



## SUMMARY OF THE THIRTY-FIFTH SESSION OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL: 3-8 NOVEMBER 2003

The thirty-fifth session of the International Tropical Timber Council (ITTC-35) took place from 3-8 November 2003, in Yokohama, Japan. Approximately 200 participants were in attendance, representing 41 members (22 producing countries and 19 consuming countries), 1 potential member country, 6 intergovernmental organizations, 4 governmental organizations, and 19 nongovernmental organizations (NGOs). The Council adopted four decisions on: projects, pre-projects and activities; management of the administrative account for 2003; an Executing Agencies Account; and the International Tropical Timber Organization (ITTO) Biennial Work Programme for 2004-2005. The Council also approved 16 projects and 4 pre-projects.

The Committees on Economic Information and Market Intelligence (CEM), Reforestation and Forest Management (CRF), and Forest Industry (CFI) convened their thirty-third sessions to review: completed projects, pre-projects and activities in progress; ex-post evaluations; projects and pre-projects proposals; policy work; completed projects and pre-projects; and the Biennial Work Programme for 2004-2005. The Committee on Finance and Administration (CFA) convened its fourteenth session to discuss matters relating the management of the Administrative Account for the year 2003, the Draft Biennial Budget for 2004-2005 and the creation of an Executing Agencies Account.

Overall, ITTC-35 can be characterized as routine. Given that the second session of the Preparatory Committee (PrepCom II) for the negotiation of a successor agreement to the 1994 International Tropical Timber Agreement (ITTA, 1994) meets immediately following ITTC-35, there was a pervasive sense at ITTC-35 that overburdening the Council session with decisions might unnecessarily complicate the negotiation process.

### 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. The negotiation sought to: provide an effective framework for cooperation and consultation between

countries producing and consuming tropical timber; promote the expansion and diversification of international trade in tropical timber and the improvement of structural conditions in the tropical timber market; promote and support research and development to improve forest management and wood utilization; and encourage 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 three-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 ITTO Objective 2000 to enhance members' capacity to implement a strategy for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000. The ITTA, 1994 also established the Bali Partnership Fund to assist producing members in achieving the ITTO Objective 2000.

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Initially concluded for three years, the ITTA, 1994 was extended twice for three-year periods, and is scheduled to expire on 31 December 2006.

The ITTA established the International Tropical Timber Organization (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 58 members divided into two caucuses: producer countries (32 members) and consumer countries (26 members, including European Community member states). The ITTO membership represents 95 percent of world trade in tropical timber and 75 percent of the world's tropical forests.

**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 criteria and indicators (C&I) for sustainable forest management (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, the civil society advisory group (CSAG) in projects and during Council sessions. 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:** The 34th session of the ITTC met from 12-17 May 2003, in Panama City, Panama. The Council adopted 11 decisions on: projects, pre-projects and activities; the management of the administrative budget; the Asia Forest Partnership; C&I for SFM; matters related to Article 16 of the ITTA, 1994 related to the Executive Director of the ITTO and staff; negotiations for a successor agreement to the ITTA, 1994; cooperation between ITTO and the Convention on the 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.

### ITTC-35 REPORT

ITTC-35 opened on Monday, 3 November 2003. ITTC Chair Bin Che Yeom Freezailah (Malaysia) welcomed participants, noting the high level of political attention given to issues facing the ITTO. He highlighted that the total area of tropical forests worldwide is small when compared to temperate and boreal forests, and that illegal logging continues to threaten the world's forests. Chair Freezailah also said that the cooperation of civil society, governments and others would help ITTO "reinvent itself" and facilitate tropical forest management. Chair Freezailah then acknowledged, and delegates applauded, Nigeria's recent accession to the ITTA.

ITTO Executive Director Executive Director Manoel Sobral Filho said the progress report on the implementation of the ITTA, 1994 could help governments during the renegotiation process. He said members, when renegotiating the ITTA, 1994, should take into consideration the changing nature of the forest debate, which, over the next few decades, may provide a new vision and process for addressing tropical forest issues. Sobral emphasized the importance of issues not on the agenda for ITTC-35, including phased approaches to certification, public-private partnerships and cooperation with other international organizations. He also stressed the importance of member state accession to the ITTA, 1994 and the successor agreement, and the need for existing members to meet their financial obligations if the successor agreement is to be successful.

Keiji Ide, Ministry of Foreign Affairs, Japan, outlined his country's contribution to tropical timber issues, including information exchange, policy guidelines, project implementation and project financing. He noted a Japanese-Indonesian initiative on combating illegal logging and Japan's contribution to the Asia Forest Partnership to promote sustainable development in Asia. Stating that the ITTA, 1994 is balanced and reflects ITTO priorities, he said that emerging issues and civil society participation should be reflected in the successor agreement.

Mamoru Ishihara, Director-General of Japan's Forestry Agency, noted that two-thirds of Japan's landmass is forested and reaffirmed Japan's commitment to SFM. He underscored Japan's collaboration with Indonesia to tackle illegal logging and harvesting on a global scale and mentioned Asia Forest Partnerships effort to introduce labelling and certification requirements.

Adou Assoa, Minister of Water and Forests, Côte d'Ivoire, noted his country's progress in implementing the ITTO Objective 2000 and explained Côte d'Ivoire's new forestry policy and partnerships with NGOs and the private sector. Noting that primary forests are disappearing and that the management of secondary forests requires new financing mechanisms, he expressed hope that the ITTO will be able to address these concerns.

Muhammad Prakosa, Minister of Forestry, Indonesia, underlined the importance of SFM, noting the need for cooperation between producer and consumer states in addressing illegal logging and trade issues. Describing Malaysia's importation of illegal logs from Indonesia and the need for consumer states to ban trade in illegal timber, Prakosa called for consistent standards and international cooperation.



Patrick Pruaitch, Minister of Forests, Papua New Guinea, emphasized his country's active participation in the ITTO process and supported broadening the scope of the ITTA, 1994 by promoting a holistic approach and moving the organization beyond its current status as a commodity organization. Pruaitch outlined Papua New Guinea's position for the re-negotiation of ITTA, 1994, noting the need to improve information exchange, access to new resources and access to the global timber market. Applauding ITTO support for SFM in Papua New Guinea, he described two recently submitted project proposals and presented his country's offer to host ITTC-40.

Elisea Gozun, Secretary of the Department of Environment and Natural Resources, the Philippines, reaffirmed her country's commitment to the ITTO Objective 2000 and identified national policy priorities, including: the implementation of a new forest policy code; the adoption of a system of C&I for SFM; the strengthening of local community forest management; the expansion of plantations; the creation of a better enabling environment for policy; increasing the sustainability of forest-based investment; and the dissemination of resource information.

Hosny El-Lakany, Food and Agriculture Organization (FAO), commended the policy achievements of ITTO and underscored the value of continuing collaboration between FAO and ITTO. He also highlighted FAO's ongoing efforts to develop guidelines for forest law enforcement, provide reliable and timely information on forest management, cooperate with ITTO in developing C&I for SFM, and strengthen the interface between economic and environmental considerations.

Following the opening statements, Malaysia stressed that illegal logging should be addressed domestically by producer countries, advocated rural-based approaches and multi-level cooperation, and gave examples of actions it has undertaken to combat illegal logging.

On Tuesday, Pekka Patosaari, Coordinator and Head of the United Nations Forum on Forests (UNFF), thanked ITTO for its support for the Collaborative Partnership on Forests, summarized the mandate of UNFF, stressed the need to curb illegal logging and encouraged continued collaboration between UNFF and ITTO.

Throughout the week, delegates convened in Council, Joint Committee and Committee Sessions. Delegates spent a significant amount of time in committees reviewing relevant elements of the Draft Work Programme for 2004-2005. 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.

**ORGANIZATIONAL MATTERS:** ITTO Executive Director Sobral said that the quorum for ITTC-35 had been met. Delegates adopted the provisional agenda and organization of work without comment. Sobral highlighted Nigeria's accession, noting that ITTO membership currently stands at 58 and is comprised of 26 producers and 32 consumers. Delegates approved the proposed distribution of votes specified in the provisional agenda (ITTC(XXXV)/1) and admitted all organizations seeking observer status.

The officers of ITTC-35 were Chair Freezailah (Malaysia) and Vice-Chair Jan McAlpine (US). The committee officers were: CEM Chair Kaya Gilbert (Ghana) and Vice-Chair Yeo-Chang Youn (Republic of Korea); CRF Chair Henri-Félix Maître (France)

and Vice-Chair A.S.K. Boachie-Dapaah (Ghana); CFI Vice-Chair Astrid Bergquist (Sweden); and CFA Chair Christopher Ellis (US). The Producer Spokesperson was Luis César Gasser (Brazil) and the Consumer Spokesperson was Aulikki Kauppila (Finland).

### COUNCIL SESSIONS

The Council met daily to address: the report of the Informal Advisory Group; the annual review of the tropical timber situation; CITES listing proposals; experiences with the implementation of the ITTA, 1994; internationally traded and potentially tradable environmental services provided by tropical forests; the Inter-sessional Working Group on preparations for negotiating a successor agreement; the Expert Panel on Management of Project Implementation; ITTO guidelines for the restoration, management and rehabilitation of degraded and secondary tropical forests; promotion of SFM in the Congo Basin; forest law enforcement and governance; the International Tropical Timber Organization (ITTO) Draft Biennial Work Programme for 2004-2005; ITTO Objective 2000; Special Account and Bali Partnership Fund; and the ITTO Fellowship Programme.

**INFORMAL ADVISORY GROUP:** On Monday, Chair Freezailah presented the report of the Informal Advisory Group (IAG) (ITTC(XXXV)/2), highlighting: the report of the Inter-sessional Working Group on preparations for negotiating a successor agreement (ITTC (XXXV)/7); proposals to amend the Council decision-making process; and draft decisions received from member states and the ITTO Secretariat. He said the IAG identified potential difficulties that could arise in the negotiations, including the use of the term "environmental services", the distribution of votes of African members and the use of new, undefined terminology. Guatemala and Papua New Guinea noted the importance of tropical coniferous forests in ITTO discussions. Switzerland highlighted its proposal for a panel discussion to enhance collaboration between the Trade Advisory Group (TAG) and the CSAG. Switzerland also said that, by expressing its view on the scope of the successor agreement, the IAG had overstepped its mandate. Ecuador said the IAG is an advisory body, and recommended that the IAG report indicate that any broadening of the ITTA, 1994 should be carefully studied. Although the US and Switzerland wanted to revise language on environmental services in the report, Chair Freezailah said the issue would be dealt with during the second session of the Preparatory Committee.

### ANNUAL REVIEW OF THE TROPICAL TIMBER SITUATION:

In a Council session on Thursday, the Secretariat presented a report on elements for the annual review and assessment of the world timber situation (ITTC(XXXV)/4). Noting that international timber trade data is increasingly important for policy-making, he stressed that few countries supply such data, suggested paying for country data in the future, and highlighted ITTO cooperation within an inter-secretariat group to improve responses from developed countries. In response to remarks that the EU does not have reliable trade data, the EU said it studies global timber markets without focusing on data from individual member countries. The US suggested that the TAG could help promote timely data reporting. New Zealand stressed that trade data is essential for addressing illegal logging and trade. The Secretariat noted forthcoming data submissions from the Republic of Korea, Malaysia and Brazil. Vice-Chair Jan McAlpine said ITTO is recognized as



one of the substantive sources of timber trade data. Executive Director Sobral said that, although data improvement is not included in the Draft Biennial Work Programme for 2004-2005, additional funds from member states would enable such work in the biennium.

**CITES LISTING PROPOSALS:** On Thursday, the Secretariat reported that it had not received any proposals to list new species in CITES appendices since ITTC-34. It noted that as of 15 November 2003, mahogany will be listed under CITES Appendix II, implying that each mahogany import will need a CITES permit. The Secretariat also noted that the CITES and ITTO Secretariats convened a second meeting of the Mahogany Working Group in Belém, Brazil, in October 2003 to discuss: administrative and scientific requirements for Appendix II listing; the role of mahogany plantations and methods to distinguish between natural forest and plantation imports; and statistical assistance from ITTO to member countries and organizations.

**EXPERIENCES WITH THE IMPLEMENTATION OF THE ITTA, 1994:** On Thursday, Shaharuddin Mohamad Ismail (Malaysia) presented a background paper on experiences with the implementation of the ITTA, 1994 (ITTC(XXXV)/5), elaborating on: the ITTA's organization and administration; ITTC procedures; ITTO finance and operational activities; ITTO's relationship with the Common Fund for Commodities; and different categories of project objectives. He concluded that there have been notable achievements under the ITTA, 1994, despite its poor implementation. He said that areas for potential future review under the successor agreement include: the integration of policy and project implementation; balancing project distribution among committees and among geographic regions; and improving the project cycle. He highlighted several remaining technical questions, including whether the ITTA's special vote provisions can be deleted.

**INTERNATIONALLY TRADED AND POTENTIALLY TRADABLE ENVIRONMENTAL SERVICES PROVIDED BY TROPICAL FORESTS:** On Friday, Andy White, Forest Trends, reviewed the current status and future potential of markets for ecosystem services (ES) of tropical forests (ITTC(XXXV)/6). Noting that different types of ES include watershed protection, biodiversity protection and carbon sequestration, he said the main buyers of ES are local, private investors. He said that the main markets and payment schemes include: public payments to private forest owners to maintain or enhance ES; open trading under a regulatory cap; self-organized private deals; and eco-labelling. He stressed that investment in watershed management is substantially cheaper than investment in new water supply and treatment facilities, and noted the increasing demand for organic farm products.

White said that the trade in ES could result in land-rights claims by powerful groups, and contract negotiations that exclude local communities. Identifying key findings of the report, he highlighted that: the total value of payments for ES is presently modest, but is expected to grow; payments for ES can contribute to poverty alleviation; and governments play a critical role as direct buyers of forest ES and as catalysts for private sector investments. He also called for the development of property rights and legal frameworks.

**INTER-SESSIONAL WORKING GROUP ON PREPARATIONS FOR NEGOTIATING A SUCCESSOR AGREEMENT:** On Tuesday, Jürgen Blaser (Switzerland), Chair of the PrepCom, summarized the report of the inter-sessional

working group on preparations for negotiating a successor agreement to the ITTA, 1994 (ITTC(XXXV)/7). Chair Blaser outlined the conclusions of the Working Group, including that: tropical conifers are only marginally important to the timber trade and that their inclusion would not dilute the successor agreement; non-timber forest products (NTFPs) are already addressed through ITTO project work; and ecosystem values are integrated into ITTO's definition of SFM. Chair Blaser said the Working Group's recommendations include changes to ITTA, 1994 articles relating to objectives, definitions, votes and private sector-civil society cooperation. He reiterated the Working Group's recommendation that PrepCom II prepare a single draft text.

**EXPERT PANEL ON MANAGEMENT OF PROJECT IMPLEMENTATION:** On Tuesday, Michael Hicks, US Department of Agriculture, presented the report of the Expert Panel on Management of Project Implementation (ITTC(XXXV)/8). He identified six main causes for ineffective project implementation and monitoring, including poor project design, lack of communication and coordination, lack of capacity within executing agencies, failure to follow ITTO rules and procedures, difficulties in recruiting consultants and project personnel, and natural disasters and other external factors.

Guatemala highlighted a video conference held in Latin America on project implementation, and recommended that ITTO rules and procedures contain a roster of experts for project evaluation. Stressing the importance of monitoring by local experts, Indonesia said that inadequate ITTO standards and tight timeframes, not executing agencies, are the causes of delayed implementation. The EU said that, when evaluating the effectiveness of implementation, the project appraisal phase must be considered, and urged that criteria for project continuation be developed. Switzerland argued that problems occur throughout the implementation phase, not simply during the early and latter stages of a project, and called for strengthened project management and the monitoring of training.

Ghana recommended focusing on project management, rather than project formulation. Malaysia expressed faith in the recommendations of the Expert Panel, and urged all Parties to assume their respective responsibilities during project implementation. Noting that panel experts, the Council and donors must appraise and approve all projects, Brazil, supported by the US, said that project implementation is a shared responsibility, not one confined to executing agencies. The US added that delays in project implementation must be solved at multiple levels. The Netherlands stressed the importance of high-quality project design and recommended shifting the discussion from the project level to the policy level. Ecuador said that ITTO criteria for successful project implementation should be clarified, and urged executing agencies to focus on management activities.

**ITTO GUIDELINES FOR THE RESTORATION, MANAGEMENT AND REHABILITATION OF DEGRADED AND SECONDARY TROPICAL FORESTS:** On Tuesday, the Secretariat introduced the ITTO guidelines for the restoration, management and rehabilitation of degraded and secondary tropical forests (ITTC(XXXV)/9), noting that five out of six workshops on the guidelines have been completed. The US said it would contribute financial support for publishing the workshop results. Japan noted the importance of disseminating workshop documents to member states and other interested Parties. Côte d'Ivoire said the



deforestation situation in West Africa and the Congo Basin justifies the importance of workshops on restoration, management and rehabilitation of forests in the region. China said that secondary tropical forests are important to rural development and biodiversity conservation. Ghana indicated that workshops have facilitated the sharing of experiences. Switzerland supported the continuation of activities until the final workshop is completed. Chair Freezailah said guidelines could be discussed further in the Draft Biennial Work Programme for 2004-2005.

**PROMOTION OF SFM IN THE CONGO BASIN:** On Friday, the Council discussed the promotion of SFM in the Congo Basin. ITTC Chair Freezailah made note of a workshop to promote SFM in Africa and improve the management of forest concessions based on ITTO guidelines, and said that the report of the workshop is pending. Cleto Ndikumagenge, World Conservation Union, outlined an assessment of experiences in forest management partnerships undertaken in Central Africa, describing: background information on the forestry sector; an assessment of forestry management; experiences in forest management partnerships with, *inter alia*, ITTO, the Worldwide Fund for Nature, the World Conservation Society, and the French Development Agency; and proposals for partnership models for the enhancement of forest management (ITTC(XXXV)/11). He noted problems faced by the partnerships, such as delays in the release of government funds, lack of personnel with adequate technical expertise, and inadequate monitoring and evaluation of field activities. Ndikumagenge recommended, *inter alia*: developing a monitoring and evaluation mechanism; creating a mechanism for coordinating partnerships; improving management tools; and consolidating the roles of the private sector and civil society.

During the ensuing discussion, the US stressed the need to focus on capacity building and the Republic of Congo underlined the importance of developing forest management plans in the subregion.

**FOREST LAW ENFORCEMENT AND GOVERNANCE:** On Wednesday, the Secretariat presented a progress report on case studies on export and import data for tropical timber products in the context of international trade (ITTC(XXXV)/12). He noted that there would likely be 12 case studies in total, and expressed hope that the reports of the case studies could be synthesized into one report. Japan highlighted its cooperation with Indonesia to improve statistical data, identify the origins of timber and strengthen training to improve the quality of statistical data. Brazil and New Zealand called for a synthesis report on the country studies, which the Secretariat noted would require additional funds.

The TAG noted that: the forest sector has suffered high job losses in recent years; discussions on illegal logging have become politicized; project funding for plantation developments should be increased; and industry needs to be involved in future discussions on mahogany during sessions of CITES. The EU outlined the themes of its governance action plan. The US cautioned against setting policies that restrict trade. The Republic of Korea and Indonesia noted their respective agreements with other countries on combating trade in illegal timber. China noted that its actions to address illegal timber trade include penalties, product certification and customs improvements.

Ghana made suggestions on issues in the expert study pertaining to secondary products, customs unions and trade statistics. Ecuador emphasized the importance of standardizing systems used to monitor the illegal timber trade. Norway described a technology that converts softwood into a hardwood-like material, and the resulting negative impact on producer country economies. Traffic International stressed the importance of harmonizing domestic statistical systems in addressing illegal timber trade.

**ITTO DRAFT BIENNIAL WORK PROGRAMME FOR 2004-2005:** On Tuesday, ITTO Executive Director Sobral presented the ITTO Draft Biennial Work Programme for 2004-2005 (ITTC XXXV)/25). He highlighted several proposed activities, including: a review of the timber market in China and Japan; studies on timber and timber products subsidies; the promotion of investment in natural forests and natural forest products; and the dissemination of guidelines for forest sector management.

The EU, Indonesia and China said that available funding could constrain the implementation of these activities. Sobral said he was confident that the required funds would be provided by donors and that the Special Account and the Bali Partnership Fund could also be used. Brazil highlighted the importance of obtaining funds from all member countries, and noted that ITTO cannot rely solely on gifts and donations from the donor community.

On Saturday, Brazil, on behalf of the Producer Group, expressed disappointment over the poor quality of consultations and the lack of clarity regarding the Draft Biennial Work Programme, emphasizing that these problems must be addressed in future sessions.

In their discussion of policy work, various committees addressed substantive matters related to the Draft Work Programme that pertain directly to the work of each committee. These discussions are described in the sections of this report on the specific committee sessions. Delegates also convened in an Open-Ended Drafting Group to review the text of the actual decision that approves the Biennial Work Programme for 2004-2005.

**Final Text of the ITTO Biennial Work Programme for 2004-2005:** The ITTO Biennial Work Programme (ITTC XXXV)/25) lists a number of activities to be implemented by the Executive Director. These activities include, *inter alia*:

- conducting a market study on tropical plantations and products from certified tropical plantations;
- conducting a study on subsidies affecting tropical timber products;
- developing and promoting the implementation of guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests, and the rehabilitation of degraded forest land;
- reviewing and updating the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests;
- promoting the establishment of efficient and socially sound community-based forest industries;
- promoting private investment through facilitating information exchange on investment opportunities;
- cooperation with the FAO on the development and dissemination of guidelines for improving law compliance in the forest sector;
- co-sponsoring an international symposium on the impact of forest certification in developing countries and emerging



economies; and

- organizing a workshop on capacity building for the implementation of the mahogany CITES listing in Bolivia, Brazil and Peru.

The Programme also includes an annex listing administrative activities of the Council and strategic policy and project activities for the Council and the technical committees. A selection of these activities is provided below.

According to the Biennial Work Programme for 2004-2005, the ITTC should, *inter alia*:

- consider results of national training workshops on the application of C&I for SFM;
- 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;
- arrange consultations on members' proposals to list internationally traded tropical timber species in the CITES appendices;
- consider results of a study on the costs and benefits of certification; and
- co-sponsor an international symposium on the impact of forest certification in developing countries and countries with economies in transition.

The Committee on Economic Information and Market Intelligence and the Committee on Forest Industry will, *inter alia*:

- conduct a market study on plantation timber and certified products;
- make a review of the timber market in China and Japan; and
- consider activities to promote awareness of progress made in implementing SFM.

The Committee on Reforestation and Forest Management will, *inter alia*:

- monitor the political implications for the resource base of climate change and related policy developments;
- promote the conservation, rehabilitation and sustainable management of mangroves; and
- monitor and assess the environmental, social and economic costs and benefits of forest plantation development.

The Committee on Forest Industry will, *inter alia*:

- develop, publish and disseminate information on increasing timber processing and utilization efficiency and reducing waste; and
- assess multiple benefits of downstream processing for creating or producing high-value internationally competitive products.

The Committee on Finance and Administration will, *inter alia*:

- review the independent audited statement for the 2003 and 2004 financial years; and
- review the assets of ITTO to ensure prudent asset management.

**Decision to approve the Work Programme:** On Thursday and Friday, the Chair's open-ended drafting group convened to discuss the final decision. A major producing country representative declined to endorse the proposed activities and requested time for further consideration. The group debated funding issues and decision-making procedures, including: whether or not members would fund the projects, and if budget figures should be bracketed. ITTO Executive Director Sobral clarified that all the proposed activities in the Draft Work Programme have been approved by the commit-

tees and have already secured funding. Delegates agreed to add text referring to ITTC decisions that have approved the projects contained in the Draft Work Programme. A producing country resisted proposing project dates and suggested addressing this in the Council. The consumer caucus objected and the group assigned approximate dates to projects in 2004 and 2005.

On proposed cooperation with the FAO to develop guidelines for improving compliance, consumer country representatives supported the activity, but opposed referring the development of terms of reference to the technical committees. Regarding a proposal to co-sponsor an international symposium on the impact of forest certification in developing countries and emerging economies, several participants stressed previous ITTO decisions not to favor any one particular certification scheme. The Vice-Chair said that co-sponsoring a symposium would not constitute a political statement on certification schemes, and the group accepted the proposal. The text of the decision was agreed to in the drafting group and was forwarded to the Council for final approval.

**Final Decision:** In the final decision to approve the Biennial Work Programme for 2004-2005 (Decision 4(XXXV)):

- endorses the Biennial Work Programme for 2004-2005 and requests the Executive Director to facilitate the implementation of activities approved therein;
- requests the technical committees to consider the scope of work and develop terms of reference to guide implementation of specific activities; and
- authorizes the Executive Director to seek voluntary contributions from member countries to finance the implementation of approved activities.

**ITTO OBJECTIVE 2000:** On Wednesday and Thursday, the Council discussed and heard presentations on the implementation of ITTO Objective 2000. On Wednesday, Tapani Oksanen, ITTO Consultant, presented the findings of a diagnostic mission to Peru that identified obstacles to implementing ITTO Objective 2000. He said obstacles include: illegal and informal forestry operations; policy decentralization; weak regional government capacity; and weak political support for sector reform. He recommended, *inter alia*, continued civil society involvement, strengthening implementation, monitoring and improving cross-sectoral coordination. Peru noted current efforts to address illegal logging and emphasized the political and financial costs of sector reform.

On Thursday, David Cassells, ITTO Consultant, presented findings of a diagnostic mission to the Philippines, and recommended that the Philippines Government, *inter alia*: develop a comprehensive legislative framework for SFM; examine trade policy impacts; improve environmental impact assessments; create regional SFM committees; and provide improved market information. Papua New Guinea suggested that ITTO diagnostic missions focus on project-level implementation instead of national-level policies. ITTC Chair Freezailah said the ITTO also dispatched a similar mission to Suriname, but discussion on this was postponed until ITTC-36.

The Chair also noted that a number of ITTO-funded national workshops for training on C&I for SFM were successfully completed, and upcoming workshops will be conducted in Panama, Ecuador and Peru.



### **SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND:**

Reconfirming its cooperation with ITTO activities, Japan pledged US\$6 million and encouraged other donors to contribute. Switzerland pledged US\$100,000. ITTC Chair Freezailah thanked Japan, Switzerland, the US, Norway, Finland, the Republic of Korea and Sweden for their contributions.

No comments were made on the review of the resources in the Bali Partnership Fund. CFA Chair Chris Ellis presented the report of the Panel on Sub-Account B of the Bali Partnership Fund (ITTC(XXXV)/18), highlighting recommendations on prioritized projects, pre-projects and activities to be funded by Sub-Account B and un-earmarked funds. No comments were made on the report.

**ITTO FELLOWSHIP PROGRAMME:** On Wednesday, ITTC Vice-Chair McAlpine led a Fellowship Panel meeting to discuss the improvement of selection criteria for ITTO Fellowship applications. The Fellowship Panel noted the increasing number of fellowship applications for postgraduate degrees.

On Friday, the Secretariat discussed the implementation of the ITTO Fellowship Programme (ITTC(XXXV)/19). ITTC Vice-Chair McAlpine presented the report of the Fellowship Selection Panel (ITTC(XXXV)/20), urged countries to better promote the fellowship programme, and encouraged more donor countries to provide financial resources for the programme. She described the Panel's decision to update and improve selection criteria for the Fellowship Programme. Brazil said it was willing to contribute to the initiative, and recommended developing a strategy to increase the Fellowship Programme's benefits to countries.

**REPORTS OF THE COMMITTEES:** On Friday, CRF Chair Henri-Félix Maître (France) gave an overview of the CRF report. ITTC Chair Freezailah noted that the Council would consider the reports of the CEM, CFI and CFA on Saturday.

**REPORT OF THE CREDENTIALS COMMITTEE:** On Friday, Michael Hicks (US) presented the report of the Credentials Committee to the Council (ITTC(XXXV)/3), and said that the Committee examined and accepted all members and observers.

### **DATES AND VENUES OF ITTC-36, ITTC-37, AND**

**ITTC-38:** On Friday, ITTC-35 reconfirmed that: ITTC-36 will be held in Interlaken, Switzerland, from 20-23 July 2003; ITTC-37 will be held from 13-18 December 2003, in Yokohama, Japan; and ITTC-38 will be held in Brazzaville, Republic of Congo, the dates of which are yet to be determined.

### **JOINT COMMITTEE SESSION**

**EXPERT PANEL FOR TECHNICAL APPRAISAL OF PROJECT PROPOSALS:** On Monday, a joint session of the CRF, CEM and CFI, chaired by Henri-Félix Maître (France), convened to hear the report of the Expert Panel for Technical Appraisal of the Project Proposals (CEM,CRF,CFI(XXXIII)/1).

Patrick Hardcastle, Chair of the Expert Panel, presented the report, noting that many of the projects and pre-projects considered in the report contained weakly framed indicators, and poor problem analysis and background information. He noted that the ITTO project cycle requires a complete overhaul.

The US stated that the Expert Panel's recommendations are not being considered in project implementation. Papua New Guinea noted that many good proposals are being rejected because they do not meet government requirements. Switzerland highlighted the

need for mid-term evaluations of phased projects. Brazil noted its new multi-stakeholder framework for improving project formulation

The Secretariat outlined possible measures to improve dissemination and information exchange mechanisms between projects (CEM,CRF,CFI(XXXIII)/2). The Secretariat also reviewed a proposal to establish a working group on lessons learned from ex-post evaluations to improve the design and implementation of projects. Brazil, Switzerland, Gabon, the Philippines, the Netherlands and the US volunteered to develop terms of reference for the working group.

### **COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT**

The CRF, chaired by Henri-Félix Maître (France), held sessions on Monday, Tuesday, Wednesday and Friday to consider, *inter alia*: projects, pre-projects and activity in progress; *ex-post* evaluations; project and pre-project proposals; and policy work. On Monday, the Committee adopted its agenda and organization of work (CRF(XXXIII)/1), and admitted observers.

### **PROJECTS, PRE-PROJECTS AND ACTIVITIES IN**

**PROGRESS:** On Monday, the CRF heard presentations on completed projects on, *inter alia*, the sustainable management of Togo's Missahoe forest and strengthening the East New Britain balsa industry in Papua New Guinea.

The Secretariat and country representatives commented on the financial audit status of completed projects, noting that final financial audit for the majority of projects was still pending.

On Tuesday, Brazil highlighted bureaucratic obstacles to administering international funds for project implementation. Honduras received Committee approval for implementing its project on mangrove conservation with a revised budget. Fiji noted difficulties in its SFM training project and the Secretariat said a team of ITTO experts would investigate these problems. Guyana said that its project on a sustainable forest model had been delayed because of institutional changes in the country. Côte d'Ivoire explained that a temporary delay in several of its projects was due to political unrest.

On Wednesday, the Secretariat reported the suspension of three projects in Cameroon due to, *inter alia*, lack of financial control by the executing agency. The CRF approved the extension, without additional funding, of three projects in Côte d'Ivoire and two projects in Ghana. The Secretariat noted delays in the implementation of a community forest project in Colombia.

The CRF accepted budget modifications for projects in Bolivia, Brazil, Ecuador, Peru and Panama. The Secretariat reported on a mid-term evaluation of a sustainable management pilot plan in Ecuador, noting implementation difficulties due to formalized illegal trade and ongoing social conflict.

The CRF discussed, but did not reach conclusions on, several projects and pre-projects, including the consolidation of a biological corridor in Panama, remote sensing technology in the Republic of Congo and damaged area rehabilitation in Brazil. The Secretariat said a global pre-project on demonstration areas in the sustainable management of production is waiting for funding.

**EX-POST EVALUATIONS:** On Tuesday, the CRF heard *ex-post* evaluations on: a natural forest rehabilitation project in Malaysia; model forests for SFM in South East Asia; projects on



reduced impact logging in Brazil, Malaysia, Cameroon and Ghana; and problem analysis in a SFM project in Panama. Chair Maître established a small *ad hoc* working group to select projects for *ex-post* evaluation and a second *ad hoc* working group to analyze the main findings of *ex-post* evaluations in general.

On Wednesday, Jerilyn Levi (US) presented the findings of the second small *ad hoc* working group on *ex-post* evaluation, highlighting the importance of effective project design and planning, and training and extension activities. The CRF agreed to recommend to the Council to carry out *ex-post* evaluations on three plantation projects and two genetic resource conservation projects.

**PROJECT AND PRE-PROJECT PROPOSALS:** On Wednesday, the CRF approved pre-projects on SFM plan development in Colombia and community-based plantations in Indonesia, and projects on, *inter alia*, biodiversity conservation in Malaysia, monitoring systems in the Philippines and Thailand, and alternative SFM financing in Colombia.

The CRF approved a project on training and the application of C&I for SFM in Ecuador. It also approved two pre-projects in Côte d'Ivoire and one in Ecuador. A decision on Peru's proposal for a transboundary management project was deferred until the next CRF session. Togo gave an overview of its training workshop on the application of C&I. Ichiro Nagame, Japanese Forestry Agency, outlined the definitions and modalities for afforestation/reforestation in the Clean Development Mechanism of the Kyoto Protocol, and said that these will be negotiated at the ninth Conference of the Parties to the United Nations Framework Convention on Climate Change in December 2003.

**POLICY WORK:** On Wednesday, the Secretariat introduced the Draft Biennial Work Programme for 2004-2005 (ITTC XXXV/14), highlighting those elements contained therein that pertain to the work of the CRF.

**ELECTION OF OFFICERS:** On Friday, the CRF elected A.S.K. Boachie-Dapaah (Ghana) as Chair and Jennifer Conje (US) as Vice-Chair for 2004.

**DATES AND VENUES OF THE NEXT SESSIONS:** Delegates agreed that the thirty-fourth, thirty-fifth and thirty-sixth sessions of the CRF would be held in conjunction with ITTC-36, ITTC-37 and ITTC-38.

**OTHER BUSINESS:** On Wednesday, Duncan Sutherland, New South Wales Rural Fire Service, Australia, reviewed the results of the Third International Wildfire Conference. Dennis Dykstra, ITTO Consultant, gave a presentation on reduced impact logging software.

**RECOMMENDATIONS TO THE ITTC:** The CRF recommended to the Council the approval of 11 projects and four pre-projects.

**REPORT:** On Friday, the CRF considered the Draft Report of the session (CRF (XXXIII)/9) and adopted it with minor amendments.

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

The CEM/CFI, chaired by Gilbert Kaya (Republic of Congo) and Vice-Chair Astrid Bergquist (Sweden) met on Monday and adopted its agenda (CEM-CFI (XXXIII)/1). The two committees met throughout the week to, *inter alia*, consider: completed

projects and pre-projects; *ex-post* evaluation; projects, pre-projects and activities in progress; project and pre-project proposals; and policy work.

**COMPLETED PROJECTS AND PRE-PROJECTS:** On Monday, the CEM/CFI considered completed projects and pre-projects (CEM-CFI(XXXIII)/2). Presentations were made on the following completed projects: an educational programme in Ghana to inform the wood products distribution chain on using tropical timber from all ITTO member countries; a preservation technology of tropical plantation timber in China; an ITTO study on transparency in the tropical hardwood plywood trade and on market fluctuations and price instability; and a global project on international wooden furniture markets.

**EX-POST EVALUATIONS:** On Monday, the Secretariat discussed lessons learned from previous *ex-post* evaluations, including the need for: proper management of projects; an effective steering committee; strong government support; and cooperation among all stakeholders. On Tuesday, the CEM/CFI noted the projects that would be eligible for *ex-post* evaluation and those that would be deferred. Among such projects, CEM/CFI approved for *ex-post* evaluation Indonesia's project on training for SFM assessments and postponed the *ex-post* evaluation of Gabon's project on a computer management system for forest production control.

**PROJECTS, PRE-PROJECTS AND ACTIVITIES IN PROGRESS:** On Monday, the CEM/CFI considered projects, pre-projects and activities in progress, and reviewed projects, pre-projects and activities that are under implementation, pending agreement and pending financing (CEM-CFI (XXXIII)/4). The CEM/CFI also held detailed discussions on, *inter alia*, an ITTO project on market information service for tropical timber and timber products, Egypt's project on a national statistical system for imported timber and timber products, and a project on value accounting of tropical forest resources in China.

On Wednesday, Maharaj Muthoo, ITTO Consultant, described a project proposal to review the Indian timber market and Lachlan Hunter, ITTO Consultant, outlined a project proposal on the assessment of the multiple benefits of downstream processing of tropical timber in producer countries.

**PROJECT AND PRE-PROJECT PROPOSALS:** On Tuesday, the CEM/CFI reviewed proposals that had been evaluated by the Expert Panel for the Technical Appraisal of Project Proposals (CEM-CFI(XXXIII)/5). The project proposals included:

- China's proposal to increase transparency in trade flows and the distribution of tropical wood products;
- Japan's proposal on expanding the global mangrove database;
- an ITTO proposal on a consumer awareness programme for which the CEM/CFI established a small *ad hoc* group for further consideration;
- Cambodia's proposal for training forest practitioners; and
- Peru's proposal for intermediate technologies for sustainable forest harvesting.

On Wednesday, the CEM/CFI discussed and approved an amended proposal for the ITTO consumer awareness programme. The Secretariat presented the recommendations of the Expert Panel on the Technical Appraisal of Project Proposals for the draft terms of reference for the working group established to formulate a preliminary working plan. The CEM/CFI approved the terms of reference.





**POLICY WORK:** On Tuesday, the Secretariat outlined CEM/CFI-related project activities and strategic policy activities included in the Draft Biennial Work Programme. On Wednesday, the Secretariat reviewed CEM/CFI and CRF strategic policy activities contained in the Draft Biennial Work Programme for 2004-2005 (ITTC(XXXV)/14).

The CEM/CFI reviewed progress in the areas of: market access; forest and timber certification; life cycle analysis of timber products; proposed listing of timber species in CITES appendices; trade in secondary processed wood products; SFM as addressed by UNFF; and the ITTO Work Programme for 2003.

Announcing its intent to amend its import regulations of solid wood packing material, the US said that the proposed amendment would likely have an effect on the international timber trade. He noted that Canada, the Republic of Korea and New Zealand would adopt similar standards.

**ELECTION OF OFFICERS FOR 2004:** For the CEM, Yeochang Youn (Republic of Korea) was elected Chair and Renzo Silva (Venezuela) was elected Vice-Chair. For the CFI, Astrid Bergquist (Sweden) was elected Chair and Celestine Ntsame-Okwo (Gabon) was elected Vice-Chair.

**DATES AND VENUES OF THE NEXT CEM/CFI SESSIONS:** Delegates agreed that the thirty-fourth, thirty-fifth and thirty-sixth sessions of the CEM/CFI would be held in conjunction with ITTC-36, ITTC-37 and ITTC-38.

**OTHER BUSINESS:** The CEM/CFI noted that the statement of the TAG presented to the Council had been added to the CEM/CFI report in an appendix. The statement refers to illegal logging and the trade in illegal timber, plantation developments, the implementation of CITES listings, and the successor agreement.

**RECOMMENDATIONS TO THE ITTC:** The CEM/CFI recommended to the Council the approval of 16 projects and nine pre-projects.

**ADOPTION OF THE REPORT:** On Friday, the CEM/CFI Draft Report to the Council (CEM-CFI XXXIII/7) was reviewed for approval. The CEM/CFI adopted the report for submission to the Council.

#### **COMMITTEE ON FINANCE AND ADMINISTRATION**

The fourteenth session of the CFA, chaired by Chris Ellis (US), convened on Tuesday, Wednesday, Thursday and Friday to consider, *inter alia*: the Administrative Account for the Year 2003; the Administrative Budget for 1986-2003; the Draft Biennial Work Programme of the Committee for 2004-2005; and other business. On Tuesday, the CFA adopted the Committee's agenda (CFA(XIV)/1).

**ADMINISTRATIVE ACCOUNT FOR THE YEAR 2003:** On Tuesday, the Secretariat reviewed the status of the Administrative Account for the Year 2003 (CFA(XIV)/4). New Zealand, Côte d'Ivoire, Indonesia and the US asked about actions taken to enforce the payment of membership dues. The Secretariat said that payment reminders are sent out regularly and that penalty for non-payment includes the withdrawal of voting rights. CFA Chair Chris Ellis (US) said non-payments could affect the negotiation of the successor agreement due to a possible redistribution of votes.

The CFA was also presented with a draft decision relating to the Administrative Account. The decision was adopted by the committee and forwarded to the Council for final approval.

**Final Decision:** Under Decision 2(XXXV), the ITTC:

- notes with concern the insufficient receipts of contributions from member states to the administrative budget for 2003;
- recognizes the possible shortfall in 2003 of contributions for meeting estimated total expenditures; and
- recognizes that the balance of the Working Capital Account at present stands at approximately US\$3 million;
- authorizes the Executive Director to transfer, if necessary, and in addition to the US\$300,000 authorized in Decision 2(XXXIV), an amount not exceeding US\$600,000 from the Working Capital Account into the Administrative Account to meet the 2003 shortfall;
- requests members to pay their full contributions to the Administrative Budget for 2003 as early as possible, as well as all arrears; and
- urges the Secretariat to undertake, as appropriate, cost saving measures to reduce further the expenditure to the Administrative Budget for 2003.

**ADMINISTRATIVE BUDGET FOR 1986-2003:** On Tuesday, the Committee reviewed statements of the Administrative Budget for 1986-2003 (CFA(XIV)/3). Chair Ellis said producing members owe US\$1.5 million for 2003, and are US\$4.2 million in arrears. The CFA took note of the Administrative Budget in its report.

**DRAFT BIENNIAL ADMINISTRATIVE BUDGET FOR 2004-2005:** On Tuesday, the Secretariat presented the Draft Biennial Administrative Budget for the 2004-2005 (CFA(XIV)/2), noting a 2004 budget increase of 18 percent from 2003. Switzerland, Japan and Gabon supported keeping regional office funding in the administrative budget, while the US and New Zealand preferred to use voluntary contributions and funding from other ITTO accounts. Japan also noted that the Secretariat should take into account the downward economic trend in Japan when budgeting. China questioned the applicability of the ITTO's assessment procedures. Indonesia emphasized that when paying ITTO assessed contributions, countries' disbursement dates for assessed contributions may not meet the payment deadlines imposed by the ITTO. Chair Ellis noted that over the years, the expansive scope of ITTO activities has been funded by voluntary contributions, but it is not a sustainable way to proceed and will be a significant part of discussions at PrepCom II.

On Wednesday, Chair Ellis outlined an amendment to the Draft Biennial Administrative Budget for 2004-2005 (CFA(XIV)/2/Amend. 2), which removes funding from the administrative budget for regional consultants, thereby reducing the 2004 budget increase by six percent. Brazil and Gabon underlined the importance of funding for regional consultants and the need to locate funding for them elsewhere. The CFA agreed to recommend the draft budget to the Council.

**DRAFT BIENNIAL WORK PROGRAMME OF THE COMMITTEE FOR 2004-2005:** On Wednesday, Chair Ellis noted that a substantial part of the Draft Biennial Work Programme for 2004-2005 (ITTC(XXXV)/14) referred to regular ITTO work and amounts to less than US\$2 million. Indonesia requested that the Secretariat disaggregate the activities contained in the Draft Biennial Work Programme for 2004-2005 and prepare a comprehensive budget that associates these activities with the costs contained in the proposed Administrative Account for 2004-2005.



On Thursday, the CFA considered a proposal to increase programme support by two percent for projects and pre-projects to cover the cost of two regional offices. Indonesia asked if this increase would be applied to all projects and also to previous projects. The Secretariat said the increase is for all projects but does not apply to prior projects. Brazil noted that ITTO project costs are higher than those of other organizations and this may reflect ITTO's project implementation difficulties. Indonesia questioned the equity of funding arrangements for projects that are not supervised by regional offices. Japan expressed concern regarding the increase in programme support and said regional offices should not be included in project costs.

Brazil, on behalf of the Producer Group, said it is ready to share information put together by the caucus group on the responsibilities of regional offices, and that the offices should assume a more institutional function. Switzerland, supported by New Zealand and Indonesia, suggested that the CFA revisit the role and funding of regional offices in the next 18 months, and discuss options at ITTC-39. Switzerland noted that the ITTO has not made a comparison of how other international organizations deal with arrangements for regional offices. Chair Ellis said he would reflect the discussion in the report to the Council, and will provide the terms of reference for officers in regional offices at the next CFA meeting.

On Friday, Chair Ellis proposed, and the Committee agreed to, wording on the need for greater transparency in associating the administrative budget and other funding mechanisms with the Draft Biennial Work Programme for 2004-2005, that the Executive Director take steps to address this concern when considering future biennial work programmes and biennial administrative budgets, and that the scope of the panel of Sub-Account B of the Bali Partnership Fund be expanded to consider, as an interim measure, the management of un-earmarked funds for supporting projects and activities within the Biennial Work Programme. Brazil and Gabon requested inclusion of a description of discussions on the development of regional office work plans. The CFA took note of the Biennial Work Programme and reflected this in its report.

**OTHER BUSINESS:** On Wednesday, the CFA considered a draft decision on the creation of an Executing Agencies Account. Japan noted that the Executing Agencies Account would be created in response to the different payment procedures of donor countries. This text of this decision was agreed to by the CFA and was forwarded to the Council for final approval.

**Final Decision:** ITTC Decision 3 (XXXV) recognizes that the current format of the Special Account and the Bali Partnership Fund Account provide misleading information about the available fund status of the Organization and:

- establishes a Financial Account (Executing Agencies Account), independent of existing accounts of the ITTO (Administrative Account, Special Account and the Bali Partnership Fund Account);
- authorizes the Executive Director to transfer into the Executing Agencies Account the funds committed for projects and pre-projects including for activities, pending disbursements, and transfer 50 percent of interest earned on the investment of these funds committed for projects and pre-projects to the un-earmarked fund in the Special Account; and
- requests the Executive Director to submit an auditor's report regarding the Executing Agencies Account to the Council.

**FINAL REPORT:** On Friday, the Committee agreed to forward the CFA report (CFA(XIV)/6) with minor amendments to the Council.

**ELECTION OF OFFICERS:** Chris Ellis (US) was elected as Chair and Shaharuddin Mohamad Ismail (Malaysia) as Vice-Chair of the CFA for 2004.

**DATES AND VENUES OF THE NEXT SESSIONS:** Delegates agreed that the fifteenth, sixteenth and seventeenth sessions of the CFA would be held in conjunction with ITTC-36, ITTC-37 and ITTC-38.

#### **CLOSING PLENARY**

On Saturday, the Council convened in closing plenary to adopt decisions, approve the committee's reports and hear closing statements.

**ELECTION OF ITTC CHAIR AND VICE-CHAIR FOR 2004:** The Council elected Jan McAlpine (US) as Chair and Alhassan Attah (Ghana) as Vice-Chair of the ITTC for 2004.

**ADOPTION OF DECISIONS:** The Council considered four decisions. Chair Freezailah introduced, and the Council considered, three decisions on: the Biennial Work Programme for 2004-2005 (Decision 4(XXXV)); the Executing Agencies Account (Decision 3(XXXV)); the Administrative Account (Decision 2(XXXV)). The Council approved all three decisions without amendment.

Chair Freezailah also introduced a fourth decision, and the Council adopted, on projects, pre-projects and activities (Decision 1(XXXV)), which approves 16 projects and four pre-projects. The decision also authorizes, *inter alia*:

- financing for the implementation of 12 projects and three pre-projects approved during the present session;
- the release of funds in the amount of US\$225,000 for the Freezailah Fellowship Fund;
- financing for the immediate implementation of three projects and one pre-project as soon as earmarked funds become available in the Special Account;
- the release of additional funds for the continued implementation of four pre-project activities;
- financing for immediate implementation of nine activities from resources obtained through voluntary contributions and seven activities from resources from Sub-Account B of the Bali Partnership Fund and/or un-earmarked funds in the Special Account; and
- implementation of seven activities as soon as earmarked funds become available in the Special Account, and/or when funds become available in Sub-Account B of the Bali Partnership Fund, and/or un-earmarked fund in the Special Account.

**ASSOCIATED SESSIONS AND COMMITTEES:** CEM Chair Kaya and CFI Vice-Chair Bergquist presented, and delegates noted, the CEM/CFI's report on its thirty-third session (CEM-CFI(XXXIII)/7). Chair Freezailah congratulated the CEM/CFI for their effective work.

CFA Chair Ellis presented, and delegates noted, the CFA's report on its fourteenth session (CFA(XIV)/6). With no comments on the CEM/CFI and CFA reports, Chair Freezailah declared that the Council adopted the reports.

The report of the CRF had been presented to the Council on Friday and had been approved.



**CLOSING STATEMENTS:** Yati Bun, Foundation for People and Community Development in Papua New Guinea, on behalf of the CSAG, underlined the group's aim to provide an opportunity for local voices and experiences to be heard and encouraged the Council to take steps to better reflect the interests and aspirations of civil society. He outlined that since the ratification of ITTA, 1994, there has been a significant transfer in forest ownership to indigenous and local communities and investment in, and trade of, community-controlled ecosystem services and NTFPs. He recommended, *inter alia*, that a successor agreement: promote sustainable development in producer countries; engage indigenous and other communities; facilitate the monitoring of tropical forest tenure arrangements; and ensure mechanisms to facilitate information exchange and capacity building of community entrepreneurs.

Canada commended the ITTO for its participation and support at the World Forestry Congress in September 2003.

Indonesia highlighted the importance of addressing illegal trade and logging through collaborative efforts and noted its efforts to combat these problems. Gabon and Malaysia echoed Indonesia's emphasis on cooperation and partnership. Gabon also noted that the regional offices can serve as a catalyst for technology transfer and the processing of timber resources. The US, Ghana and Papua New Guinea pledged their full support to the ITTO. Nigeria expressed its gratitude for being recently admitted to the ITTO. Chair Freezailah said the ITTO is proud to have Nigeria as a member.

The EU expressed satisfaction with ITTC-35 results and lauded the spirit of collaboration. He highlighted the adoption of the Biennial Work Programme for 2004-2005 and expressed confidence in the cooperative development of guidelines for its implementation. He stressed the importance of implementing forestry laws, and said that initiatives such as certification will serve to improve the ITTO's image and stimulate constructive action.

Japan commended the ITTO for its contribution to timber trade development. Stressing the importance of cooperation between consumers and producers, he encouraged member countries to work cooperatively and flexibly at PrepCom II and next year's formal negotiations. Japan also extended its continued support to ITTO.

Consumer group spokesperson Aulikki Kauppila said ITTC-35 had been very constructive, notably by agreeing on the Biennial Work Programme. She suggested avoiding simultaneous meetings of committees at subsequent ITTC sessions, and called for emphasis on the establishment of regional offices, forest law enforcement, market access issues, capacity building, countries' timely assessments of financial matters, and data collection.

Producer Group Spokesperson Luiz César Gasser noted that it had been an intense meeting and thanked the Chair for his able leadership.

Anselme Enerunga, Minister of the Environment, Nature Conservation, Water and Forests, Democratic Republic of Congo (DRC), outlined the extent of natural forests in his country, but noted that the forestry sector makes only a minor contribution to the economy. He said that significant reforms in forest governance are underway, and that the DRC plans to increase the amount of its forest-protected areas. Enerunga recommended, *inter alia*, the use of remote sensing to support the conservation of protected areas, encouragement of SFM, and international support.

Chair Freezailah expressed hope and optimism for the future of the ITTO, noting that the organization is on the right track. He underlined that despite the ITTO's successes in implementing SFM and establishing C&I, among other things, there is still considerable work to be done. Chair Freezailah emphasized the need to balance the rights and responsibilities of consumer and producer country members, to improve the flow of administrative budget and voluntary contributions, and to cooperate to address illegal logging and trade issues. He adjourned ITTC-35 at 1:45 pm.

### A BRIEF ANALYSIS OF ITTC-35

During the thirty-fifth session of the International Tropical Timber Council (ITTC-35), the International Tropical Timber Organization (ITTO) demonstrated that it is positioning itself well in the international forest policy domain, sending signals that it is as strong as ever. Work initiated in previous years is beginning to show both substantive and practical results, particularly with regard to the collection of market data. Stable levels of donor funding, growing civil society involvement, and international institutional support with the presence of top officials from the Food and Agriculture Organization and the United Nations Forum on Forests strengthened the feeling at ITTC-35 that the ITTO is moving in the right direction.

However, the signs of success in Yokohama may have been misleading. ITTC-35 was largely uneventful as the meeting was essentially a housekeeping exercise in preparation for PrepCom II. With only four decisions on the table, the only issues that generated any debate were finger pointing over illegal trade and concerns that some delegations had with the format of the Biennial Work Programme for 2004-2005. Were the signs of success at ITTC-35 really only the result of a sparse agenda?

This analysis reviews ITTO project effectiveness and local community engagement in light of the organization's focus on negotiating a successor agreement.

#### PROJECT EFFECTIVENESS

Despite successes in areas such as market data research, ITTO project development and implementation needs improvement. Delegates at ITTC-35 heard expert reports stating that of the ITTO's 184 projects and pre-projects currently being implemented, 75 are behind schedule. Furthermore, very few project proposals received by the Expert Panel for Technical Appraisal of Project Proposals were prepared in accordance with the ITTO Manual. The poor quality of project proposals and their somewhat questionable implementation stands in sharp contrast with repeated expressions of satisfaction with ITTO's work in these areas. However, these findings did not come as a surprise to most delegates, who acknowledged the need for greater capacity building and strong regional ITTO offices. Others noted that these problems may be symptomatic of the fact that, as a commodity agreement, ITTO already has a full programme agenda. Based on the expert reports, it is evident that stronger policy work on institutional, technical, and local capacity building and regional support would be useful.

The issue of failing project implementation resulted in considerable discussion about the question to which stage in the project cycle the ITTO should pay the most attention. Although, by nature, ITTC sessions focus mainly on the implementation stage, many voices were heard emphasizing the importance of sound project



design. The high percentage of failing projects and the frequent occurrence of budgetary problems, such as the inexplicable disappearance of project funds, suggest that perhaps the ITTO does not always fully consider the financial and institutional feasibility of projects. Consequently, as some delegates noted during ITTC-35, this underscores the need that executing agencies and the ITTO work together to ensure that projects are adequately designed and properly implemented.

#### **PUBLIC PARTICIPATION**

Some observers view the ITTC as a closed-door club that consists of consultants of questionable impartiality, closed decision-making processes over project funding and allocations under the Bali Partnership Fund, poorly prepared and documented materials, and a disconnect between the needs of people on the ground and the views of the diplomats at ITTC sessions. As an organization that relies on field work, greater participation of civil society could increase transparency in project selection, financing design, and implementation as well as enhance the effectiveness of the ITTO's long-term objectives.

Local community engagement was the focus of the Civil Society Advisory Group's (CSAG) panel discussion side event on Thursday. After nearly falling off the radar screen with fewer civil society participants and no organized events at ITTC-34, the CSAG re-emerged with a more organized presence in Yokohama. The CSAG panel discussion on community-based forestry and trade attracted a strong showing of representatives from at least 15 consumer and producer states. This level of interest, however, pales in comparison to the Annual Market Discussion that was held during ITTC-34 and is likely to fade further into the woodwork unless the CSAG becomes more entrenched in the ITTO process with a greater presence in meeting agendas and greater commitments by states to civil society engagement. As an important tool for facilitating discussion, consultation and international cooperation on issues relating to international trade and utilization of tropical timber and the sustainable management of its source base, it is surprising that the CSAG does not draw more attention in Council sessions. Given an increasing recognition that indigenous and local communities own or administer approximately 22 percent of all tropical forests, stronger engagement with civil society, for example by focusing on capacity building and reducing trade barriers faced by local communities, may vastly improve the quality, design and implementation of project work linked to ITTO's strategic objectives.

One interesting development that resulted from the CSAG panel was an acknowledgement from the Trade Advisory Group (TAG) that, on the issue of markets for environmental services, the CSAG and the TAG may not be far apart. There was even some preliminary speculation that these two groups may convene joint meetings with a view to identifying areas of synergy and presenting these to ITTC-36.

#### **OVERSHADOWED BY THE PREPCOM**

Bearing in mind that the ITTO has been making a concerted effort over the past year to rationalize and consolidate its work, while at the same time developing a stronger strategic focus, the lack of activity at ITTC-35 may be a sign of things to come. With only four decisions taken at this meeting and even fewer envisaged for ITTC-36, the real focus of policy discussions in the ITTO over the next year will be successor agreement negotiations. It is unclear what effect postponing salient policy discussions on issues, such as certification, illegal logging, and criteria and indicators, would have on future ITTC discussions and on the successor agreement negotiations. It is also uncertain as to whether delegates will be able to reinvigorate these policy issues once the successor agreement negotiations are complete.

To cement its role in the international forest policy domain, while maintaining a reliable flow of donor support, ITTO will need to continue linking the Council's future work to international trade, development, poverty and sustainability concerns. However, the ITTO will also need to be flexible and on the cutting edge of policy development so that it can adjust to the changing times as other new and existing processes vie for their place in the changing landscape of forest policy and management. The uncertain future of the UNFF, the expansion of the Convention on Biological Diversity's forest biodiversity work programme, and the renewed campaign by some states to establish a global convention on all types of forests may pose challenges for future ITTO activities. The ITTO will be busy over the next year as it negotiates a successor agreement. In this context, as the ITTO makes efforts to improve project review, it should be wary of missing opportunities in future ITTC sessions to address the key issues raised in its expert reports and facilitate improved project proposal submissions and implementation.

#### **THINGS TO LOOK FOR TODAY**

**PREPCOM II:** The opening session of PrepCom II for the Negotiation of a Successor Agreement to the ITTA, 1994, will convene at 9:00 am today in the Plenary Hall, Room 301 of the Pacifico-Yokohama International Conference Center in Yokohama, Japan. In advance of the negotiation, delegates will hear presentations on the experiences of implementation of the ITTA, 1994 and on the current status and future potential of markets for ecosystem services of tropical forests. Delegates will also be updated on the progress of the negotiation including the outcome of the inter-sessional working group on the renegotiation of the ITTA, 1994 held in Curitiba, Brazil.

**OTHER MEETINGS:** The Producer and Consumer caucuses will meet from 5:30-7:30 pm. From 7:30-8:00 pm, the PrepCom Chair and Co-Chair will meet with the Producer and Consumer Spokespersons, the Chair and Vice-Chair of the Council, and the ITTO Executive Director.