



SUMMARY OF THE THIRTY-SIXTH MEETING OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL: 20-23 JULY 2004

The thirty-sixth session of the International Tropical Timber Council (ITTC-36) met from 20-23 July 2004, in Interlaken, Switzerland. Delegates to ITTC-36 discussed a range of issues, including: preparations for negotiating a successor agreement to the 1994 International Tropical Timber Agreement (ITTA, 1994); progress reports on the study of forest law enforcement and governance (FLEG) in Malaysia and Honduras; phased approaches to certification; developments in UN Framework Convention on Climate Change (UNFCCC)/Intergovernmental Panel on Climate Change (IPCC) discussions regarding forests; and the promotion of sustainable forest management (SFM) in the Congo Basin. Delegates also considered the recommendations of a joint workshop involving the Trade Advisory Group and Civil Society Advisory Group on the issue of illegal logging and illegal trade. In the end, delegates approved 11 projects and seven pre-projects and pledged US\$5.7 million in new project funding.

The thirty-fourth sessions of the ITTC's Committees on Economic Information and Market Intelligence (CEM), Forest Industry (CFI) and Reforestation and Forest Management (CRF) also met to consider, *inter alia*: completed projects and pre-projects; *ex-post* evaluations; projects, pre-projects and activities in progress; and project and pre-project proposals. The fifteenth Committee on Finance and Administration (CFA) met to consider, *inter alia*: the status of the Administrative Account, the appointment of a new auditor, and resources of the Special Account and the Bali Partnership Fund.

Overall, ITTC-36 can be characterized as a successful meeting. Many delegates noted the significance of the Civil Society Advisory Group (CSAG)/Trade Advisory Group (TAG) joint workshop on illegal logging and illegal trade as an historic opportunity for these two groups to work collaboratively on an issue of mutual concern. ITTC-36 proceeded smoothly given that ITTC-35 had taken a decision to limit the decisions taken at ITTC-36 to those of only a routine nature. ITTC-35 had taken this decision for a few reasons: first, to minimize the possibility of controversial Council issues that might condition the pending renegotiation and, second, to experiment with how well the Council could function with only

one decision-making Council session per year. There is no doubt, however, that more contentious issues, namely ITTO's financial position and scope, will be the subject of debate during the renegotiation of the successor agreement to the ITTA, 1994 to be held in Geneva, Switzerland from 26-30 July 2004.

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) 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 for 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

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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. 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 about 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 also administers assistance for related projects. The ITTO has 58 members divided into two caucuses: producer countries (33 members) and consumer countries (25 members). The ITTO's membership represents 95 percent of world trade in tropical timber and 75 percent of the world's tropical forests.

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. In addition, 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; criteria and indicators (C&I) for SFM; matters related to Article 16 of the ITTA, 1994 concerning the Executive Director of the ITTO and staff; negotiations for a successor agreement to the ITTA, 1994; cooperation between ITTO and 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. Delegates also approved nine projects and eight pre-projects.

ITTC-35: The 35th session of the International Tropical Timber Council (ITTC-35) took place from 3-8 November 2003, in Yokohama, Japan. The Council adopted decisions on: projects, pre-projects and activities; management of the Administrative Account for 2003; an Executing Agencies Account; and the ITTO Biennial Work Programme for 2004-2005. The Council also approved 16 projects and four pre-projects.

ITTC-36 REPORT

Jan McAlpine (US), ITTC-36 Chair, opened the meeting on Tuesday, 20 July 2004, by highlighting examples of ITTO successes and noting that the ITTO could improve upon past actions to reach its goals. She underscored that the ITTO delivers successful partnerships, drawing particular attention to the first Trade Advisory Group/Civil Society Advisory Group joint workshop on illegal logging and illegal trade running concurrently with ITTC-36, and noted that, since 1987, the ITTO has funded over 600 projects, pre-projects and activities.

ITTO Executive Director Manoel Sobral Filho welcomed all delegates to ITTC-36, including its newest member, Mexico. He introduced an ITTO-financed project on the multiple use of forest resources in Acre, Brazil, highlighting its merits, including: solving land tenure problems; facilitating the organization of families into associations that produce various non-timber forest products (NTFPs); encouraging the mobilization of both civil society and governments to curb illegal logging; and receiving consistent and stable funding from donor countries. He said the valuing of environmental services is important for achieving SFM.

Amb. Jörg Reding, Head of Bilateral Economic Relations of the State Secretariat for Economic Affairs of Switzerland, welcomed participants and recommended that the ITTO build on its experience by addressing new issues, including forest laws and governance, timber market transparency, trade in NTFPs, and environmental services. He called for an innovative formula to address decreasing funding.

A film entitled "Use It or Lose It: A Sustainable Way to Protect the Brazilian Tropical Rain Forest" about the Antimary project for the integration of forest-based development in Acre, Brazil, was then screened.

Jorge Viana, Governor of the State of Acre, Brazil, highlighted the contribution that forests make to the well-being of people and underscored the successful development of the forest economy in Acre. He said this "eco-economy", which includes an important role for indigenous people in forest management and production, is evidence of positive change in Brazil.

Masao Otaki, Representative of the City of Yokohama, expressed pride in hosting the ITTO Secretariat in Yokohama. Noting the importance of the ITTA, 1994 renegotiation, Otaki said that the successor agreement will play a vital role in improving SFM.

Pekka Patosaari, Coordinator and Head of the United Nations Forum on Forests (UNFF), indicated that ITTO and UNFF are working together effectively in the run-up to UNFF-5, during which participants will negotiate recommendations concerning the future of the international arrangement on forests. Noting that UNFF and ITTO are approaching a critical juncture in their work, he said the global community must work in a coordinated manner to realize SFM.

ORGANIZATIONAL MATTERS: On Tuesday, Sobral announced that a quorum had been attained. Delegates adopted the agenda (ITTC(XXXVI)/1) and admitted all observers. Chair McAlpine acknowledged Mexico's accession to the ITTO and delegates approved the resulting modifications to the 2004 budget and the revised distribution of votes.



The officers of ITTC-36 were Chair Jan McAlpine (US) and Vice-Chair Alhassan Attah (Ghana). The committee officers were: CEM Chair Yeo-Chang Youn (Republic of Korea) and Vice-Chair Renzo Silva (Venezuela); CFI Chair Astrid Bergquist (Sweden) and Vice-Chair Célestine Ntsame-Okwo (Gabon); CRF Chair A.S.K. Boachie-Dapaah (Ghana) and Vice-Chair Jennifer Conje (US); and CFA Chair Christopher Ellis (US) and Vice-Chair Shaharuddin Mohamad Ismail (Malaysia). The Producer Caucus Spokesperson was Luiz César Gasser (Brazil) and the Consumer Caucus Spokesperson was Aulikki Kauppila (Finland).

COUNCIL SESSIONS

The Council met sporadically throughout the four-day session to discuss a range of issues, including: preparations for negotiating a successor agreement to the 1994 International Tropical Timber Agreement (ITTA, 1994); progress reports on the study of forest law enforcement and governance (FLEG) in Malaysia and Honduras; phased approaches to certification; developments in UN Framework Convention on Climate Change (UNFCCC)/ Intergovernmental Panel on Climate Change (IPCC) discussions regarding forests; and the promotion of sustainable forest management (SFM) in the Congo Basin. On Thursday morning delegates convened the Annual Market Discussion and in the afternoon to consider the recommendations of a joint workshop involving the Trade Advisory Group (TAG) and Civil Society Advisory Group (CSAG) on the issue of illegal logging and illegal trade. No substantive decisions were taken by ITTC-36.

INFORMAL ADVISORY GROUP: On Monday, 19 July, the fourteenth Informal Advisory Group (IAG) convened to discuss issues relevant to ITTC-36, including potential decisions.

On Tuesday, Chair McAlpine presented the report of this meeting (ITTC(XXXVI)/2), which recommended that ITTC-36:

- take decisions on projects and pre-projects and on the appointment of an auditor for the Financial Year 2004;
- not take substantive decisions;
- address the recommendations of the CSAG/TAG and those contained in reports on projects and workshops at this session only if they could be subsumed within existing decisions or elements of the work programme;
- consult informally on a draft decision recently tabled by the UK; and
- finalize the date and venue of ITTC-38.

MEASURES TO IMPROVE PROJECT FORMULATION AND APPRAISAL: On Tuesday, Ricardo Umali, Chair of the Expert Panel on the Technical Appraisal of Pre-projects and Projects, presented the Expert Panel's Report on Measures to Improve Project Formulation and Appraisal (ITTC(XXXVI)/5), noting that core problems in project formulation include a lack of: experienced personnel in producer countries; a process to prioritize projects; an expert database; and information on project formulation. He said that appraisal problems include varying levels of effectiveness of the Panel and technical committees and insufficient participation from the Secretariat. He recommended actions for the Council, Committees, Secretariat, member countries and the Expert Panel. Japan said he hoped the recommendations from the Expert Panel would be put into practice, particularly on the need for

project-proposing countries to appraise projects at the national level prior to ITTO submission and to collaborate with donors and executing agencies once approved by the ITTO.

On Wednesday, Chair McAlpine invited countries to make statements on measures to improve project formulation and appraisal. Ghana favored emphasizing training in project management and returning any project that the Expert Panel had not recommended after three revisions to the submitting country, rather than passing it to the Committee. The continuing decrease in financial resources and narrow funding base for approved projects were highlighted, and more attention to these issues was advocated. Two countries advocated focusing on those recommendations that can be undertaken without a Council decision and draft decisions for ITTC-37 on the others. Recommendations that can be implemented by governments, such as strengthening the role of country focal points and the process for formulating project proposals, were emphasized. Recommendations that have a direct impact on proposal quality were also underlined. The Secretariat was asked to draft decisions on, *inter alia*: thematic training; an expert panel to develop criteria for assessing projects' contributions to ITTO objectives; and a simplified project manual that addresses the whole project cycle. The need for the following was emphasized:

- national-level thematic training;
- support for implementing SFM practices;
- a pool of experts;
- expansion of the Secretariat's mandate to check factual and presentation details; and
- national clearinghouses to consider the relevance of proposals to ITTO priorities.

It was noted that coherent project goals, in line with national goals and strategies for development, are important for attracting financing. The European Community (EC) urged that countries be notified about project appraisals and about the outcomes of these appraisals and, with Norway, called for strong implementing agency capacity at the national level as the best solution for improving project activities. There were also calls for:

- compiling the results from projects so that decisions can be taken at subsequent Council sessions;
- maintaining the substance of projects as the core focus of project preparation;
- keeping project work in line with policy work;
- identifying the core objectives of the ITTO and member states clearly, since there are limited resources for ITTO's core work;
- ensuring secure funding;
- enlarging the scope of project formulation;
- establishing ITTO sub-centers in project-proposing countries to increase project efficiency and local capacity building; and
- decreasing the time between project submission and acceptance.

Noting the large number of approved projects and *ex-post* evaluations, Executive Director Sobral emphasized the positive aspects of ITTO's project evaluation system. He also indicated that Brazil is doing an excellent job at scrutinizing projects prior to their submission to ITTO and stressed that project effectiveness is closely linked to funding.



PREPARATIONS FOR NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994: On Wednesday, delegates heard presentations on preparations for negotiating a successor agreement to the ITTA, 1994. PrepCom Chair Jürgen Blaser (Switzerland) reviewed the PrepCom process, noting that the output of the process was a single working document, which will serve as the basis for negotiations at the United Nations Conference in Geneva.

Amb. Carlos Antonio da Rocha Paranhos (Brazil), Chair-designate of the UN Conference for the Negotiation of the Successor Agreement to the ITTA, 1994, gave an overview of the negotiation process. He stressed that the negotiation must end no later than Friday, 30 July 2004, and that the negotiation will be conducted in two working groups.

FOREST LAW ENFORCEMENT AND GOVERNANCE IN THE CONTEXT OF SUSTAINABLE TIMBER PRODUCTION AND TRADE: On Friday, the Secretariat presented a progress report on case studies on export and import data on tropical timber products in the context of international trade (ITTC(XXXVI)/7). He noted that common to several of the case studies was a lack of available data, confusion concerning customs statistics, and in some cases little, no, or contradictory data. He said a final synthesis report on ten case studies will be presented at ITTC-37.

Chen Hin Keong, Traffic International, presented a progress report on forest law enforcement and governance (FLEG) in Malaysia in the context of SFM (ITTC(XXXVI)/8), noting in particular the geographic scope of the study along with the constitutional, forestry and policy frameworks that lend context to Malaysian forests and forestry. He concluded that the multileveled forest policy of Malaysia makes the implementation of FLEG a challenge.

In response to the progress report on Malaysian forestry, Malaysia said the study would help Malaysia achieve SFM and that, along with state-level governments, the Malaysian federal government also has an important role to play in Malaysian forestry. The European Community used the opportunity to introduce two new European Commission regulations on illegal logging, a proposed framework for voluntary partnerships on illegal logging and a licensing scheme that will regulate timber imports. He said the regulations still await approval by the European Council.

CSAG/TAG JOINT WORKSHOP: The CSAG/TAG convened an unofficial joint workshop from 19-20 July 2004, in Interlaken, Switzerland, to discuss illegal logging and the illegal trade in forest products. On Thursday, CSAG/TAG Workshop Co-Chairs Barney Chan, Sawarak Timber Association, and Andy White, Forest Trends, presented the results of the workshop. They reported that CSAG/TAG workshop participants mutually agreed, *inter alia*, that: producers and consumers have roles to play in eliminating illegal logging and associated trade; illegality encompasses a range of issues, such as worker rights, gender and trade, and money laundering; and capacity building is critical and needs to be applied not only to the timber sector but to other sectors as well. The CSAG/TAG recommended that the ITTO:

- take aggressive steps to address illegal logging and illegal trade;
- improve data on and understanding of timber production and trade, including the extent of illegal logging and trade;

- encourage transparency, access to information and quality of published data;
- support countries to review and/or revise laws and regulations to ensure that they are efficient, enforceable and equitable;
- address underlying governance problems and improve implementation;
- encourage national, regional and international trade regimes to promote legal trade;
- promote systems to assess and verify the legality of forest products; and
- promote involvement of local communities in forest management and trade.

The Co-Chairs also identified four action items that could be undertaken immediately:

- conduct an international conference on the transportation of timber products, involving financial institutions, customs officials, and the transport sector, to identify weaknesses that contribute to illegal trade;
- conduct international conferences on indigenous and community forestry and on forest tenure, policy and other regulatory barriers to management and trade with a view to understanding their relationship to illegal logging and illegal trade;
- strengthen and expand the ITTO project window to finance private sector/civil society partnerships to advance sustainable and legal forest management and trade; and
- provide further opportunities for CSAG/TAG to advise the Council.

In the ensuing discussion, Chair McAlpine stressed the need for gender equity and transparency within CSAG/TAG. Switzerland advocated more stakeholder consultations, urged arrangements for near-term actions, and inquired about funding needs for CSAG/TAG's work. Peru, supported by Indonesia, lamented that illegal logging distorts legally logged timber prices, and noted a recent national stakeholder forum convened. There were calls from two producer countries for international cooperation to strengthen national law enforcement institutions.

The Netherlands, speaking on behalf of the European Union, warned of recent calls from national civil society, parliamentary, and trade groups to ban illegally harvested imports into the EU. Simplification of unnecessary or difficult regulations was also highlighted. The EC asked for more elaboration on the recommendation for studies on the transportation of timber products. Chair McAlpine invited EC financial support for this study. China welcomed the inter-party dialogue as an alternative to finger pointing. Switzerland, the US and Japan expressed readiness to fund CSAG/TAG-recommended activities.

Responding to a question from the EC, Workshop Co-Chair Chan stressed the importance of statistical information for clearly identifying the scope of the illegal trade in timber, noting discrepancies in import-export trade statistics in Asia. Malaysia and China expressed concern that they had been singled out in the Co-Chair's remarks on such discrepancies. The Interafrican Forests Industries Association (IFIA) said the problem extends beyond Southeast Asia and involves both importers and exporters. ITTO Executive Director Sobral proposed, and delegates agreed, that the short-term CSAG/TAG action items be folded into existing decisions and activities in the Biennial Work Programme.



ANNUAL MARKET DISCUSSION: Ed Pepke, UN Economic Commission for Europe (UNECE), discussed developments and challenges in the European timber market, noting the effect that EU enlargement has had on forest products markets, forest resources and tropical timber markets in Europe.

Lau Nygaard, DLH Nordisk, spoke about challenges to the timber industry from certification and illegal logging. He advocated EU, US, and global laws requiring disclosure of the origin of imported timber in order to create conditions of fairness in the trade.

Jean-Jacques Landrot, IFIA, discussed timber trade between Europe and Africa and the difficulties in implementing FLEG and certification. He concluded by condemning efforts to reduce demand without commensurate efforts to improve supply-side conditions, and encouraged the full valuation of environmental services.

Discussion among delegates on legality, FLEG and certification ensued. On legality, Nygaard suggested clarifying the definitions of “legal” and “illegal” before certification schemes testifying legality are established. The US asked how laws of disclosure of origin could contribute to a level playing field in the tropical timber trade. Landrot provided an example of a steering committee that facilitated the issuing of legality certificates in Africa. Cameroon called for further understanding of the legal framework for SFM to assure consumers that timber is being harvested from sustainable sources.

On FLEG, Papua New Guinea cautioned that FLEG could impede entry of tropical timber into the market. Pepke announced that a conference would be held in Geneva in September 2004 to discuss the extent and causes of illegal logging in the UNECE region.

On certification, Pepke favored shifting the cost burden of certification from producer to consumer countries. In response to China’s question on mutual recognition, Pepke said that certification schemes were currently not mutually recognized. Papua New Guinea said that producer countries are struggling to certify their exports because the market is not prepared to pay the premium on certified products.

On trade, Norway complemented Nygaard’s call for more regulation to correct skewed timber markets. The EC said it is determined to ensure that imports fulfill certain criteria while focusing on what is required to enhance the development of producer countries. In response to New Zealand’s statement that forest plantations reduce pressure on natural forests, Landrot, supported by Cameroon and the Republic of Congo, specified that promoting the demand for plantation timber may hinder timber markets in natural forest timber-producing countries.

GUIDELINES FOR THE RESTORATION AND REHABILITATION OF DEGRADED AND SECONDARY TROPICAL FORESTS: On Tuesday, Stewart McGinnis, World Conservation Union (IUCN), presented the final report on the ITTO Guidelines for the Restoration and Rehabilitation of Degraded and Secondary Tropical Forests (ITTC(XXXVI)/10). McGinnis said these issues were discussed in workshops in six countries and this work was ITTO’s most significant contribution to the Global Partnership on Forest Landscape Restoration.

On Wednesday, Chair McAlpine invited countries to make statements on the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical

Forests. The EC said fragmentation was an increasing feature of tropical forests and that this is also a problem in the Mediterranean and in northern Europe. The US said the ITTO Guidelines illustrate positive collaboration among ITTO members but questioned the cost effectiveness of their dissemination. Ghana recommended that examples of model projects to improve project formulation be made available and that country experiences with the Guidelines be disseminated. Brazil suggested that the concept of “landscape” be revised to accommodate watershed-related issues. Côte d’Ivoire said that forest fragmentation is a problem for most West African countries and welcomed the ITTO Guidelines.

CRITERIA AND INDICATORS FOR SUSTAINABLE FOREST MANAGEMENT: On Friday, the plenary considered inter-related agenda items on workshops for training on the use of ITTO reporting formats and C&I for SFM.

Jürgen Blaser (Switzerland) reported on workshops undertaken to, *inter alia*, offer training in use of the ITTO format for reporting on progress towards SFM and make recommendations on revising the ITTO C&I. Workshop outputs included awareness-raising about the ITTO; the establishment of links between forest management, C&I and certification; tests of the ITTO C&I at the forest management unit (FMU) level, and recommendations for the Expert Panel. Blaser noted the need for a simplified questionnaire for reporting.

The Secretariat reported on the FAO/ITTO Expert Consultation on C&I for SFM, held in Cebu City, the Philippines, from 2-4 March 2004. The group made recommendations to the ITTO and FAO on, *inter alia*: establishment of an International Technical Advisory Group to address issues of common interest to C&I processes; inter-process cooperation, including periodic meetings of a “C&I network”; and support for capacity building among processes and countries implementing C&I.

The Secretariat presented the report (ITTC(XXXVI)/11) of an expert panel meeting convened in June 2004 to consider revision of ITTO’s reporting format for C&I based on the outputs of the workshop and the FAO/ITTO joint meeting. He reported on the panel’s recommendations, including, *inter alia*: streamlining the C&I, broadening the C&I to cover planted forests, and working with the FAO to harmonize definitions and data collection protocols. The Panel suggested that the ITTC authorize further work to produce draft revised C&I for consideration at ITTC-37.

The Chair noted the need for further funding to continue workshops and work on C&I. Switzerland proposed engaging two consultants to draft the revised C&I for countries to comment on before ITTC-37. Japan and New Zealand committed financial support for this work. Malaysia called for harmonization of ITTO and FAO definitions and streamlining reporting on forested areas. Ghana stressed the need to utilize lessons learned from C&I use so far in order to simplify C&I and reporting formats and, with Côte d’Ivoire, the need to take into account different conditions in different countries.

PHASED APPROACHES TO CERTIFICATION: On Thursday, Markku Simula, Indufor, presented two preliminary reports on procedures for the implementation of phased approaches (PAs) to certification in tropical timber-producing countries (ITTC(XXXVI)/12) and on the cost-benefit analysis (CBA) of forest certification and implementation of PAs (ITTC(XXXVI)/13). Simula explained, *inter alia*, the strengths and weaknesses of



three PA options: a baseline and action plan approach; cumulative PAs; and predefined PAs. Simula also presented the results of CBA case studies in five FMUs in Latin America and Asia. He asked delegates to consider, *inter alia*, how to: decide on which PA to implement; define baseline requirements; treat legality; assist weakly managed and small FMUs in overcoming cost barriers of certification; and ascertain whether there are means for FMUs to capitalize on the environmental and social benefits generated by certification.

The Philippines suggested integrating the options into one system and asked for concrete examples from countries that have undergone CBA exercises. Ghana, supported by Togo, favored the baseline and action plan approach if it includes an effective communication system showing compliance and progress and is time-bound. Indonesia favored using the three PA options in sequence. He bemoaned the PA report's conclusion that less than 10 percent of certified forest is found in ITTO producer countries. Ghana favored legal compliance as a baseline. He called on the ITTO to facilitate the harmonization of standards through dialogue.

IFIA highlighted that certification is a market access issue. Switzerland noted the potential of PAs to secure international markets. Brazil warned that certification must comply with World Trade Organization (WTO) rules. Papua New Guinea differentiated between the benefits of certification in the marketplace and the broader benefits of SFM for FMUs. The EC questioned whether governments should take a position on the options for the PAs to forest certification. Colombia said the valuation of environmental services could facilitate certification. Switzerland asked for CBAs on whether FMUs can internalize externalities, such as environmental services, through PAs.

The US disputed the report's conclusion on a price premium for certified timber. Cameroon said if consumers are unwilling to pay a premium, certification will burden producers unfairly. Togo emphasized simplicity in PAs. India noted certification is complicated and linked to land use zoning. Malaysia asked ITTO to fund certification training workshops. New Zealand requested ITTO support for a World Business Council on Sustainable Development certification initiative.

MONITORING DEVELOPMENTS IN UNFCCC DISCUSSIONS REGARDING FORESTS: Carmenza Robledo, Intercooperation, discussed the implications of UNFCCC/IPCC discussions on tropical forest and tropical timber producers (ITTC(XXXVI)/14). She said that some activities related to land use changes, primarily tropical deforestation and forest fires, are important sources of greenhouse gases (GHGs) and that forest ecosystems are suffering from climate change. She discussed potential impacts of climate change on tropical forests, such as decreased timber production, reduced forest ecosystem services and increased demand for agricultural land. Robledo identified the Clean Development Mechanism (CDM) as one instrument to mitigate GHGs. She explained the distinct UNFCCC definitions for reforestation and afforestation, and proposed that ITTO promote the integration of knowledge on tropical forestry in the UNFCCC process and include climate change in the successor agreement to the ITTA, 1994.

In the ensuing discussion, several delegates cautioned against fragmenting climate change discussions into various fora. One delegate remarked that climate change is not only human-induced

but also a natural phenomenon. Some delegates argued that the CDM is not the key to climate change mitigation. The question of how ITTO and FAO expertise can support the work of the UNFCCC was raised, and one delegate suggested that the Collaborative Partnership on Forests could facilitate this issue. Consumer countries also suggested ways in which ITTO could help build producer countries' capacity to assess their socioeconomic vulnerability to climate change and their capacity for adaptation.

ITTO OBJECTIVE 2000: On Friday afternoon, Erik van Bueren, Institute of Support and Analysis, Forests and Land Use, reported on a diagnostic mission to Suriname, which identified its limiting factors towards achieving the ITTO Objective 2000 (ITTC(XXXV)/17). He presented findings of the diagnostic on forest management and land tenure, industry, capacity, and export markets. Important constraints to SFM in Suriname identified by the mission included land tenure conflicts, obsolete timber processing technology, an underdeveloped timber export market and insufficient capacity. He recommended, *inter alia*: creating an enabling climate for investors, devising a structural consultation and participation mechanism, designing an approach to resolve land use conflicts; revising the concession scheme; expanding capacity; and building market intelligence. He concluded that for SFM to be achieved, it must integrate forest markets and industry.

Ivan Tomaselli, consultant, introduced the report on achieving the ITTO Objective 2000 and SFM in Ecuador (ITTC(XXXVI)/6). He recommended that the Government of Ecuador should prioritize institutional strengthening and reform, and cooperate with the production sector. He said that ITTO support should focus on institutional upgrading, forest resource inventories, providing technical assistance and training in business management, and promoting production chains.

CITES LISTINGS PROPOSALS: On Friday afternoon, the Secretariat briefed the Council on proposals for CITES listings that have been received since the last Council session. The Secretariat announced the receipt of a notice from Indonesia that it is applying to have ramin included in CITES Appendix II. Malaysia urged that further research on ramin be conducted before listings in Appendix II are considered. The Secretariat also noted that three other tree species were being considered for CITES listing.

PUBLIC RELATIONS, EDUCATION AND OUTREACH: On Friday afternoon, the Secretariat explained how ITTO is using communication strategies to make progress towards ITTO Objective 2000 and to raise the ITTO's profile in the international community. He suggested that ITTO: include a communications budget in decisions in which significant reports are authorized; coordinate communication material generated by ITTO projects; and broaden its target audience. Delegates commended the ITTO for its improved outreach and communication work, and the US noted that it would support *Earth Negotiations Bulletin* services for ITTC-37 in Yokohama.

PROMOTION OF SUSTAINABLE FOREST MANAGEMENT IN THE CONGO BASIN: On Friday afternoon, Robert Nasi, Center for International Forestry Research (CIFOR), presented the results of a workshop to develop a regional applied research programme in the Congo Basin (ITTC(XXXVI)/15). He discussed the activities on the review of previous research priorities, an updated evaluation of research capacity, and a test of a research network in the Congo Basin.



He identified major barriers to effective forestry research in the region, namely the lack of: political commitment to forestry research, a critical mass of scientists, communication and transfer of research results, funding and strategic research planning. He concluded that: weaknesses in regional research capacities are major constraints in achieving ITTO objectives; research networks can strengthen capacity and insight on barriers to SFM; and project proposals and workshops can be achieved with modest funds.

Noting the importance of the Congo Basin Forest Partnership, the US welcomed the report on expanding research capacity in the Congo Basin. He said that knowledge on the social, economic and technical aspects of forest management should be enhanced and that this expertise should be encouraged to remain in the region. He also expressed willingness to fund programmes to enhance research capacity in the region.

ITTO FELLOWSHIP PROGRAMME: The Council then heard two reports (ITTC(XXXVI)/16 and 17) from the Secretariat regarding the Freezailah Fellowship Selection Panel. The Secretariat reported that the Panel considered 158 applications, 128 from producer members and 30 from consumers and recommended 29 applications for approval for a total cost of US\$151,430, subject to availability of funds. Brazil, speaking on behalf of the Producer Caucus, stressed the importance of this programme for strengthening capacity at the national level. Chair McAlpine invited Brazil to consider sponsoring a Brazilian representative to serve on the Panel. The Secretariat reported on the implementation of the ITTO Fellowship Programme, noting that US\$1,192,911 has been awarded from the Freezailah Fellowship Fund so far.

JOINT COMMITTEE SESSION

WORKING GROUP ON IMPROVING EFFECTIVENESS AND EFFICIENCY OF PROJECT WORK: On Tuesday, Romeo Acosta (Philippines) presented the report of the Working Group on Improving Effectiveness and Efficiency of Project Work (CEM, CRF, CFI, CFA (XXXIV)/2). He identified the core problems, such as insufficient matching of national policies with ITTO objectives and insufficient stakeholder ownership that are barriers to project work. He listed barriers in and specific recommendations for each phase of the ITTO project cycle.

EXPERT PANEL ON THE TECHNICAL APPRAISAL OF PROJECT PROPOSALS: On Tuesday, Ricardo Umali, Chair of the Expert Panel on the Technical Appraisal of Pre-projects and Projects, presented the Expert Panel's report (CEM, CRF, CFI, CFA(XXXIV)/1). Umali highlighted, *inter alia*:

- the lack of limits on proposals submitted by one country;
- the large number of resubmissions;
- the generally low contribution of proposals to ITTO priorities;
- low proposal quality;
- the lack of national review of proposals before submission to ITTO;
- inadequate funding for approved projects; and
- lack of attention to project sustainability.

He noted that weaknesses in proposals include, *inter alia*: lack of commitment to projects on transboundary conservation areas; inadequate assessment of and linkage to problem causes; imprecise calculations of project budgets; and little attention to projects' relevance to other initiatives in proposing countries.

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

The CEM/CFI, chaired by Yeo-Chang Youn (Republic of Korea) and Astrid Bergquist (Sweden) respectively, met on Tuesday, Wednesday and Friday to consider, *inter alia*: completed projects and pre-projects; *ex-post* evaluation; projects, pre-projects, and activities in progress; project and pre-project proposals; and policy work. On Tuesday, the Committees adopted their agenda and organization of work (CEM-CFI(XXXIV)/1).

COMPLETED PROJECTS AND PRE-PROJECTS: On Tuesday, the CEM/CFI met jointly to hear completed project reports on:

- industrial utilization of lesser-known forest species in sustainably managed forests in Honduras;
- capacity building in planning and management of forest industries in ITTO producer countries; and
- a training workshop on further processing of tropical timber in the Asia-Pacific region.

The CEM/CFI also heard completed pre-project reports on:

- review of information on life cycle analysis of tropical timber products;
- review of the Indian timber market;
- assistance for reassessment and reformulation of two project proposals from the Democratic Republic of Congo;
- two joint African Timber Organization/ITTO conferences on further processing of African tropical timber in Gabon;
- development of the rubberwood industry in Côte d'Ivoire;
- formulation of a project proposal to support the sustainable development of the small forest industry in Peru;
- a feasibility study for the production of sawnwood from tropical forests using appropriate technologies in Ecuador;
- assessment of the contribution of selected NTFPs based on a community participation approach to support SFM in Indonesia; and
- improvement of processing efficiency for tropical timber from sustainable sources in Indonesia.

EX-POST EVALUATIONS: On Tuesday, CFI Chair Bergquist listed criteria for consideration when selecting projects for *ex-post* evaluations, including the project's: magnitude; duration; complexity; applicable lessons to future ITTO work; and evaluation costs. The CEM/CFI chose three projects for *ex-post* evaluations:

- a project for information and technical assistance for production and trade in Brazil;
- a project on industrial utilization of lesser-known forest species in sustainably managed forests in Honduras; and
- capacity building in planning and management of forest industries in ITTO producer member countries.

PROJECTS AND PRE-PROJECTS AWAITING

FINANCING: On Tuesday, CEM Chair Youn informed the CEM/CFI that four CEM-approved projects and two CEM-approved pre-projects still await financing. CFI Chair Bergquist informed CEM/CFI that two CFI-approved projects and three CFI-approved pre-projects still await financing.



PROJECTS AND PRE-PROJECTS UNDER SUNSET

PROVISION: On Tuesday, CEM Chair Youn informed the CEM/CFI that one project had passed the sunset provision. CFI Chair Bergquist informed the CEM/CFI that two projects and two pre-projects had passed the sunset provision.

CONSIDERATION OF PROJECTS AND PRE-

PROJECTS: On Wednesday, delegates approved CEM projects on an information system for implementing national and regional forest policy and for the wood furniture industry in Malaysia and on modeling economic and technical information for training of professionals in processing and marketing timber information in Colombia.

Delegates approved one CEM pre-project on strengthening a forest statistics information center in Honduras.

Delegates approved CFI projects on:

- the marketing of NTFPs to support the handicraft industry in the Philippines;
- improved processing efficiency of tropical timber from sustainable resources in Indonesia; and
- transparency in trade flows and distribution of tropical wood products in China.

Delegates approved CFI pre-projects on:

- sustainable utilization of NTFPs involving local communities in Indonesia;
- strategies and training needs to achieve SFM in Suriname; and
- capacity strengthening in forest management for sustainable timber production in Panama.

POLICY WORK: On Wednesday, the Secretariat delivered a report on market access for tropical timber and informed delegates about studies on the tropical plywood trade and on measures to diversify and expand the tropical timber trade. The Secretariat reported ongoing work on: PAs to certification; a cost-benefit analysis of PAs; an international workshop on PAs in key consuming and importing countries; and promotion of private sector/civil society partnerships to promote certification.

On the outcomes of a workshop on capacity building for the implementation of the mahogany CITES listing held in Pucallpa, Peru, in May 2004, delegates agreed on the need for close coordination between ITTO and CITES and for funding to publish the results of the workshop.

Regarding CEM activities under the Biennial Work Programme for 2004-2005, delegates agreed to establish a voluntary working group to revise the terms of reference (ToR) for a review of the timber market in two significant tropical timber-importing countries before the close of ITTC-36.

The CFI heard, *inter alia*, a report on a study to develop, publish and disseminate information on timber processing and utilization efficiency and reducing waste.

Regarding CFI work on the study and promotion of policies and other measures to increase the tropical plywood industry's competitiveness, delegates agreed to convene an international conference on plywood.

DATES AND VENUES: On Friday morning, the CEM/CFI agreed to meet in conjunction with ITTC-37, ITTC-38 and ITTC-39.

OTHER BUSINESS: On Friday, the CEM considered a proposal from Fauna & Flora International for a pre-project on a market study on the international musical instrument trade. The

Republic of Congo supported including traditional musical instruments. The US expressed interest in working with others on the proposal. The Secretariat noted that proposals must be submitted by member countries.

RECOMMENDATIONS TO ITTC-36: On Friday, the CEM agreed to recommend six approved proposals for funding and to request additional funding for a policy activity to publish a report on the recent workshop on mahogany listing under CITES. The CEM recommended that funding for four proposals approved at earlier sessions be made immediately available. The CFI agreed to recommend four proposals for funding. The CFI also recommended that funding for five proposals approved at earlier sessions be made immediately available.

ADOPTION OF THE REPORT: After slightly modifying the ToR for a review of the timber market in two significant timber importing countries, in which references to the Republic of Korea and Italy were removed, delegates adopted, with other minor amendments, the report (CEM/CFI(XXXIV)/4).

COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT

The CRF, chaired by A. S. K. Boachie-Dapaah (Ghana), held sessions on Tuesday, Wednesday, and Friday to consider, *inter alia*: completed projects and pre-projects; *ex-post* evaluations; projects and pre-projects; projects and pre-projects awaiting financing; policy work; dates and venues of future meetings; recommendations to ITTC-36; and adoption of its report. On Tuesday, the Committee adopted its agenda and organization of work (CRF(XXXIV)/1) and admitted observers.

COMPLETED PROJECTS AND PRE-PROJECTS: On Tuesday, delegates heard reports on completed projects, which include a financial audit, on:

- SFM and human resources development in Indonesia;
- a sustainable management model in the Iwokrama rain forest of Guyana;
- a teak-based multistoried agroforestry system in Myanmar;
- forest fire management in Ghana;
- an assessment of the status of conservation areas in Malaysia;
- selection and cultivation of fast-growing and high-yielding strains of rubber trees for timber production in China;
- development and extension of C&I for the sustainable management of tropical forests in China; and
- training of trainers for the application of the ITTO and the national C&I for SFM at the forest management unit level in Indonesia.

Delegates heard reports on completed projects in which financial audits are pending, including the:

- establishment of Rio Preto's national forest in Brazil;
- rehabilitation of natural forests in Malaysia;
- forest management of natural forest in Malaysia;
- support for the development of a forestry and wildlife law in Peru;
- a global mangrove database and information system;
- development of a wildlife sanctuary in Malaysia as a totally protected area;
- management of a national park to promote transboundary conservation between Indonesia and Malaysia; and
- dissemination of forest development and research results



obtained from a technical project for forest conservation in Panama.

Delegates heard a report on a completed pre-project, which includes a financial audit, on the study and demonstration of the management of secondary forests in tropical regions in China.

Delegates heard reports on completed pre-projects in which financial audits are pending, including the: development of a master plan for forest management in the Republic of Congo; development of national C&I for SFM in the Republic of Congo; and support for the development of a project on forestry, protected areas and wildlife policy in Honduras.

EX-POST EVALUATIONS: On Tuesday, delegates heard *ex-post* evaluations on five projects that focus on the sustainable management of mangroves.

CONSIDERATION OF PROJECTS AND PRE-PROJECTS: On Wednesday, delegates approved CRF projects on:

- strengthening national capacity for sustainable use of forest genetic resources in Malaysia;
- collaborative SFM in Indonesia;
- sustainable participatory management of a forest complex in Togo;
- development of a regional seed center for reforestation in Indonesia; and
- a forest management training center in the Antimary region in Brazil.

The CRF approved pre-projects on:

- identification of the potency, distribution, conservation and plantation development of ramin in Indonesia;
- rehabilitation of degraded forest in Cameroon; and
- evaluation of forest resources in Côte d'Ivoire.

Delegates agreed to postpone until Friday the review of a project proposal on evaluation of stocks for the sustainable management of mahogany in Peru, since Peru had asked for permission to make some minor corrections to the proposal.

After the approval of the Antimary project in Brazil, Brazil requested if its project could also incorporate amendments. However, since the project has already been approved, the Secretariat was reluctant to grant this request on the grounds that it contradicted the established rules of procedure and may set a precedent. After much discussion, the Committee finally conceded to Brazil's request and decided to consider Brazil's amended project proposal on Friday.

The Secretariat noted that an Ecuadorian project proposal on silvicultural knowledge, which had not been revised, could not be considered at this session. A pre-project proposal for a mangrove forest project in Indonesia was approved after it had been resubmitted to the Committee.

On Friday, the Committee approved Peru's mahogany project with minor amendments. The Secretariat reported that Brazil's Antimary training center project had substantial amendments, which included additional objectives for the project but the removal of corresponding additional activities. Some delegates cautioned against approving a project with major amendments as this may set a precedent, while others urged for flexibility in accepting the modified project, which will have concrete effects on the ground. The Antimary project proposal was then approved with the amendments.

PROJECTS AND PRE-PROJECTS AWAITING

FINANCING: On Tuesday, the Secretariat noted that seven projects and two pre-projects were still awaiting financing.

POLICY WORK: On Wednesday, the CRF discussed policy work, which included a discussion on the revision of ITTO's C&I reporting format based on recommendations of the Expert Panel on C&I for SFM (ITTC(XXXVI)/11) and the International Expert Consultation on C&I.

The Secretariat presented the outputs, as well as the specific and follow-up actions, of the International Wildland Fire Summit held in October 2003 in Sydney, Australia (CRF(XXXIV)/5). She identified the outputs as the Summit's agreement on principles, an international agreement template, an Incident Command System and a strategy for future development to be used in international wildland fire management. She also discussed the formation of the International Wildland Fire Alliance, Wildland Fire Advisory Group, and regional Wildland Fire Networks. Support for the Summit's outputs was expressed by the US, the Republic of Korea and China.

On the review and update of the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber-Producing Countries, delegates agreed to establish a working group to begin work on the scope of the review and ToR to guide implementation.

DATES AND VENUES: On Friday, delegates agreed that the thirty-fifth, thirty-sixth and thirty-seventh sessions of the CRF would run concurrently with ITTC-37, ITTC-38, and ITTC-39.

RECOMMENDATIONS TO ITTC-36: On Friday, the CRF agreed to recommend to the Council the approval of six projects and four pre-projects. The Committee also took note that seven projects and two pre-projects are still awaiting financing approval.

ADOPTION OF THE REPORT: On Friday, delegates considered and approved the Report to the ITTC from the CRF-34 (CRF(XXXIV)/6). A pre-project proposal for a mangrove forest project in Indonesia was approved after it had been resubmitted to the Committee.

COMMITTEE ON FINANCE AND ADMINISTRATION

The fifteenth session of the CFA, chaired by Chris Ellis (US), convened on Wednesday and Friday to consider, *inter alia* the: review of contributions to the Administrative Budgets; current status of the Administrative Account; Auditor's Report for the Financial Year 2003; resources of the Special Account and the Bali Partnership Fund; and the appointment of the Auditor. On Wednesday, the CFA adopted the Committee's agenda (CFA(XV)/1) and admitted observers.

CONTRIBUTIONS TO THE ADMINISTRATIVE

BUDGETS: On Wednesday, delegates reviewed contributions to the Administrative Budgets (CFA(XV)/3). The Secretariat noted the accrual of US\$4.5 million in arrears from 1986-2003.

CURRENT STATUS OF ADMINISTRATIVE ACCOUNT:

On Wednesday, delegates discussed the current status of the Administrative Account (CFA(XV)/4). CFA Chair Ellis noted with concern member states' outstanding arrears of nearly US\$2.4 million for 2004. The EC recommended consideration of new ways to ensure on-time payment of assessed contributions when renegotiating the ITTA, 1994. The Secretariat noted an ITTC decision that funding for project proposals could be threatened if the proposing country is in arrears.



RESOURCES OF THE SPECIAL ACCOUNT AND THE

BALI PARTNERSHIP FUND: On Wednesday, a separate six-member panel was convened to review the resources of the Special Account and the Bali Partnership Fund (CFA(XV)/5). It reported its results, which can be found in the CFA report (CFA(XV)/7), to the Council on Friday

AUDITOR'S REPORT FOR THE FINANCIAL YEAR

2003: On Wednesday, the Committee examined the external auditor's report for 2003 (CFA(XV)/2), and noted that the auditor found the ITTO's accounts to be satisfactory. In the ensuing discussion, it was clarified that the surplus from completed projects is returned on a *pro rata* basis to each contributor, or can be transferred to the funds for monitoring and evaluation, subject to donor approval.

APPOINTMENT OF AUDITOR: On Wednesday, delegates discussed the appointment of a new external auditor for financial years 2004-2006 (CFA(XV)/6). They agreed to support the bid of Grant Thornton, Tokyo, which will provide auditing services beginning in Financial Year 2004 and whose re-engagement will be subject to an annual performance review. The Secretariat explained that PriceWaterhouseCoopers, Tokyo, had been the auditor for the three previous consecutive years and was no longer eligible to audit ITTO accounts, according to ITTO rules. Member states expressed concern over the cost of some potential auditors' bids and requested clarification of the amount of money spent on auditing services in the past. It was agreed that the bid of Grant Thornton met the ITTO funding allocation for auditing services and that a qualifier would be inserted into the contract agreement, specifying that no more than the equivalent of 50 percent of quoted fees should be paid to the auditor for out-of-pocket expenses.

DATES AND VENUES OF THE SIXTEENTH, SEVENTEENTH AND EIGHTEENTH SESSIONS: On Friday, the CFA agreed that the sixteenth, seventeenth and eighteenth CFA sessions would coincide with ITTC-37, ITTC-38 and ITTC-39. This was reflected in the CFA's report.

REPORT OF THE SESSION: On Friday, the CFA considered and approved, with minor amendments, the draft Report to the ITTC on its fifteenth session (CFA(XV)/7). In the ensuing discussion, the US questioned a statement regarding the inability to process projects or pre-projects in countries that have significant amounts of arrears, and it was clarified that this statement reflected a decision of Council.

RECOMMENDATIONS TO THE ITTC: On Friday, the CFA agreed to forward draft Decision 2(XXXVI) on the Appointment of the Auditor for 2004-2006 (ITTC(XXXVI)/21) to Council. One delegate noted that the draft language should be changed to reflect that out-of-pocket expenses should not exceed 50 percent of the original figure, as quoted in the auditor's bid proposal.

Final Decision: Under Decision 2(XXXVI), the ITTC:

- notes the requirements of Rules 7, 17 and 27 of rules relating to projects;
- agrees to appoint the firm Grant Thornton-ASG Audit Corporation, Tokyo to audit ITTO Accounts beginning with the Financial Year 2004, and the re-engagement of this Auditor is subject to satisfactory performance; and
- limits on out-of-pocket and extra expenses.

CLOSING PLENARY

Chair McAlpine convened the closing plenary at 4:45 on Friday to address the remaining agenda items. Delegates then heard closing statements.

Amb. Fabio Valdivieso Eguiguren, Minister of Environment of Ecuador, noted that ITTO has a fundamental part to play in the management, development and conservation of Ecuadorian forests and gave an overview of his country's efforts to develop the forest sector in Ecuador. Noting that reforestation and afforestation constitute the main areas of forest development, he said that both are critical to the alleviation of poverty and economic development, and said that ITTO and the private sector both have a role to play in facilitating forest development in Ecuador.

Clarkson O. Tanyi-Mbianyor, Minister of Environment and Forests in Cameroon, noted his country's commitment to resource management, the conservation of biological diversity, poverty eradication and improved standard of living in Cameroon, and said he looked forward to a frank and sincere renegotiation in Geneva. He remarked that, although his country has acknowledged the importance of forest certification, the costs of implementing forest certification should not be prohibitive. He closed by re-stating Cameroon's commitment to the Yaoundé Declaration on forest conservation.

DRAFT ANNUAL REPORT: The Council then considered the Draft Annual Report for 2003 (ITTC(XXXVI)/4). The report summarizes ITTO's activities in 2003, including the work of the committees and the Secretariat, policy work and other activities. There were no comments on the Secretariat's presentation of the report.

REPORT OF THE CREDENTIALS COMMITTEE:

France presented the report of the Credentials Committee (ITTC(XXXVI)/3) to the Council. He noted that the Committee accepted the credentials for 40 countries and the EC and encouraged other members to submit their credentials as soon as possible in original form.

SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND: CFA Chair Ellis presented the report of the Panel on Sub-Account B of the Bali Partnership Fund (ITTC(XXXVI)/18). The Panel recommended, *inter alia*, that the unearmarked funds in the Account not exceed US\$1 million, even though the current available resources of Sub-Account B at this session amount to US\$1.95 million. Switzerland pledged US\$200,000 for Sub-Account B. Chair McAlpine thanked Switzerland and urged other potential donor countries to consider contributing to the Fund in the future.

ASSOCIATED SESSIONS AND COMMITTEES: CEM Chair Youn and CFI Chair Bergquist presented the report of the thirty-fourth session of the CEM/CFI to the Council (CEM/CFI(XXXIV)/4). CRF Chair Boachie-Dapaah reported on the thirty-fourth session of the CRF (CRF(XXXIV)/6) and Chair Ellis presented the report of the fifteenth session of the CFA (CFA(XV)/7). There were no comments on the reports and all four were adopted by the Council. CRF Chair Boachie-Dapaah and Council Chair McAlpine noted with sadness the departure of Dr. Eva Müller from the Secretariat and wished her well at the FAO.

DATES AND VENUES OF THE THIRTY-SEVENTH, THIRTY-EIGHTH AND THIRTY-NINTH COUNCIL

SESSIONS: Delegates recognized that ITTC-37 would be held in Yokohama, Japan, from 18-21 December 2004, and agreed that the



dates of ITTC-38, to take place in Brazzaville, Republic of Congo, be changed to 21-23 June 2004. Delegates tentatively agreed that ITTC-39, which will be held in Yokohama, will convene from 7-12 November 2005.

OTHER BUSINESS: Under other business, Costa Rica announced that it was considering acceding to the ITTO and that it was planning a UNFF country-led initiative on financing for SFM.

DECISIONS AND REPORT OF THE SESSION: Delegates approved decisions on projects, pre-projects and activities (ITTC(XXXVI)/20) and on the appointment of the auditor for the financial years 2004-2005 (ITTC(XXXVI)/21). Chair McAlpine then acknowledged US\$5.7 million in new pledges from New Zealand, the Republic of Korea, Norway, the US, Switzerland, Japan and the Common Fund for Commodities.

Delegates approved the final report.

CLOSING STATEMENTS: Ghana said that despite the short duration of ITTC-36, in which no substantive decisions were taken, many issues, including the CSAG/TAG workshop on illegal logging and CBA of forest certification, set a positive tone for the renegotiation. He urged that ITTO take a lead in addressing the compatibility and mutual recognition of the various forest certification schemes.

Colombia commended CIFOR's research in the Republic of Congo and urged more financial support for forest research in producer countries.

The Association of Indonesian Forest Concession Holders thanked the ITTO for accepting its project on capacity building and announced its intention to begin the second phase of the project on land use, land-use change and forestry under the CDM of the Kyoto Protocol.

Switzerland reaffirmed its commitment to forests and forest conservation and thanked the delegates for being such wonderful guests in Interlaken.

After expressing the Producer Caucus's appreciation of the ITTO Executive Director and the work of Chair McAlpine, Brazil, on behalf of the Producer Caucus, conveyed the Producer Caucus's consensus that ITTC should take decisions at even those sessions scheduled for less than six days in length. In reference to the forthcoming UN Conference to Renegotiate the ITTA, 1994, he invited all members to work collaboratively towards a common goal.

Finland, on behalf of the Consumer Caucus, expressed the Consumer Caucus's view that the shorter length meeting worked well. She noted the valuable contribution of the CSAG/TAG workshop on illegal logging and thanked Mexico, the Republic of Congo and Japan for their offers to host future ITTC sessions.

In her closing remarks, Chair McAlpine noted that ITTC-36 was a spectacular meeting that was made possible by the professional and collegial manner of all the members. She then thanked the Secretariat for its hard work, Switzerland for its hospitality, and the interpreters, translators and the *Earth Negotiations Bulletin* staff for their services.

Chair McAlpine gavelled the meeting to a close at 7:34 pm.

A BRIEF ANALYSIS OF ITTC-36

On the eve of the crucial renegotiation of the International Tropical Timber Agreement, 1994, in Geneva, the 36th session of the International Tropical Timber Council met in Interlaken for its regularly scheduled semi-annual meeting. Overall, ITTC-36 provided evidence that the ITTO can administer significant levels of project work and engage in frank discussions with member states, non-state actors, and others about its past achievements and limitations. This is important in the context of the pending renegotiation of the ITTA, 1994, as such impressions and discussions set the backdrop for the forthcoming renegotiations.

During the shortened, four-day Council session, ITTC-36 showcased the first Civil Society Advisory Group (CSAG)/Trade Advisory Group (TAG) workshop on illegal logging, which infused new ideas and recommendations into ITTO work from some of ITTO's primary constituencies. Underlying this success, however, was a concern that the ITTO was bearing a heavy financial and administrative burden due to the large number of project submissions, overall costs, and process-oriented changes to project administration. Throughout ITTC-36, participants made a range of suggestions on how to make progress on project and organizational work and, as well, seemed to reach at least a modicum of consensus on the contribution that partnerships make to the work of the ITTO. These two latter issues will be examined in this analysis, in the context of the ITTO's work and renegotiations.

RECOGNIZING THE VALUE OF ITTO PARTNERSHIPS

The role of partnerships took center stage at ITTC-36. One example of such a partnership, the CSAG/TAG, provided an opportunity for the two seemingly divergent groups to hold joint discussions on illegal logging and illegal trade at the outset of ITTC-36. The results of the CSAG/TAG workshop were productive, action-oriented and provided key recommendations to improve the ITTO's work. Such concrete proposals highlighted by the group include holding conferences on transportation and on indigenous and community forestry as it relates to illegal timber trade. Building on the success of the CSAG/TAG partnership, the US and Switzerland made offers of further financial support to continue CSAG/TAG partnership work. Such partnerships in the ITTC acknowledge the value of these groups in finding common ground on contentious ITTO issues, and lend important political and technical support to ITTO project work.

Nevertheless, some participants expressed concern that future CSAG/TAG partnership work may lose its high-level visibility at future ITTC meetings. This stands in contrast to the view that the ITTO has been able to maintain the long-term exposure of the TAG, suggesting that giving high profile to future CSAG/TAG partnership work may not be that much of a challenge. Some have also recognized that greater gender equity and transparency is needed in the CSAG/TAG. Although the CSAG/TAG is one way of designing successful partnership initiatives, other types of partnerships, such as those related more directly to the design and implementation of project work, may help bridge the funding gap for future project and programme work of the ITTO, especially if they encourage a diversity of sources and increase in voluntary funding.



IMPROVING ITTO'S PROJECT CYCLE

When ITTO began administering project work in 1987, it initially focused on the implementation of larger projects, which, over time, became expensive and difficult to administer. Although the majority of recent projects reviewed by the committees at ITTC-36 have been small in scale, some producer countries have successfully implemented larger projects, such as the Antimary project in Acre, Brazil. While there are a number of existing ITTO guidelines to facilitate the project cycle, some participants suggested that more ITTO rules were needed to guide project work, and others called for simplification of project administration to expedite project implementation. While participants noted that 'project process fatigue' might result from further guidelines, it was clear that there was confusion over the complicated project management process at the national level and in the ITTO. It is not clear, however, how ITTC members will choose to balance the high number of requests for smaller projects with larger project work, given the recent success of the Antimary project. Moreover, participants suggested that there should be no hard and fast rule in terms of project size and location, since projects depend entirely on the context-specific nature of the issues they address.

Despite this, the current lack of diversity and availability of donor funding, especially from consumer countries, is problematic, particularly if ITTO members want to sell the organization within the international community by demonstrating that it can deliver effective project work. While some participants encouraged new forms of project funding, for instance, through initiatives, such as UNDP's Equator Initiative, or in-country training for forestry ministries on obtaining project funding, participants did not agree on clear directives in this regard during ITTC-36. The generally slow pace of discussions on projects during committee sessions, however, also suggests that the current institutionalized approach to project and pre-project selection and evaluation review might merit reconsideration in the future in order to expedite the work of those committees that are engaged in project-related work.

HELPING THE ITTO GROW EFFECTIVELY

Although ITTC-36 was shorter than most ITTC meetings and generated only two decisions, it produced a number of constructive outcomes. These were highlighted in decisions on new project and pre-project work and the constructive recommendations of the CSAG/TAG, which were folded into existing decisions. The fact that productive work was accomplished in only four days challenges the argument that ITTO can function with only one annual Council session. This is because ITTC-36 authorized such work outside the formal decision-making process. What this suggests is that there continues to be enough new work for the ITTO to take on and that semi-annual Council sessions might still be required in order to properly authorize this work. In other words, if the Council were to meet only once per year, this may not leave enough time to adequately consider all projects and pre-projects, nor to conduct productive discussions on key ITTO themes that might result in new work.

Yet, in spite of the possible need for semi-annual meetings, a view advocated by the Producer Caucus, such a view overlooks the fact that members, in particular those in the Consumer Caucus, are looking for cost-saving measures that might open up more financing for other aspects of the ITTO's work. The need for cost-

saving initiatives was clear during ITTC-36. The contrast between the compact size of the Secretariat and the marked increase in ITTO project and policy work, suggests that the ITTO may be forced to increase the size of the Secretariat, diversify the cost and scope of its future project work, and maintain or increase its level of partnership activity. To deal with similar growth in the past, the Bali Partnership Fund was set up to fund projects undertaken to meet the ITTO's Objective 2000. Yet, at this stage, it is unclear how the continuing increase in project work, coupled with the ITTO's financial challenges, will be addressed through the renegotiation process.

The continued increase in ITTO-project and policy work may continue to squeeze the Secretariat in the near and long term, unless a more stable funding formula and clearly articulated priorities are agreed upon in the renegotiations. To accommodate these concerns, delegates may need to take a few risks during the renegotiations. Whether they will or not is uncertain at this stage. One thing is clear, however. If ITTO hopes to maintain its reputation as a leading institution in forest policy development, while engaging in effective and meaningful project work, it will need to overhaul its financial arrangements in order to guarantee a greater flow of funds. This will no doubt be one of the issues occupying the minds of delegates at the upcoming renegotiation.

THINGS TO LOOK FOR TODAY

UNITED NATIONS CONFERENCE FOR THE NEGOTIATION OF THE SUCCESSOR AGREEMENT TO THE ITTA, 1994: Member States to the ITTO will convene today at 10:00 am at the Palais des Nations in Geneva, Switzerland, to begin negotiating a successor agreement to the ITTA, 1994. In the morning, delegates will hear opening statements, including an opening statement from UNCTAD Secretary-General Rubens Ricupero or his representative, and address organizational matters. Delegates are expected to convene at 3:00 pm in two working groups to begin negotiating articles in the working document, which was prepared during the preparatory process. For more information, and a complete list of documents, go to <http://www.unctad.org/Templates/meeting.asp?intItemID=1942&lang=1&m=7844&info=not>