue its work, the ITTO must sell itself as a process on the leading edge. In an international context of economic recession, war, insecurity, and disease and in which multilateralism itself is vying to retain its legitimacy, competition among international processes for funding has become intense. With an increasing international focus on poverty and development, if the ITTO is to maintain its place as a vibrant mechanism, it will need to re-assert itself in this changing climate. Arguably, this rationale also applies to attracting greater NGO involvement.

Over the last decade, ITTO has gone through a great deal of trouble to position itself as a useful policy forum for the trade and forestry interests and mechanism for project implementation. How this plays itself out, however, will become increasingly clear once the negotiation of the successor agreement gets underway and the "scope" of the new agreement is decided.

THINGS TO LOOK FOR TODAY

PREPCOM I: The opening session of PrepCom I for the Negotiation of a Successor Agreement to the ITTA, 1994, will convene at 10:00 am on Monday, 19 May, in the Miramar Ballroom of the Miramar Intercontinental Hotel in Panama City. Delegates will consider, *inter alia*: the report of the Working Group on the Negotiation of a Successor Agreement to the ITTA, 1994; new and emerging issues of relevance to the ITTO; and proposals from country members on the scope and substantive issues.

OTHER MEETINGS: The Producer and Consumer caucuses will meet from 11:30 am-6:00 pm, the Producer Caucus in the Miramar Ballroom, and the Consumer Caucus in the Marina Grand Salon. From 6:30-7:30 pm, the PrepCom Chair and Co-Chair will meet with the Producer and Consumer Spokespersons, Chair and Vice-Chair of the Council, and ITTO Executive Director.