



## ITTC-37 HIGHLIGHTS: WEDNESDAY, 15 DECEMBER 2004

In the morning delegates convened in the Committee on Reforestation and Forest Management (CRF) to consider, *inter alia*, policy work and reports on completed projects and in the Committee on Finance and Administration (CFA) to discuss the organization's financial accounts. Delegates also met in the Committees on Economic Information and Market Intelligence (CEM) and on Forest Industry (CFI) to consider, *inter alia*, project and pre-project proposals and policy work. In the afternoon, delegates convened in Plenary to discuss ITTO Objective 2000 and forest law enforcement in the context of sustainable timber production and trade.

### CRF

**EX-POST EVALUATION:** For *ex-post* evaluation, delegates selected projects on: integrated buffer zone development for sustainable management of tropical forest resources in Thailand; bi-national conservation and peace in the Condor Range region for both the Ecuadorian and Peruvian components; the management of Kayan Mentarang National Park in Indonesia and Malaysia; and a sustainable management model in the Iwokrama Rainforest in Guyana.

The US, supported by SWITZERLAND, said independent consultants should carry out *ex-post* evaluations. GUATEMALA and INDONESIA suggested that *ex-post* evaluations should be conducted by project focal points.

**PROJECTS IN PROGRESS:** Delegates heard a project progress report on development of human resources in SFM and reduced impact logging in Brazil. CAMEROON provided an update on four of its projects under implementation.

**CONSIDERATION OF PROJECT PROPOSALS:** Delegates approved a project on a forest management training center in Antimary, Brazil.

**POLICY WORK:** On review of guidelines for the conservation of biodiversity in tropical timber producing forests, IUCN, supported by NORWAY, recommended including the ecosystem approach and, supported by FRANCE, the NETHERLANDS, INDONESIA and NORWAY, including plantations. BRAZIL opposed including plantations and, with the US, the ecosystem approach. INDONESIA said the guidelines should focus on the sub-national scale.

**BIENNIAL WORK PROGRAMME:** The ITTO Secretariat provided an update on the promotion of guidelines for the management, restoration and rehabilitation of degraded and secondary tropical forests, noting that: national level workshops may be started in the first half of 2005; two draft manuals on the

guidelines are under preparation; and a global workshop on forest landscape restoration will be held in April 2005 in Brazil.

### CEM/CFI

**REVIEW OF PROJECTS, PRE-PROJECTS AND ACTIVITIES IN PROGRESS:** Delegates heard a progress report on a project on non-timber production and sustainable development in the Brazilian Amazon.

**CONSIDERATION OF PROJECT AND PRE-PROJECT PROPOSALS:** Delegates approved a project proposal on enhancement of a forest statistics information and management system through the integration of a computer module for processed log management in Gabon.

**POLICY WORK:** Delegates heard progress reports from the ITTO Secretariat on: monitoring the impact of technical and environmental standards on the efficiency of industrial operations; promoting the establishment of efficient and socially sound community-based forest industries; disseminating information on increasing timber processing and utilization efficiency and reducing waste; assessing the multiple benefits of downstream processing of tropical timber in producer countries; studying and promoting policies and other measures to increase tropical plywood industry competitiveness; and promoting private investment through facilitating information exchange on investment opportunities, including through the organization of a forum.

Delegates also discussed a revised draft terms of reference (TOR) for studies on subsidies affecting tropical timber products and on auditing of existing tracking systems. VENEZUELA regretted that proposed language on the market effects of subsidies and on the use of case studies had been omitted in the revised draft TOR. BRAZIL noted that all members should have technical experts involved in the study on tracking systems. FIJI suggested that tracking should be studied in consumer countries as well as producer countries. The EUROPEAN UNION (EU) responded that the TOR allowed for review of the extensive literature on consumer countries but that primary research should focus on producer countries.

### CFA

**SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND:** The ITTO Secretariat reported on resources in the Special Account and the Bali Partnership Fund (CFA(XVI)/5). Chris Ellis (US), CFA Chair, noted that the document is a comprehensive historical record of all ITTO projects, pre-projects and activities and related donor financing.

**FINANCIAL ACCOUNTS:** The ITTO Secretariat gave a briefing on the financial accounts of the ITTO. The



NETHERLANDS expressed concern over increasing arrearages to the Administrative Account between 1999 and 2003. Chair Ellis noted that the ITTO Secretariat is continually asked to do more with less. Manoel Sobral Filho, ITTO Executive Director, noted that overall arrears are less than seven percent of total assessments since 1987. The CFA reviewed the current Administrative Account deficit and the Working Capital Account, which has financed shortfalls in the past. The ITTO Secretariat presented charts illustrating project funding trends in the Special Account, Bali Partnership Fund and Executing Agencies Account for financing projects. The NETHERLANDS asked about lags in project funding allocations. The ITTO Secretariat replied that, once allocations are made, it takes time for project implementing agencies to receive funds and project funding allocation can continue only if the previous allocation has been spent. Sobral suggested that some accounts contain new unallocated money.

MALAYSIA lamented declining voluntary contributions for project funding. He warned against harassing producer members about their obligations to the Administrative Account and suggested Council might need a new formula for the Administrative Budget. Supported by the US, he noted the need to recognize a relationship between administrative and project funding, but warned that available funding might be incompatible with the present trend in expanding ITTO work. The US suggested that the Council focus on commitments under the ITTA, 1994, noting negative implications for ITTO's operations from the trends in arrears. The REPUBLIC OF CONGO proposed that funding for the organization's budget could be obtained from timber exports.

The ITTO Secretariat noted the temporary nature of some donors' financial difficulties, adding that developing countries have done a reasonable job of paying their arrears. He also noted the need to expand the current pool of donors.

**ADMINISTRATIVE BUDGET:** After hearing a report on the indicative Administrative Budget for 2005 (CFA(XVI)/2/ Rev.1), the NETHERLANDS and JAPAN noted they could not support a proposed staff position for monitoring and evaluation. NEW ZEALAND and CANADA supported funding the new staff position through the Programme Support Fund. PAPUA NEW GUINEA and BRAZIL said that the strengthening of regional offices should be considered in the budget.

### COUNCIL SESSION

**ITTO OBJECTIVE 2000:** Olav Jensen (Norway) presented a report on achieving ITTO Objective 2000 and SFM in Panama (ITTC(XXXVII)/7). He reviewed economic and geographic data on Panamanian forests and discussed how degradation and erosion contribute to environmental problems. He identified the sources of these problems, including: lack of management plans; weak law enforcement; reduced effectiveness of the forestry agency; and industry's inability to enforce SFM on a wider scale. Jensen explained the report's recommendations, including: revising forest law and policies; applying criteria and indicators; expanding accountability for SFM; and using an expanded community approach to forest management. He also said ITTO could help Panama to, *inter alia*: develop projects to analyze policies; strengthen forestry research, development and management planning; use regional approaches to conservation and marketing; increase forest plantation employment; and train forest personnel. INDIA asked about the extent of plantations, and Jensen replied that there are 55,000 hectares in plantations but that tax policy has undercut incentives for growth. The EU suggested that processing and marketing problems, due to economies of scale, are common to countries experiencing difficulty achieving ITTO Objective 2000. The PHILIPPINES raised the issue of community forestry, which Jensen indicated could be supported by ITTO work.

Jeff Sayer, World Wildlife Fund, presented a report on achieving ITTO Objective 2000 and SFM in Cambodia (ITTC(XXXVII)/5). He indicated that the country's core challenge to achieving SFM is generating greater contributions from the forest sector. Sayer said the report recommends that Cambodia, *inter alia*: change its existing draft Forestry Action Plan into a National Forestry Program; establish a small number of well-managed large concessions; develop a small number of appropriate community forest management programmes in extensive forest-rich landscapes; and provide incentives for communities to participate in forest management activities. He noted that ITTO could support future initiatives, including sponsorship of a workshop to assist Cambodia's Forestry Administration (FA) with national forestry activities and development of a national forest inventory capacity. Indicating his government's disagreement with some of the report's findings, CAMBODIA responded that the FA will allow a variety of industrial concessions to operate and did not intend to close down its concessions. He also said investment in the forestry sector is modest and that new forestry law and other new regulations will facilitate decentralization and devolution, and questioned the introduction of forestry partnerships in forest-rich areas. The REPUBLIC OF KOREA recommended that the ITTO Secretariat use the report's content on forest sector information for the Status of Tropical Forest Management Report. GHANA called for independent forest monitoring. BRAZIL stressed the importance of adding value to timber exported to consuming countries.

**FOREST LAW ENFORCEMENT:** Alberto Goetzl, consultant, presented a report on case studies on assessing export and import data on tropical timber and timber products (ITTC(XXXVII)/8 Rev.1). He drew attention to major factors that contribute to discrepancies in tropical timber data, including, *inter alia*, errors resulting from inadequate data compilation and collection. He also said that product measures, conversion and illegal activities contribute to data discrepancies, and said misclassification is the most important factor. He also suggested that stronger cooperation in customs law enforcement and harmonization of import and export documentation could correct data discrepancies. Goetzl said the ITTO could provide guidance on harmonizing tropical timber product classifications, measurements and conversions for trade data reporting.

The US said several of the recommendations are expensive and difficult to operationalize. Switzerland suggested strengthening cooperation of the ITTO with the World Customs Organization and called for studies on major transit points, such as Hong Kong. CHINA recommended that the ITTO and Food and Agriculture Organization hold a workshop on capacity building in data compilation to increase market intelligence and transparency.

Goetzl also reported on a study commissioned by the American Forest and Paper Association on the impacts of illegal logging on the US wood products industry. He said that illegal activities are often overestimated and confused with SFM problems and that these activities can be best addressed at the national and local levels.

### IN THE CORRIDORS

It seems that the proposed financial arrangement for the successor agreement to the ITTA, 1994 has stolen some of the spotlight at ITTC-37. While some consumer countries noted at least some progress in informal consultations on the proposed financial arrangement, others are less enthused and believe that such informal discussions are of little real value, since now is not the time for putting all the cards on the table. Some have even suggested it might be time for some key players to start floating compromise proposals that could be considered between now and February.