



ITTC-37 HIGHLIGHTS: FRIDAY, 17 DECEMBER 2004

On Friday morning, delegates convened in the Committee on Finance and Administration (CFA), in the Committee on Reforestation and Forest Management (CRF) and in the Committees on Forest Industry (CFI) and Economic Information and Market Information (CEM) to adopt their respective reports. In the afternoon, delegates convened in Council to discuss phased approaches to certification (PAs) and the ITTO Fellowship Programme and to hear closing statements from observers. Delegates also met in the Chair's Open-Ended Drafting Group to discuss the draft decision on improving the effectiveness and efficiency of the ITTO project cycle.

CRF

On the review and update of ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests, the US suggested having a draft set of guidelines and a proposal on how to finalize them. BRAZIL agreed as long as consultation and revision by an external expert panel are guaranteed. The US also requested a breakdown of the guidelines' budget. The REPUBLIC OF CONGO requested three months to submit the completion, technical and financial audit reports for its project on integrated management of the Ngoua II Forest. COLOMBIA requested that Council not suspend its projects in Guaviare reserve and in Choco. The ITTO Secretariat agreed as long as the new executing agency provides all documentation to verify the projects' status. Delegates adopted the report (CRF(XXXV)/9) and elected Jennifer Conje (US) as Chair and Petrus Gunarso (Indonesia) as Vice-Chair of the CRF for 2005.

CEM/CFI

Delegates adopted the report of the CEM/CFI (CEM/CFI(XXXV)/8). On the terms of reference (TOR) for the study on subsidies, the US, supported by SWITZERLAND and AUSTRIA, requested that language adding "subsidies" to "range of support measures" and substituting "international bodies" for "international agencies." Delegates then elected Renzo Siliva (Venezuela) as the CEM Chair and James Gasana (Switzerland) as Vice-Chair for 2005. They then elected Celestine Ntsame-Okwo (Gabon) as CFI Chair for 2005.

CFA

Delegates addressed agenda items on the 2004-2005 Biennial Work Program, election of officers and the dates and venue of the next sessions. Delegates approved the report with minor amendments. Delegates then elected Shaharuddin Mohamad Ismail (Malaysia) as CFA Chair and Sai Guohua (China) as CFA Vice-Chair for 2005.

COUNCIL SESSION

PHASED APPROACHES TO CERTIFICATION: Markku Simula, ITTO consultant, presented the report on procedures for the implementation of PAs in tropical timber producing countries (ITTC(XXXVII)/12), noting that certification can offer access to specialized markets. Saying that the central objective of the study was developing procedures for phased approaches to certification, he said the study recommended, *inter alia*: selection of the three PAs – baseline, cumulative and predefined – be left to the individual certification systems; flexibility in phasing of standard elements; further clarification of legality as a baseline requirement; and further consultations with buyers and other stakeholders.

Simula also presented a report on financial cost-benefit analysis of forest certification and implementation of PAs (ITTC(XXXVII)/13), indicating that without the development of certification standards and systems, the progress in the tropics will remain slow. He recommended that the ITTO could, *inter alia*: convene a meeting on international and national forest certification schemes to discuss modalities for and share experiences on PAs; promote the inclusion of PAs in international criteria for credible and acceptable systems; and implement pilot projects among small-scale forest management units and community forests for forest certification. INDONESIA suggested disaggregating data on certified timber from natural forests from other types of forests. MALAYSIA indicated that the report would provide good input to its country-level consultation on certification, noting the costliness of implementing certification in most producer countries without financial assistance. SWITZERLAND announced an international workshop on PAs to be held in Bern, Switzerland in April 2005. GHANA suggested that the ITTO seek broader stakeholder consultations at the country level, and supported the PAs to forest certification. The EC said PAs help place the ITTO at the forefront of this policy issue, and raised concerns over why African case studies were not included in the report. BRAZIL noted that there are different ways that certification could establish legality and suggested including greater stakeholder participation in the initial stages of the certification process. The REPUBLIC OF CONGO said it hoped to implement a pilot project in coordination with the ITTO to design PAs, which would be appropriate to Africa in general.

REPORTS OF COMMITTEES: CEM Chair Yeo-Chang Youn (Republic of Korea) introduced the report of the CEM/CFI (CEM/CFI(XXXV)/8), enumerating the projects and pre-projects that have been completed, evaluated and funded. He catalogued the policy work on market access, certification, market studies, the ITTO Annual Market Review, subsidies, capacity-building for CITES, and tracking. The TORs on the studies on subsidies and tracking were approved.



CFI Chair Astrid Bergquist (Sweden) reported on project and pre-project work and on policy activities, including an international conference on plywood in China and proposals for future programs on rubberwood, bioenergy and reduced impact logging.

CRF Chair A.S.K. Boachie-Dapaah (Ghana) presented the CRF report (CRF(XXXV/9), giving information on completed projects and pre-projects and *ex-post* evaluations. He proposed that the list of projects for *ex-post* evaluation should include all projects completed since 2002. He reported on policy activities including conferences and the completion of TOR for the review of the ITTO biodiversity guidelines.

CFA Chair Chris Ellis (US) presented the CFA report (CFA(XVI)/6). He reported that delegates approved the indicative Administrative Budget for 2005. He said that the budget level would be maintained at the level approved in the 2004-05 Biennial Administrative Budget. He noted that the Committee authorized the Executive Director to draw on the Working Capital Account not in excess of US \$600,000 to cover costs associated with the negotiation of the successor agreement to the ITTA, 1994. He noted that members' total arrearages amounted to over US \$4 million, and recognized the demands placed on members that have difficulty meeting their assessed contributions. SWITZERLAND expressed concern over the lack of time dedicated to addressing specific line items associated with the allocation for the ITTA, 1994 renegotiations. Council adopted the Committee reports without amendment.

ITTO FELLOWSHIP PROGRAMME: The ITTO Secretariat described the extent of the fellowship programme, noting that 244 recipients had received US \$1.3 million since the inception of the fellowship (ITTC(XXXVII)/14) & (ITTC(XXXVII)/15). He said that 77 percent of the fellowships are in reforestation and forest management and less than 17 percent in forest industry. Alhassan Attah (Ghana), ITTC Vice Chair, said that the fellowship panel, which consists of three producers - Ghana, the Philippines and Venezuela - and three consumer members - the Netherlands, Switzerland and the US - has reviewed 113 applications and approved 25 subject to a limit of US \$150,400. He said that of those recipients approved 32 percent are women, whereas five years ago 20 percent were women. He then said that 40 percent of recipients were from the Asia-Pacific region, 20 percent from Africa, 24 percent from Latin America and 16 percent from consumer countries.

OTHER STATEMENTS: Kikojiro Katsuhisa, Food and Agriculture Organization (FAO), emphasized the importance of creating more synergies between the FAO and the ITTO, and said that the upcoming FAO Committee on Forestry and preceding Ministerial meeting in March represent a good opportunity to create such synergies. He also announced the upcoming FAO publication on the 'State of the World's Forests.'

Mahendra Joshi, United Nations Forum on Forests (UNFF), said that 2005 will be a critical year for the UNFF, noting the upcoming Country-Led Initiative in Guadalajara, Mexico and the upcoming UNFF-5 meeting in May and accompanying High-Level Ministerial segment. He said the ministerial segment would discuss how, *inter alia*, forest activities are helping to meet the Millennium Development Goals, which will be reviewed at the next UN General Assembly.

Barney Chan, Chair of the Trade Advisory Group (TAG), stated TAG's desire to strengthen TAG's relationship with the Civil Society Advisory Group (CSAG). He said that the most pressing problem to ensuring legal compliance is that many countries' different procurement rules are becoming disincentives to trade in tropical timber and may undermine SFM efforts. He called for Council to consider how to resolve trade data discrepancies, demonstrate that there are adequate processes to verify legality in producer countries and carry out an audit of existing tracking systems in tropical forest industries.

CHAIR'S OPEN-ENDED DRAFTING GROUP

In the evening the Chair's drafting group met to continue work on the draft decision to improve and strengthen the ITTO project cycle. The US reported on results of a small working group, which met in the afternoon to discuss proposed draft annexes to the decision. The output of the working group was a table summarizing recommendations on remedial measures for specific problems and implications identified in each phase of the project cycle, along with identification of the parties responsible for carrying out those measures. MALAYSIA noted that specific remedial measures identified in the annexes should correlate to the operative paragraphs of the decision.

Delegates agreed to a paragraph calling for training workshops/capacity building focused on the national level.

Delegates modified a paragraph establishing a database of experts to assist with project proposals to read that nominations for experts could be made by international organizations as well as governments. They also agreed that two consultants should be hired to develop a methodology for assessing proposals, using qualitative award criteria and weighted scores, and that the twenty-ninth Expert Panel for Technical Appraisal of Pre-Project and Project Proposals be extended by two days in order to update the Panel's TOR accordingly.

On improvement of project cycle management tools and manuals, the group agreed on language requesting the Executive Director to: develop draft TOR for consultants who would be engaged to revise the ITTO Project Formulation Manual and related material; engage two consultants to implement those TOR, following approval by the Joint Committee, and present results of their work to Council for its consideration; and, subsequently, engage an expert for preparation of computerized tools to facilitate project proposal and budget preparation via the ITTO website.

Regarding the expansion of the role of ITTO Secretariat on the project cycle, countries agreed to language requesting the Executive Director to engage the Secretariat staff actively in the various phases of the project cycle and to implement, as appropriate, recommendations listed in an annex to the decision. The annex discusses recommendations for project: identification; formulation; appraisal; decision/funding; implementation; mid-term, terminal, and *ex-post* evaluations; and completion.

On actions to be taken by members submitting project proposals, producers and consumers were deadlocked on language pertaining to the number of projects that could be submitted per Council session. MALAYSIA and BRAZIL suggested that submitting countries should not be limited in the number of projects they submit, but that projects could be ranked in order of priority by member countries. The US said that a previous Council decision had been taken to limit the number of projects submitted to increase the project cycle's effectiveness. BRAZIL proposed to add language allowing the Expert Panel to give priority to the proposals identified by Producer countries as priority projects.

On finance, the NETHERLANDS proposed an additional paragraph calling for review after two years the extent to which the decision on project effectiveness has resulted in improvements to the project cycle. As of 9 pm no agreement had been reached on this draft decision.

IN THE CORRIDORS

As drafting of the decision on improving the project cycle got underway, some delegates were hopeful that the proposed decision would not only render ITTO's project cycle more effective but, more important, help attract more financing to the ITTO. To this end, one consumer member said that modernizing ITTO's project cycle could greatly improve ITTO's standing within the international community and make it more attractive vis-à-vis other organizations. Other delegates, however, were less optimistic about reaching an agreement at this session on approving project cycle effectiveness and suggested that the decision may well be postponed until ITTC-39.