



SUMMARY OF THE THIRTY-SEVENTH SESSION OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL: 13-18 DECEMBER 2004

The thirty-seventh session of the International Tropical Timber Council (ITTC) met from 13-18 December 2004, in Yokohama, Japan. During the session, delegates examined a range of issues, including: phased approaches to certification; measures to improve the effectiveness and efficiency of the International Tropical Timber Organization's (ITTO) project cycle; enhancement of cooperation between ITTO and the Convention on the International Trade of Endangered Species of Flora and Fauna (CITES) for ramin and mahogany; strengthening the Asia Forest Partnership; forest law enforcement in the context of sustainable timber production and trade; and criteria and indicators for sustainable forest management. Delegates to ITTC-37 approved 25 projects and five pre-projects and pledged US\$8 million for project financing.

Delegates also convened in the thirty-fifth sessions of the Committees on Economic Information and Market Intelligence, Forest Industry, and Reforestation and Forest Management to approve projects and pre-projects, to review projects and pre-projects under implementation and *ex-post* evaluations, select completed projects for *ex-post* evaluation, and conduct policy work. The sixteenth session of the Committee on Finance and Administration also met to approve the indicative Administrative Budget for the year 2005, and review the current status of the Administrative Account.

In keeping with the amicable tone that has come to characterize the ITTO in recent years, ITTC-37 unfolded without any real contention. Delegates were able to come to agreement on a decision to enhance cooperation between the ITTO and CITES for ramin and mahogany and experienced only minor delays in formulating a decision on improving the effectiveness of the ITTO project cycle. Of course, with the negotiation of the successor agreement to the ITTA, 1994 in full swing, one might expect that the negotiations could slow down the routine work of the organization. However, this did not seem to be the case at ITTC-37. The overall sense was that there is much to gain by giving the ITTO greater visibility within the international community. By all accounts, this appears to be happening.

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 Agreement was renegotiated in 1993-1994. The successor agreement, ITTA, 1994, was adopted on 26 January 1994, and entered into force on 1 January 1997. It contains

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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 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 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 sustainable management of its resource base. The ITTO also administers assistance for related projects. The ITTO has 59 members divided into two caucuses: producer countries (33 members) and consumer countries (26 members). The ITTO's membership represents 90 percent of world trade in tropical timber and 80 percent of the world's tropical forests.

The governing body of the ITTO is the International Tropical Timber Council (ITTC), which includes all members. Annual contributions and votes are distributed equally between the two membership groups – producers and consumers. The Council is supported by four committees, which are open to all members and provide advice and assistance to the Council on issues for consideration and decision: Economic Information and Market Intelligence; Reforestation and Forest Management; Forest Industry; and Finance and Administration.

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 sustainable forest management (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 Civil Society Advisory Group (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; management of the Administrative Budget; the Asia Forest Partnership (AFP); 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 of a successor agreement to the ITTA, 1994; cooperation between ITTO and the Convention on the International Trade in Endangered Species (CITES) on broad-leaf mahogany; the management of project implementation; the Biennial Work Programme and Administrative Budget; phased approaches to certification; and the expansion and diversification of international trade in tropical timber. Delegates also approved nine projects and eight pre-projects.

ITTC-35: The 35th session of the ITTC met 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 2004-2005 Biennial Work Programme. The Council also approved 16 projects and four pre-projects.

ITTC-36: The 36th session of the ITTC met from 20-23 July 2004, in Interlaken, Switzerland. The Council approved 11 projects and seven pre-projects. No substantive decisions were adopted.

ITTC-37 REPORT

Jan McAlpine (US), ITTC-37 Chair, opened the meeting on Monday, 13 December, by welcoming delegates and observers. She noted that over the past decade the ITTO has developed an atmosphere of mutual respect and cooperation and is capable of addressing sensitive issues such as illegal logging. She reported on ITTO's contribution to the recent World Conservation Congress and CITES Conference of the Parties (COP), and drew attention to ITTO's work on timber trade statistics. Chair McAlpine noted that the ITTO is the only organization to have addressed the need for capacity building in relation to CITES compliance, and concluded that the ITTO is poised to achieve its objectives, but requires greater financial support to do so.

Hiroshi Nakada, Mayor of Yokohama, noted that ITTO differs from other commodity agreements in that it promotes sustainable development and environmental conservation. Noting the importance of the successor agreement to the ITTA, 1994, he expressed hope that Yokohama will continue to host the ITTO.

ITTO Executive Director Manoel Sobral Filho expressed appreciation for Yokohama's renewed pledge to support the ITTO. He stated that the most important challenge facing negotiators of the successor agreement to the ITTA, 1994 is to ensure that the Organization's work is well financed. He expressed appreciation for a recent financial contribution to the ITTO by the Netherlands, calling on other countries to follow suit. Sobral said that strengthening private sector engagement should continue to be a priority, but stressed the importance of supporting local and indigenous communities in SFM as well. He reported on the ITTO's enhanced collaboration with CITES, highlighting an ITTO-sponsored workshop held in Peru in May 2004 on capacity building for the implementation of the CITES Appendix II listing of mahogany.

Naoto Maeda, Ministry of Agriculture, Forestry and Fisheries of Japan, noted that illegally logged timber impedes the achievement of SFM and said international fora such as the AFP were established to study these issues. He noted that a workshop was held in August 2004 to strengthen the AFP, and a joint statement was signed with the Government of Indonesia to establish a tracking system to prevent illegal logging and trade. Maeda indicated the importance of bilateral and multilateral efforts to improve knowledge and technology for forestry and forests.

Emile Doumba, Minister of Forest Economy of Gabon, said Gabon was still dedicated to meeting ITTO Objective 2000. Doumba stated that SFM will be among the major themes of the Conference of Ministers in Charge of Central African Forests (COMIFAC), and expressed hope that ITTO member



states would help fund initiatives related to COMIFAC's work. Noting that Gabon's SFM action plan includes the establishment of statistical systems to ensure the traceability of the country's timber, he indicated that Gabon was determined to diversify and make forestry a major contributor to the country's economy. Doumba called on members to support the Bali Partnership Fund and to discuss how SFM might contribute to the Clean Development Mechanism under the Kyoto Protocol. He noted Africa's upcoming opportunity to chair the ITTC, recommended that a second spokesperson be named within the Producer group to ensure equal representation of all countries, and called on members to support the future nomination of an African Executive Director.

Henri Djombo, Minister of Forest Economy and the Environment of the Republic of Congo, described projects being carried out in his country with ITTO support and announced that the second Summit of Heads of State on the SFM of the Congo Basin will be held in Brazzaville in February 2005. On an international legal framework for all types of forests, Djombo cautioned against duplicating provisions already covered by the ITTA and other multilateral agreements.

Shigeki Sumi, Ministry of Foreign Affairs of Japan, called for increased funding to support ITTO projects and work in support of the successor agreement to the ITTA, 1994. He listed a number of events that support ITTO objectives, including recent AFP meetings on fire and enforcement, the upcoming World Expo in Japan, and the G-8 summit in the United Kingdom.

ORGANIZATIONAL MATTERS: ITTO Executive Director Sobral reported that a quorum had been attained and that the membership of the ITTC remained at 59: 26 consuming members and 33 producing members. Delegates adopted the agenda (ITTC(XXXVII)/1 Rev.1). Chair McAlpine announced that the distribution of votes adopted at ITTC-36 would be used to determine assessments for the 2005 Administrative Budget.

The Officers presiding at ITTC-37 were: Chair Jan McAlpine (US) and Vice-Chair Alhassan Attah (Ghana). The committee officers were: Committee on Economic Information and Market Intelligence Chair Yeo-Chang Youn (Republic of Korea) and Vice-Chair Ing. Renzo Siliva (Venezuela); Committee on Forest Industry Chair Astrid Berbquist (Sweden) and Vice-Chair Célestine Ntsame-Okwo (Gabon); Committee on Reforestation and Forest Management Chair A.S.K. Boachie-Dapaah (Ghana) and Vice-Chair Jennifer Conje (US); and Committee on Finance and Administration Chair Chris 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 session to discuss a range of issues, including: CITES listing proposals; forest law enforcement in the context of sustainable timber production and trade; phased approaches to certification; negotiations for a successor agreement to the ITTA, 1994; C&I for SFM; ITTO Objective 2000; and strengthening the Asia Forest Partnership.

REPORT OF THE INFORMAL ADVISORY GROUP

(IAG): On Tuesday, Chair McAlpine summarized the report of the fifteenth meeting of the IAG (ITTC(XXXVII)/2). She said the IAG recommended that an informal group be established to initiate consultations on a draft decision on improving the efficiency and effectiveness of the project cycle. Chair McAlpine then listed other possible decisions to be taken at ITTC-37 on, *inter alia*, projects, pre-projects and activities and capacity building relating to the implementation of CITES listings of tropical timber.

CITES LISTING PROPOSALS: On Tuesday, delegates discussed proposals by members for CITES listings. Chair McAlpine stated that members of ITTO are required to inform the Council of their CITES listing proposals. The Secretariat informed the Council that no new proposals by members had been made at the thirteenth CITES COP and said the relationship between the CITES and ITTO Secretariats has improved.

On Thursday, delegates met in an open-ended drafting group to discuss the draft decision on enhanced cooperation between the ITTO and CITES on the CITES Appendix II listings of ramin and mahogany. Chair McAlpine proposed acknowledging, in the chapeau, the CSAG/Trade Advisory Group (TAG) recommendations made at ITTC-36. Switzerland proposed including civil society and the private sector when pursuing enhanced cooperation among producer and consumer countries to improve mechanisms for CITES implementation and enforcement. The decision was adopted with minor amendments.

Final Decision: The decision (Decision 2(XXXVII)) requests the Executive Director, in cooperation with the CITES Secretariat, to, *inter alia*:

- provide support to organize a meeting, under the auspices of the Tri-National Ramin Task Force, to bring together ramin range states, exporters, importers, CITES experts and other interested parties to assist in the effective implementation of the CITES decision to list ramin in Appendix II;
- provide support to member countries requiring technical assistance in implementing the Appendix II listing of ramin, including developing training curricula and material on enforcement and project proposals to assist CITES authorities in carrying out their Non-Detrimental Findings for ramin in key producing countries and identify potential donors to support these projects;
- assist range countries and major trading partners in building capacity to implement the CITES listing of ramin and mahogany, including by: strengthening capacity of national and regional customs authorities and enforcement agencies; enhancing information and knowledge exchange on CITES procedures; and enhancing cooperation and networking among producer and consumer countries, including civil society and the private sector; and
- seek voluntary contributions from member countries to meet the financial requirements of this decision, not exceeding US\$282,500. If there are insufficient contributions by 31 July 2005, the Executive Director is requested to use funds from Sub-Account B of the Bali Partnership Fund.

ANNUAL REVIEW AND ASSESSMENT OF THE INTERNATIONAL TIMBER SITUATION: On Thursday, the ITTO Secretariat presented elements for the annual review and



assessment of the world timber situation, focusing on trends in the production, imports, exports, and prices of tropical timber products (ITTC(XXXVII)/4). He noted significant growth of consumer imports of secondary processed wood products and said they are approaching the value of imports of primary tropical timber products. He questioned whether the data should only be reported in US dollars and noted that current resources of the Secretariat do not allow for increased data analysis activities. Brazil stressed the importance of resolving domestic data discrepancies before submitting reports.

NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994: On Tuesday, Amb. Carlos Antonio da Rocha Paranhos (Brazil), President of the UN Conference on the Negotiation of a Successor Agreement to the ITTA, 1994, stressed the importance of completing negotiations no later than 18 February 2005. Emphasizing that delegations must come to the negotiation prepared to work long hours, President Paranhos requested that the UN Conference on Trade and Development (UNCTAD) Secretariat provide two teams of interpreters, for day and evening sessions. He suggested that delegates convene informally to resolve their differences during ITTC-37.

Alexei Mojarov, UNCTAD, said two teams of interpreters could be arranged for negotiations during normal working hours and recommended that the ITTO Secretariat arrange commercial interpreters for evening meetings. Chair McAlpine said the ITTO Secretariat was exploring the issue of interpretation but that UNCTAD needs to consider providing all necessary interpretation services for the negotiation.

On Tuesday, Wednesday and Thursday, delegates met in closed informal negotiating sessions to discuss financial issues related to the successor agreement.

ITTO OBJECTIVE 2000: On Wednesday, Olav Bakken 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 forest degradation and erosion contribute to environmental problems. He identified 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 C&I; expanding accountability for SFM; and using an expanded community approach to forest management. He also said the 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 European Community (EC) suggested that processing and marketing problems, due to economies of scale, are common in countries experiencing difficulty achieving ITTO Objective 2000. The Philippines raised the issue of community forestry, which Jensen indicated could be supported by ITTO work.

On Wednesday, Jeff Sayer, World Conservation Union, 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 Programme; 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 the 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 does not intend to close down its concessions. He also said investment in the forestry sector is modest and that new forestry laws and other new regulations will facilitate decentralization and devolution. Ghana called for independent forest monitoring. Brazil stressed the importance of adding value to timber exported to consuming countries.

FOREST LAW ENFORCEMENT IN THE CONTEXT OF SUSTAINABLE TIMBER PRODUCTION AND TRADE:

Chen Hin Keong, Traffic International, presented a case study report on forest law enforcement and governance in Malaysia in the context of SFM (ITTC(XXXVII)/9). He reported that comprehensive legislation has been implemented to control illegal imports of roundwood and squared timber from Indonesia. He stated that law enforcement efforts include log tracking systems, increased penalties such as fines, incarceration and customs seizures. Chen noted that the report recommends the extension of log tracking systems to other timber products, removal of timber products from the barter trade, and closure of enforcement gaps that allow illegal imports of wood.

Malaysia noted awareness of the need for SFM and highlighted efforts it has made in this regard. Switzerland said the report overlooked transboundary conservation projects. Noting that illegal logging should not be the sole responsibility of producing countries, the EC highlighted recent developments in its Forest Law Enforcement, Governance and Trade Action Plan. Colombia stressed the importance of stimulating and facilitating legal behavior to discourage illegal logging. Papua New Guinea expressed concern that the illegal logging outcry could have negative impacts on the tropical timber trade. Japan expressed support for continuing compilation of shipping and customs data related to illegal activities.

Danilo Humberto Escoto, ITTO consultant, presented a report on illegal logging and forest law enforcement in Honduras (ITTC(XXXVII)/9). He identified factors that encourage illegal logging, including: limited government capacity to control sustainable management operations; corruption among authorities; and lack of land tenure policies. He described impacts of illegal activities on the forest, the economy, society and public finances and highlighted elements of the Action Plan, including a national awareness campaign and actions to modernize forestry techniques and certification schemes. He concluded that the Government of Honduras must, *inter alia*,



raise public awareness and fight corruption. Venezuela asked how Honduras is satisfying the demands of local and indigenous communities to manage their resources. Escoto responded that Honduras aims to increase community forestry.

On the status of the handbook on best practices for the improvement of law compliance in the forest sector, the ITTO Secretariat said the handbook is currently being reviewed by the ITTO and Food and Agriculture Organization (FAO) Secretariats and will be launched at the next meeting of the FAO Committee on Forestry in March 2005. Hikojiro Katsuhisa, FAO, expressed hope that the case studies from the report will provide practical policy guidance on forest law compliance and welcomed ITTO's cooperation in the compilation of FAO's Forest Products Yearbook.

STRENGTHENING THE ASIA FOREST

PARTNERSHIP: Bambang Murdiono, Ministry of Forestry of Indonesia, presented on progress made in strengthening the Asia Forest Partnership (AFP). Noting that a regional workshop was held in Indonesia on formulating and developing the mechanics and structure of the AFP, he said outcomes included agreement that the AFP will collaborate closely with other regional organizations with similar objectives and called for decision-making structures for the AFP's work. He noted the Government of Japan's recent commitment to fund an AFP Secretariat. The US said that The Nature Conservancy had proposed a workplan for a transportation meeting, following the recommendations of the CSAG/TAG and ITTO members.

The Netherlands announced its recent accession to and financial commitment for the AFP. Highlighting that it would host an upcoming consultation in Kuala Lumpur, Malaysia, on certification, Malaysia said it hoped a wide variety of stakeholders would participate in order to develop an effective and pragmatic verification scheme on minimum requirements on timber certification for which the first basis would be legality. Switzerland drew attention to a decision to be proposed at ITTC-38 on forest governance and decentralization in the context of the AFP's priorities.

MEASURES TO PROMOTE THE EXPANSION AND DIVERSIFICATION OF INTERNATIONAL TRADE IN TROPICAL TIMBER:

R.E. Taylor, ITTO consultant, presented a draft report on measures to promote the expansion and diversification of international trade in tropical timber (ITTC(XXXVII)/10). In his presentation, Taylor drew attention to several trade measures that could affect trade in tropical timber and timber products, including technical barriers to trade (TBTs), such as building codes and product grading, and sanitary and phytosanitary measures, such as product safety standards.

Taylor noted several recommendations for tropical timber-producing countries relating to the expansion and diversification of trade, including improved technology transfer and the creation of a pro-active intelligence system to disseminate information. For consuming markets, he said recommendations include to ensure that government procurement policies are not used as trade barriers, and to take steps to harmonize standards, testing procedures, quality and other requirements. He indicated that the ITTO should consider, *inter alia*: increasing market information

and intelligence gathering; supporting capacity and infrastructure building in producing countries; and making strategic alliances with other international organizations with similar agendas.

The EC said that TBT definitions in the report are not in accordance with those in the World Trade Organization (WTO) rules and that collaboration with trade associations could enhance development of product testing facilities in producer countries. He also said certification is not a trade measure but, rather, a market-based instrument. Ghana said certification is becoming a non-tariff barrier (NTB) due to pressure from environmentalists and, with Malaysia, said the ITTO needs to take account of WTO negotiations on government procurement. The US said the report does not identify the differential effects of specific trade measures on specific regions and products. He noted that the report addresses traditional import markets but not emerging and new markets like China. He also said the report overstates ongoing WTO negotiations while understating existing WTO agreements. Malaysia noted the possibility that NTBs may generate perverse effects on producers, such as disincentives to domestic timber processing, and that the current emphasis on illegal logging may impede trade. New Zealand said NTBs are not specific to tropical timber and could stimulate trade in substitutes. She also expressed concern that SFM has been identified as a potential trade barrier.

ITTO BIENNIAL WORK PROGRAMME FOR THE YEARS 2004-2005:

Delegates discussed the progress report on implementation of the ITTO Biennial Work Programme (ITTC(XXXVII)/11) in Committees and in the final Council session on Saturday. ITTO Executive Director Sobral noted that implementation of the approved 2004-2005 Biennial Work Programme is on track. He indicated that since the 2003 approval of the Biennial Work Programme, the Council has been adding activities that affect the ITTO's capability for implementing such activities. Sobral cited as examples the organization of a conference on timber transport, which will now take place as an expert meeting, and a conference on community forests and forestry. Chair McAlpine noted that administrative and finance, project, and strategic policy activities had been extensively discussed in the Committees.

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

Simula also presented a report on the financial cost-benefit analysis of forest certification and implementation of PAs (ITTC(XXXVII)/13), indicating that without the development of certification standards and systems, progress in implementing certification 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 that on 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. 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.

ITTO FELLOWSHIP PROGRAMME: On Friday, 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 Freezailah Fellowship Fund (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. ITTC Vice-Chair Alhassan Attah 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.

SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND: On Saturday, Chair McAlpine requested Council members to announce any new pledges to the Bali Partnership Fund, but no new pledges were made. CFA Chair Ellis presented the report of the Panel on Sub-Account B of the Bali Partnership Fund (ITTC(XXXVII)/16), noting that over US\$2.28 million is in Sub-Account B. CFA Chair Ellis highlighted the Panel's recommendations, including that the financing limit at the thirty-seventh session of the Council from Sub-Account B and from the unearmarked funds should not exceed US\$2.25 million. The report was adopted without amendment.

CRITERIA AND INDICATORS FOR SUSTAINABLE FOREST MANAGEMENT: On Thursday, Jürgen Blaser, Intercooperation, presented the report on the revised C&I (ITTC(XXXVII)/17), stating that the seven criteria would be maintained with some modified language and that the indicators would be reduced from 63 to 56 and the reporting requirements from 89 to 56. The Netherlands expressed concern

with indicators on the social effects of subsistence and illegal activities. Switzerland urged that the revised C&I be published and a training programme pursued. The US offered to host an expert group meeting in 2005 to harmonize C&I definitions. Delegates adopted the revised C&I.

JOINT COMMITTEE

IMPROVING THE EFFECTIVENESS AND

EFFICIENCY OF PROJECT WORK: On Monday, Thursday, Friday and Saturday, delegates met in Council, Joint Committee and informal drafting-group sessions to discuss the report of the Expert Panel on the Technical Appraisal of Project Proposals and measures to improve the effectiveness and efficiency of project work.

Report of the Expert Panel on the Technical Appraisal of Project Proposals: On Monday, Ricardo Umali (Philippines), Chair of the Expert Panel on the Technical Appraisal of Project Proposals, presented the report of the Expert Panel's twenty-eighth session (CEM,CRF,CFI,CFA(XXXV)/1). He noted improvements in the quality of proposals and highlighted the Panel's recommendations that Council, *inter alia*:

- remind members to prioritize proposals at the national level prior to submission;
- provide criteria for judging whether projects are transboundary in nature;
- develop independent procedures for addressing requests for conference and workshop funding;
- pay urgent attention to the Expert Panel's recommendations to improve project formulation, appraisal, monitoring and implementation and revise and integrate all current manuals into one simplified manual covering the whole project cycle; and
- take decisions to limit the number of proposal revisions and improve the Expert Panel's Terms of Reference (TOR), in particular its procedures for rating and assessment of proposals.

Brazil described its efforts to screen projects and said there have been some inconsistencies in the Expert Panel's evaluations. The EC noted that the Expert Panel's recommendations explain why the EC is reluctant to fund some projects, particularly those from a single country that conflict with one another. The Netherlands said that the project cycle needs to be more transparent and linked to the ITTO's objectives. Guatemala endorsed Brazil's practice of screening projects.

Improving the Effectiveness and Efficiency of Project

Work: On Monday, the ITTO Secretariat described the background of the working group on improving the effectiveness and efficiency of project work and listed several of its recommendations, including utilization of national clearinghouses, workshops, technical assistance, project guidelines and appraisals. CFA Chair Chris Ellis noted that an open informal focus group would convene to formulate a draft Council decision concerning project cycle improvements.

On Thursday, Ellis presented the draft decision on strengthening the ITTO project cycle and said the document will further the project appraisal process. He noted the inclusion of a proposal to develop consultant guidelines to ensure institutional capacity building. India said that a proposed



national clearinghouse should not be the only screening agency. Indonesia, supported by Malaysia, said that Council rules should not restrict project proposals to three per Council session.

On Thursday, delegates met in the Chair's open-ended drafting group to discuss text on a draft decision on measures to improve the effectiveness and efficiency of the project cycle. Malaysia proposed deleting language urging member countries to limit the submission of project proposals to three per Council session. Brazil, with the US, noted that this recommendation is not mandatory. The US noted that expanding the Expert Panel's capacity to evaluate more proposals would cost more.

On Friday, the US reported to Council on results of a small working group, which met in the afternoon to discuss proposed draft annexes to the decision. This working group was chaired by ITTC-37 Vice-Chair Alhassan Attah. 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 correspond to the operative paragraphs of the decision.

On Friday, delegates agreed to a paragraph calling for training workshops and capacity building focused on the national level. Delegates also 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 29th Expert Panel for Technical Appraisal of Project and Pre-Project Proposals be extended by two days in order to update the Expert Panel's terms of reference (TOR) accordingly.

Delegates then discussed actions to be taken by members submitting project proposals in light of a deadlock between producers and consumers on language pertaining to the number of projects that could be submitted per Council session. Malaysia and Brazil, on behalf of the Producer Group, suggested that submitting countries should not be limited in the number of project proposals they submit, but that project proposals 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 in order to increase the project cycle's effectiveness. Brazil proposed adding language allowing the Expert Panel to give priority to the proposals identified by Producer countries as priority projects.

The Netherlands proposed an additional paragraph on finance, calling for a review after two years of the extent to which the decision on project effectiveness has resulted in improvements to the project cycle.

Final Decision: On Saturday, Chair McAlpine presented the draft decision (Decision 3(XXXVII)) on measures to improve and strengthen the ITTO project cycle. Delegates approved the decision without amendment. The decision:

- recognizes the importance of effective measures to improve the different phases of the project cycle, including identification, formulation, appraisal, decision/financing, implementation, evaluations, and completion;

- encourages member countries to act on the recommendations detailed in the annex, especially on establishing national clearinghouses for project and pre-project proposal screening and undertaking an assessment of training needs in project formulation and the appraisal process, limiting submission of new project proposals to no more than three per Expert Panel meeting, and ranking them in order of priority;
- requests the Executive Director to: make available the services of local experts in project formulation; engage two consultants to develop a qualifying method using qualitative award criteria; limit the number of appraisals of project and pre-project proposals to three; develop draft TOR for consultants to revise the ITTO Project Formulation Manual and related material; propose those TOR to the Joint Session of the Committees at ITTC-38; and, following Joint Committee approval, engage two consultants to implement those TOR and present the results of their work to the Council;
- authorizes the Executive Director to seek voluntary contributions from member countries to meet the financial requirements for this decision, not exceeding US\$497,000;
- requests the Executive Director to use Sub-Account B of the Bali Partnership Fund to meet the requirements of the decision if sufficient contributions are not received by 24 June 2005; and
- decides to review, after two years, the decision with a particular focus on the limitation of submissions with a view to assessing its effectiveness and impact on improving the project cycle and delivery of quality projects.

The decision also requests the Executive Director to implement, as appropriate, the recommendations, contained in an annex, on specific remedial measures to address problems and implications associated with project cycle phases.

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

Delegates met throughout the week in the Committees on Economic Information and Market Intelligence (CEM) and on Forest Industry (CFI) to review completed projects and pre-projects, *ex-post* evaluations, project and pre-project proposals, projects/pre-projects and activities in progress and policy work.

COMPLETED PROJECTS AND PRE-PROJECTS:

On Monday, delegates heard reports of completed projects on: extension and consolidation of statistical reporting in Bolivia; industrial utilization of rubberwood in Colombia; village industry around an industrial plantation in Indonesia; sustainable development in Association of South East Asian Nations member countries; and developing, publishing and disseminating global information on increasing timber processing and utilization efficiency and reducing waste.

EX-POST EVALUATIONS: On Monday, delegates reviewed an *ex-post* evaluation on a project on training development on assessment of SFM in Indonesia. Delegates selected the completed project on the introduction of village industry around an industrial forest plantation in Indonesia for *ex-post* evaluation.

PROJECTS, PRE-PROJECTS AND ACTIVITIES IN PROGRESS: On Monday, delegates reviewed projects, pre-projects, and activities in progress on:



- the establishment of a national statistical system for imported timber and timber products in Egypt;
- establishment of a data collection and dissemination system on a sustainable basis for timber marketing statistics in Cameroon;
- enhancement of a forest statistics information and management system in Gabon;
- promotion of sustainable management of African forests;
- strengthening of ITTO market discussions; and
- activity to facilitate development of a joint ITTO/Economic Commission for Europe-FAO EUROSTAT forest statistics questionnaire.

Delegates also reviewed ongoing CFI projects on: development, application and evaluation of biomass energy technologies in Malaysia and Cameroon; the ITTO information network; training in reduced impact logging (RIL) in Guyana; and an international workshop on the Clean Development Mechanism under the Kyoto Protocol for the forest sector in the Asia-Pacific region.

On Tuesday, the CEM/CFI heard reports on projects pending agreement on: systematization and modeling of economic and technical information for training in the production, processing and marketing of timber products; the demonstration of rubberwood processing technology and promotion of sustainable development in China and other Asian countries; and strengthening capacity to promote efficient wood processing technologies in Indonesia. The CEM/CFI also heard reports on pre-projects pending agreement on: establishing a forest statistics management system in the Democratic Republic of Congo; analysis of a project proposal for the strengthening of the Forest Statistical Information Centre in Honduras; and improving strategies and assessing training needs for achieving SFM in Suriname.

The Secretariat reported that 13 previously approved CEM/CFI projects and pre-projects await financing, highlighting that two will soon become subject to ITTO sunset provisions – an economic database on bamboo and rattan in China, and the promotion of tropical non-wood forest products in China based on sustainable community development.

Delegates also 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: On Tuesday, CEM/CFI considered and approved project proposals on:

- a Plant Resources of Tropical Africa (PROTA) programme for information analysis in Ghana;
- marketing of forest products in Guyana;
- saw doctoring and capacity building for social and environmental sustainability in the Democratic Republic of Congo;
- promoting non-timber forest products (NTFPs) based on community participation in forestry management, and village industry around an industrial forest plantation, in Indonesia;
- improving utilization and value adding of plantation timbers in Malaysia;
- quality control and standardization of wood products in Ghana;

- implementation of a national code for forest harvesting in China;
- improvement of sustainable management and utilization of NTFPs in Cambodia; and
- financing the attendance of tropical timber producer delegates at an international conference on innovation in the forest and wood products industries in Australia.

A pre-project proposal on compensation for environmental services from tropical forest ecosystems in Guatemala was also considered and approved. 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: On market access, the ITTO Secretariat drew attention on Tuesday to a draft report on the management and diversification of trade in tropical timber, noting that the report addresses, *inter alia*, producer country capacity in meeting the import requirements of consumer countries. On certification, the ITTO Secretariat highlighted a report on PAs (ITTC(XXXVII)/12) and drew attention to an ITTO-sponsored workshop on PAs. CEM Chair Yeo-Chang Youn (Republic of Korea) said that two small groups would convene during ITTC-37 to reformulate the TOR for a study on subsidies affecting tropical timber products and for an audit of existing tracking systems. The ITTO Secretariat said that the report of a capacity-building workshop for implementation of the CITES listing of mahogany has been published and that there are plans for a similar workshop on ramin.

On Wednesday, 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 TOR for studies on subsidies affecting tropical timber products and on auditing of existing tracking systems. Venezuela lamented 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 EC responded that the TOR allowed for review of the extensive literature on consumer countries but that primary research should focus on producer countries.

ELECTION OF OFFICERS: On Friday, delegates elected Renzo Siliva (Venezuela) as Chair of the CEM and James Gasana (Switzerland) as Vice-Chair of the CEM for 2005 They



elected Celestine Ntsame-Okwo (Gabon) as CFI Chair and Jung-Hwan Park (Republic of Korea) as Vice-Chair for 2005.

DATES AND VENUES OF FUTURE MEETINGS: On Friday, delegates agreed that the thirty-sixth and thirty-seventh sessions of the CEM/CFI would run concurrently with ITTC-38 and ITTC-39, respectively.

ADOPTION OF REPORT: On Friday delegates adopted the report of the CEM/CFI (CEM-CFI(XXXV)/8). In the annex on the TOR for the study on subsidies, the US, supported by Switzerland and Austria, requested that the TOR elements and preambular language draw particular attention to the examination of subsidies whenever a range of support measures are considered in the study. This language was adopted.

COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT

The CRF met on Monday, Tuesday, Wednesday and Friday to consider, *inter alia*: completed projects and pre-projects; *ex-post* evaluations; review of projects and pre-project work in progress; projects and pre-project proposals; policy work and the implementation of the 2004-2005 Biennial Work Programme; dates and venues of future meetings; recommendations to ITTC-37; and adoption of its report.

COMPLETED PROJECTS AND PRE-PROJECTS: On Monday, delegates heard completed project reports on:

- integrated buffer zone development for sustainable management of tropical forest resources in Thailand;
- support to grassroots forestry promotion initiatives in the Yoto area in Togo;
- development of the Lanjak-Entimau wildlife sanctuary as a totally protected area in Malaysia;
- establishment of Rio Preto's national forest in Brazil;
- rehabilitation of natural forests in Malaysia;
- forest management of natural forests in Malaysia;
- support for the development of a forestry and wildlife law in Peru;
- a global mangrove database and information system;
- silviculture and economics of improved natural forest management in Ghana;
- balsa industry strengthening in Papua New Guinea;
- bi-national conservation and peace in the Ecuador-Peru Condor Range region by Peru;
- sustainable management and rehabilitation of mangrove forests by local communities on the Caribbean coast of Colombia; and
- dissemination of forest development and research results obtained during the implementation of the technical project for forest conservation in Panama.

Delegates also heard completed pre-project reports on:

- the rehabilitation of damaged areas of the 'Cerrado' in Brazil;
- a forestry inventory for the sustainable production of mahogany timber in Brazil;
- support for development of a project for participatory follow-up and evaluation of forestry, protected areas and wildlife policy in Honduras;
- an action plan on sustainable mangrove management at the global level;
- a firefighting initiative in Switzerland;

- development of a master plan for forest management in Congo; and
- development of national C&I for SFM in Congo based on the ITTO C&I.

On Tuesday, Ecuador presented its completed project on conservation and peace in the Condor Range region of Ecuador and Peru.

EX-POST EVALUATIONS: On Monday, delegates heard *ex-post* evaluations on:

- conservation and provenance plantings and integrated pest management to sustain *iroko* production in West Africa;
- *ex situ* conservation of *Shorea leprosula* and *Lophopetalum multinervium* and their use in future breeding and biotechnology in Indonesia;
- a project for a timber plantation in the reserved forest of Haho-Baloe in Togo;
- the development and promotion of afforestation activities in Egypt; and
- a pilot project for the reforestation and rehabilitation of degraded forest lands in Ecuador.

On Tuesday, CRF Chair A.S.K. Boachie-Dapaah convened a working group to select projects for *ex-post* evaluation.

On Wednesday, delegates selected projects for *ex-post* evaluation projects on:

- an integrated buffer zone development for sustainable management of tropical forest resources in Thailand;
- bi-national conservation and peace in the Condor Range region for 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 these evaluations should be conducted by project focal points instead.

REVIEW OF PROJECT AND PRE-PROJECT WORK IN PROGRESS: On Tuesday, delegates discussed the following projects under implementation, including:

- management of the Tapajós National Forest for sustainable production of timber in Brazil;
- landowner education and training for SFM in Fiji;
- regionalization of volume tables for natural forests and plantations in Côte d'Ivoire;
- forest fire management on an experimental basis in Côte d'Ivoire;
- sustainable use and reforestation of Amazon forests by indigenous communities in Peru;
- establishment and management of production-protection community forests in Colombia;
- a study on the behavior of native timber species of commercial value in tropical moist forests of Honduras;
- SFM for secondary forests in Esmeraldas, Ecuador;
- technology development and demonstration on reforestation using tropical hardwood species in China; and
- development of human resources in SFM and RIL in the Brazilian Amazon.



Cameroon provided an update on four of its projects under implementation.

On Friday, 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. The ITTO Secretariat agreed to the Republic of Congo's request. Colombia requested that the Council not suspend its projects in the Guaviare reserve and in Choco. The ITTO Secretariat agreed as long as the new executing agency provides all documentation to verify the status of the two Colombian projects.

CONSIDERATION OF PROJECTS AND PRE-PROJECTS: On Tuesday, delegates approved project proposals on:

- the establishment of seed orchards for indigenous tree species in Malaysia;
- SFM in the southern region of the Department of Bolivar, Colombia;
- bi-national conservation and peace in the Condor Range region, Peruvian component;
- development of national principles and C&I for the sustainable management of Congo's forest based on ITTO C&I for SFM;
- a new world atlas for conservation and restoration of mangrove ecosystems;
- fire management and post-fire restoration with local community collaboration in Ghana;
- management of the Emerald Triangle Protected Forests Complex to promote transboundary biodiversity conservation between Thailand, Cambodia and Laos;
- municipal decentralization of forest management in the Chaco and Yungas eco-regions of Bolivia;
- development of a project proposal to support implementation of a national forest strategy in Peru; and
- a feasibility study for development of a transboundary elephant conservation corridor between Côte d'Ivoire and Ghana.

Delegates also approved pre-projects on:

- integrated conservation and management of Malaysian mangrove forests;
- a tropical forest fire monitoring and management system based on satellite remote sensing data in China;
- bi-national conservation and peace in the Condor Range region, Ecuadorian component;
- *ex-situ* and *in-situ* conservation of teak to support SFM in Myanmar; and
- sustainable community management, utilization and conservation of mangrove ecosystems in Ghana.

On Wednesday, delegates approved a project on a forest management training center in Antimary, Brazil.

POLICY WORK: On Wednesday, delegates considered the review of the ITTO Guidelines for the Conservation of Biodiversity in Tropical Timber Producing Forests. IUCN, supported by Norway, recommended including the ecosystem approach. IUCN, supported by France, the Netherlands, Indonesia and Norway, also supported including plantations. Brazil opposed including plantations and, with the US, the ecosystem approach. Indonesia said the guidelines should focus on the sub-national scale.

On Friday, the US suggested formulating a draft set of guidelines, with 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. Delegates then agreed to the requests of the US and Brazil.

BIENNIAL WORK PROGRAMME: On Wednesday, the ITTO Secretariat provided an update on 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 Petropolis, Brazil.

ELECTION OF OFFICERS: On Friday, delegates elected Jennifer Conje (US) as Chair and Petrus Gunarso (Indonesia) as Vice-Chair of the CRF for 2005.

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

RECOMMENDATIONS TO ITTC-37: On Friday, the CRF agreed to recommend to the Council approval of 14 projects and five pre-projects. The CRF also took note that the project on the pilot plan for sustainable management of secondary forest in San Lorenzo, Ecuador, is still awaiting additional funding approval.

ADOPTION OF THE REPORT: On Friday, CRF Chair Boachie-Daapah presented to Council, and delegates approved, the CRF report (CRF(XXXV)/9).

COMMITTEE ON FINANCE AND ADMINISTRATION

Delegates met in the Committee on Finance and Administration (CFA) on Tuesday, Wednesday, Thursday and Friday to discuss, *inter alia*: the 2005 indicative Administrative Budget; the status of the Administrative Account; and the Special Account and Bali Partnership Fund.

ADMINISTRATIVE BUDGET FOR THE YEAR 2005: On Tuesday, the ITTO Secretariat presented the revised indicative Administrative Budget for the year 2005 (CFA(XVI)/2/Rev.1), noting the 8.2 percent increase against the approved 2004-05 Biennial Work Programme. Malaysia, on behalf of the Producer Group, questioned expenditures on new Secretariat staff given the insecure nature of the ITTO's finances.

On Wednesday, 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.

On Thursday, delegates approved the indicative Administrative Budget for the Year 2005 (CFA(XVI)/2 Rev.2). CFA Chair Ellis said that a proposed line item for statistical work would not be included in the current budget but should be considered for inclusion in the next biennial budget. Delegates also removed from the budget the position for an associate director for monitoring and evaluation. To maintain organizational efficiency, delegates recommended giving the Executive Director the flexibility to recruit or promote organization staff with existing



resources of the Administrative Budget. Malaysia, supported by the US, New Zealand and the Netherlands, expressed confidence in the Executive Director's ability to manage the operations of the organization, and Malaysia, on behalf of Producers, noted that the producers want to see increased, stable funding from an expanding donor base. The Committee agreed that the shortfall in the indicative Administrative Account would be funded through reallocating existing resources of the Administrative Account. While the Netherlands and Canada suggested that the Working Capital Account be used to cover the Administrative Budget shortfall, CFA Chair Ellis proposed that US\$500,000 from the Working Capital Account should instead be used to fund expenses associated with the ITTA, 1994 renegotiations in February. Delegates recommended that the Executive Director spend no more than US\$600,000 from the Working Capital Account for financing associated costs of the ITTA, 1994 renegotiation in 2005.

REVIEW OF THE ADMINISTRATIVE ACCOUNT: On Tuesday, the CFA reviewed contributions to the Administrative Account (CFA(XVI)/3). The ITTO Secretariat noted US\$1,196 in outstanding assessed contributions from consuming countries and US\$1.47 million from producing members before the recent payment by the Republic of Congo. Cambodia requested reduced assessed contributions due to financial hardship and its logging moratorium.

Delegates then discussed the status of the Administrative Account (CFA(XVI)/4). The ITTO Secretariat estimated a US\$290,000 deficit in the Administrative Budget for 2004, which he hoped would be funded by the Working Account. He also noted that total arrears and interest charges to the cumulative Administrative Budgets, before recent payments, amounted to US\$5.28 million. The Netherlands expressed concern that outstanding contributions to the Administrative Budget are larger than proposed 2005 Administrative Budget expenditures. Malaysia requested clarification on the relationship between the level of funding for voluntary contributions and assessed contributions.

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

FINANCIAL ACCOUNTS: On Wednesday, 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. ITTO Executive Director Sobral noted that overall arrears equal 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, BPF and Executing Agencies Account. 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 previous allocations have been spent. Sobral pointed out 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 the 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. He 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 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.

ELECTION OF OFFICERS: On Friday, delegates elected Shaharuddin Mohamad Ismail (Malaysia) as CFA Chair and Sai Guohua (China) as Vice-Chair for 2005.

DATES AND VENUES OF FUTURE MEETINGS: On Friday, delegates agreed that the seventeenth and eighteenth sessions of the CFA would run concurrently with ITTC-38 and ITTC-39, respectively.

ADOPTION OF THE REPORT: On Friday, CFA Chair Ellis presented the CFA report to Council (CFA(XVI)/6). He reported that delegates approved the indicative Administrative Budget for the year 2005, saying that the budget would be maintained at the level approved in the 2004-05 Biennial Administrative Budget. He also 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 stated that members' total arrearages amounted to over US\$4 million and acknowledged 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. The Council adopted the report without amendment.

CLOSING PLENARY

Chair McAlpine convened the closing Plenary session on Saturday morning.

REPORT OF THE CREDENTIALS COMMITTEE: Henri Felix Maître (France) read, and delegates adopted, the report of the credentials committee (ITTC(XXXVII)/3).

ELECTION OF OFFICERS FOR 2005: Delegates elected Alhassan Attah (Ghana) as Chair and Koichi Ito (Japan) as Vice-Chair for 2005.

DATES AND VENUES OF THE THIRTY-EIGHTH, THIRTY-NINTH AND FORTIETH SESSIONS OF THE COUNCIL AND THE ASSOCIATED SESSIONS OF THE COMMITTEES: Chair McAlpine said that the dates of Council and associated committee sessions for 2005 have been



set and that the selection of the dates and venues for 2006 will be deferred. After some debate, delegates then agreed to add a fourth day to ITTC-38 for the purpose of holding a side event on the Congo Basin Partnership. ITTC-38 and associated committee sessions will meet from 21-24 June 2005, in Brazzaville, the Republic of Congo. ITTC-39 and associated committee sessions will convene from 7-12 November 2005, in Yokohama, Japan.

DECISIONS AND REPORT OF THE SESSION: Delegates adopted decisions on: projects, pre-projects and activities (Decision 1(XXXVII)); enhanced cooperation between ITTO and CITES for Ramin and Mahogany (Decision 2(XXXVII)); and measures to improve and strengthen the ITTO project cycle (Decision 3(XXXVII)).

On Friday, delegates had heard and adopted the reports of the associated sessions of the CEM/CFI (CEM-CFI(XXXV)/8), CRF (CRF(XXXV)/9) and the CFA (CFA(XVI)/6).

OTHER BUSINESS: Delegates heard closing statements from PROTA and the CSAG. Joe Cobbinah, PROTA, said that his organization provides an important synthesis of knowledge on plant resources of Africa. He noted PROTA has published its first commodity overview on vegetables and provided copies to the ITTO Secretariat.

Cleto Ndikumagenge, on behalf of the CSAG, reported on a joint CSAG/TAG workshop on illegal logging and associated trade that produced a framework for action, expressing appreciation to Council for taking up CSAG/TAG's recommendations on holding a community forest management and enterprises and timber transport workshop. He expressed the hope that indigenous and other community organizations will have the opportunity to participate in the project cycle and that negotiators for the successor agreement negotiations would recall CSAG/TAG's recommendations for the new ITTA, particularly with regard to the achievement of the Millennium Development Goals.

CLOSING STATEMENTS: Ghana welcomed the election of the new ITTC Chair, Alhassan Attah.

Brazil said that the project cycle decision was a landmark for ITTO and emphasized the provisions on clearinghouses, qualitative criteria and a more rigorous review process.

The Republic of Congo welcomed the decision on having a Congo Basin Partnership side event at ITTC-38, and announced a meeting of African heads of state on SFM, to be held in February.

Malaysia, on behalf of the Producer Group, commented on the suggestion of the Minister of Gabon that the next Executive Director be from Africa. He said that SFM is costly and the consumers need to help defray these costs. He lamented the narrow funding base, which now depends too much on Japan, Switzerland and the US, and welcomed additional funding from Finland, Norway, the Republic of Korea and New Zealand. He praised the work on the decision to improve the project cycle. Finland, on behalf of the Consumer Group, expressed the view that the improvement of ITTO's project cycle will contribute to its good reputation and ability to attract more funds. She thanked the additional donors that made contributions for the first time at this session. She noted that the extension of ITTC-38 by one day remains within the framework of the Council's decisions.

ITTO Executive Director Sobral informed delegates that approximately US\$16 million, including donor pledges and unearmarked funds, had been allocated during 2004 for project financing, and expressed hope that this would catalyze further funding.

Noting that SFM continues to be among the top priorities of Japanese environmental international cooperation, Koichi Ito, ITTC Vice-Chair for 2005, asserted the importance of member states' joint wisdom in concluding the renegotiation of ITTA, 1994.

Alhassan Attah, ITTC Chair for 2005, said that all have a common cause to sustainably manage forests and the associated trade, to ensure the flow of benefits to all segments of society. He also noted that ITTO's financial arrangement must be revised at the renegotiation of the ITTA, 1994.

Jan McAlpine, outgoing ITTC Chair, presented some of ITTO's positive achievements over the years, namely its: increased visibility and recognition within the international community, leadership on trade issues within the Collaborative Partnership on Forests and improved relationship with CITES, FAO and civil society. She also expressed confidence that continued financial and human support to the organization in the future decision will empower the ITTO to achieve SFM. Chair McAlpine gavelled the meeting to a close at 2:08 pm.

A BRIEF ANALYSIS OF ITTC-37

In her opening address to ITTC-37, Chair McAlpine drew attention to positive trends in the workings of the ITTO in recent years, noting the growth of collegiality, trust, and mutual respect between the various groups represented here. Noteworthy, in this regard, was the joint Civil Society Group/Trade Advisory Group meeting on illegal logging and associated trade that coincided with ITTC-36, which exemplifies a growing convergence in the forest policy community on the need to address the problem of illegal logging. This session of the ITTC continued to show high levels of cooperation among its constituents, one of the features that makes this Organization not only unique but also well placed to carry out its multiple objectives. But at the same time, the ITTO faces a number of challenges as it heads into the next decade. This analysis will examine the challenges and achievements of this session and consider what the future may hold for the ITTC and its cooperative spirit.

COOPERATION DOES NOT MEAN HARMONY

As with any institution comprised of a diverse membership, the functioning of the ITTO, and particularly its decision-making Council, must rely not on complete harmony of interests but on the ability of its membership to overcome differences. As always, there was much potential for disagreement at ITTC-37. Differences of opinion were clearly evident not only on issues arising in the work of the ITTC itself but also on issues that pertain more directly to the ongoing renegotiations of the ITTA, 1994 – no surprise given the side discussions on those negotiations that were taking place throughout this Council session. Such differences included a dispute over the shortening and possible reduction in the number of Council sessions



held outside Yokohama – a dispute that necessitated a hurried compromise at the final plenary to add a fourth day to the next ITTC gathering in Brazzaville.

Longer debates took place on topics directly related to the ITTC itself, such as the Expert Panel's (EP) recommendations for improving the project cycle. In those discussions the EC's condition that ITTO proposal requirements fit closely with its own conditions for project funding, along with US concerns about the manageability of the EP's workload, conflicted with Malaysia's rejection of the idea that limits should be set on the number of proposals put forward by any one country. Some delegates drew links between the desire to limit proposals coming to the EP to the issue of declining voluntary contributions for project funding. Another point of friction was the juxtaposition of this trend with the concern expressed by some consumers over increasing arrearages in assessed contributions on the part of some producer countries.

Ironically, negative financial trends come at a time when the number of projects and pre-projects proposals has reached an all-time high and their quality has shown marked improvement. This is in addition to ever-growing interest in new areas of policy work. One of the results of this combination of trends is an ever-bigger question mark concerning the ITTO's ability to handle the increasing demands placed upon it. This is one of the catalysts for the decision on improving the project cycle and why ITTO Executive Director Sobral has characterized the ITTO a victim of its own success.

While increasing demand for the goods that the ITTO was established to provide are a good indicator that its various constituencies now see the Organization as serving their needs, it is difficult to call the ITTO's problem one of "too much success." On the one hand, the reality is a disjuncture between demand for the various outputs sought through the Organization, in terms of policy and project work, and the willingness or ability to pay for those outputs, which may ultimately carry implications for the continued collegiality and cooperation of members of the Organization. On the other hand, this Council session saw new funding from several donors who have not contributed recently, including Finland, the Netherlands, New Zealand, Norway, and the Republic of Korea. Nevertheless, when all is said and done, the voluntary contributions made at this session still put this year's total voluntary funding only slightly higher than the annual average of US\$15 million, which raises again the perennial question of whether the hoops that project proponents have to jump through for approval are worth the very small amount of funding available. This question is especially vexing given the number of projects that eventually achieve approval only to be left hanging for funding until sunset provisions remove the possibility of funding altogether.

A WORKING RELATIONSHIP

However, despite these points of friction, ITTC-37 successfully navigated a fairly large agenda. It adopted a modified set of criteria and indicators for sustainable forest management in tropical timber-producing forests and it successfully completed work on issues relating to formerly contentious topics such as CITES Appendix II listings of tree species, certification of tropical timber-producing forests,

and illegal logging and its associated trade and forest law enforcement. An even more significant attainment was the "landmark decision," as Brazil put it, on measures to improve and strengthen the ITTO project cycle. Working late into the evening over two nights, delegates from producer and consumer countries were eventually able to agree to language noting the desirability of limiting submission of new project proposals to no more than three per Expert Panel meeting, ranked in order of priority. A number of delegates hope this will mark a milestone for the Organization by attracting new project funding from prospective donors such the EC and its member States, given that it does address many of the EC's preconditions for project funding.

The ITTO has evolved into an organization where political differences seem to be overcome by a common interest in achieving the goals espoused in concrete ways. This can be interpreted as a manifestation of confidence among the membership of the organization regarding the utility of the ITTO and its role in the world. Or perhaps it is due to the continuing evolution in members' understandings of each others' interests as well as their own regarding the world's forest resources. Whatever the case, the ITTO has moved from the bitter acrimony of politicized debates over the scope of the Agreement during the renegotiations of 1993 and 1994 to today's recognition that it is in all countries' interest to foster technical cooperation in pursuit of ITTO's stated objectives. In any case, furthering the technical aims of the Organization appears to have trumped the pursuit of political points against perceived adversaries.

LOOKING INTO THE FUTURE

As Dr. Freezailah, Vice-Spokesperson for the Producer group, reminded the group, this session took place against the background of UNCTAD's renegotiation of the ITTA, 1994, as well as during a period of review of the international arrangement on forests within the UN Forum on Forests. It would be futile to try to predict the future of the ITTO without recognizing the potential implications of these ongoing negotiations. Ten years ago the ITTO was bruised by the rancor of the negotiation of the ITTA, 1994, a highly contentious process which itself had been affected by the adversarial nature of the UN Conference on Environment and Development's negotiations on forests two years earlier. Chair McAlpine's comparison of today's collegiality with the ITTO's situation a decade ago did not raise the question of how the two current forest policy-making processes might impinge on its effectiveness. It goes without saying that conflicts exist within those negotiation processes. Those conflicts could of course spill over into the work of the ITTC, depending on how they are handled within those other processes. It remains to be seen what impact those processes will have on the cooperative spirit that now characterizes the ITTO. For now, however, it can be said that the kudos Chair McAlpine gave to the Organization and ITTC delegates were well deserved.



UPCOMING MEETINGS

THIRD FAO EXPERT MEETING ON HARMONIZING FOREST-RELATED DEFINITIONS:

This meeting, which is scheduled to take place from 17-19 January 2005, at FAO headquarters in Rome, Italy, will take stock of developments in forest-related reporting processes. For more information, contact: Douglas Kneeland, Chief FAO Forestry Liaison and Information Service; tel: +39-06-5705-3925; fax: +39-06-5705-5137; e-mail: douglas.kneeland@fao.org; internet: <http://www.fao.org/forestry/site/25899/en>

UNFF COUNTRY-LED INITIATIVE ON INTERNATIONAL ARRANGEMENTS ON FORESTS:

This meeting will take place from 25-28 January 2005, in Guadalajara, Mexico. The meeting provides an opportunity to advance discussions on the future of the international arrangement on forests in preparation for the fifth session of the UNFF. For more information, contact: Jorge Illueca, UNFF Secretariat; tel: +1-212-963-3160; fax: +1-917-367-3186; e-mail: Illueca@un.org; internet: <http://www.un.org/esa/forests/gov-cli-mexico05.html>

SECOND SUMMIT OF CENTRAL AFRICAN HEADS OF STATE AND GOVERNMENTS ON SUSTAINABLE FOREST MANAGEMENT:

The second summit of the Central African Heads of State and Government on SFM is scheduled to be held from 4-5 February 2005, in Brazzaville, Congo. The objective of the meeting is to evaluate actions taken since the last summit held in Yaounde in March 1999 and to adopt long-term plans for the management of forestry resources in Central Africa. For more information, contact: Secrétariat Particulier, Ministry of Forest Economy and Environment of the Republic of Congo; tel: +242-81-41-37; fax: +242-81-41-34; e-mail: secretariat@minifor.com; internet: <http://www.minifor.com>

SECOND SESSION OF THE UN CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO ITTA, 1994:

The second session of the UN Conference for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994 will be held from 14-18 February 2005, in Geneva, Switzerland. For more information, contact: UNCTAD Secretariat; tel: +41-22-917-5809; fax: +41-22-917-0056; e-mail: correspondence@unctad.org; internet: <http://www.unctad.org/Templates/Meeting.asp?intItemID=3322&lang=1>

GLOBAL FORUM ON THE REVIEW OF WOMEN'S PROGRESS ON FORESTRY MANAGEMENT:

This country-led initiative in support of the UNFF will convene from 28 February - 4 March 2005, in Kampala, Uganda. The purpose of the forum is to examine advances made by women in implementing sustainable forest management. For more information, contact: Ruth Mubiru, Uganda Women's Tree Planting Movement; tel: +256-41-235-602; fax: +256-41-345-597; e-mail: ruthmubiru@yahoo.com; internet: <http://www.un.org/esa/forests/gov-unff.html>

17TH COMMONWEALTH FORESTRY CONFERENCE:

This meeting will convene from 28 February - 5 March 2005, in Colombo, Sri Lanka, under the theme of "Forestry's Contribution to Poverty Reduction." For more information,

contact: Commonwealth Forestry Association; tel: +44-18-6582-0935; fax: +44-87-0011-6645; e-mail: cfa@cfa-international.org; internet: <http://www.cfa-international.org/CFC%202005.html>

FOREST LEADERSHIP CONFERENCE: This conference will be held from 1-4 March 2005, Toronto, Canada. The meeting will address the theme "Partnerships towards Sustainability," focusing on the development of multistakeholder partnerships in the area of forest sustainability. For more information, contact: Carole Zabbal; tel: +1-514-274-4344; fax: +1-514-277-6663; e-mail: info@ForestLeadership.com; internet: http://www.forestleadership.com/article.php3?id_article=39

17TH SESSION OF THE FAO COMMITTEE ON FORESTRY (COFO): This session of COFO will convene from 15-19 March 2005, at FAO headquarters in Rome, Italy. For more information, contact: Douglas Kneeland, FAO; tel: +39-06-5705-3925; fax: +39-06-5705-5137; e-mail: douglas.kneeland@fao.org; internet: <http://www.fao.org/forestry/site/cofo/en>

ITTO WORKSHOP ON PHASED APPROACHES TO CERTIFICATION: This workshop is scheduled to be held in April 2005 in Bern, Switzerland, and aims to promote the use of phased approaches to certification in tropical timber exporting countries. For more information contact: Manoel Sobral Filho, ITTO Executive Director; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; internet: <http://www.itto.or.jp>

FOREST LANDSCAPE RESTORATION IMPLEMENTATION WORKSHOP: This country- and organization-led initiative in support of the UNFF is expected to meet in Petropolis, Brazil in April 2005. For more information, contact: Carole Saint-Laurent, Coordinator, Global Partnership on Forest Landscape Restoration; tel: +1-416-763-3437; e-mail: CarSaintL@bellnet.ca; internet: <http://www.unep-wcmc.org/forest/restoration/globalpartnership>

CRIC-3: The third session of the UN Convention to Combat Desertification's Committee for the Review of the Implementation of the Convention (CRIC-3) is scheduled to convene from 2-11 May 2005, in Bonn, Germany. For more information, contact: UNCCD Secretariat; tel: +49-228-815-2802; fax: +49-228-815-2898; e-mail: secretariat@unccd.int; internet: <http://www.unccd.int/cop/cric3/menu.php>

UNFF-5: The fifth session of UNFF is scheduled to be held from 16-27 May 2005, at UN headquarters in New York. This meeting will represent the conclusion of UNFF's five-year mandate and is the final opportunity for delegates to discuss the future of the international arrangement on forests. For more information, contact: Elisabeth Barsk-Rundquist, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-917-367-3186; e-mail: barsk-rundquist@un.org; internet: <http://www.un.org/esa/forests>

ITTC-38: The 38th session of the ITTC and Associated sessions of the Committees will convene from 21-24 June 2005, in Brazzaville, Republic of Congo. For more information, contact: Manoel Sobral Filho, ITTO Executive Director; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; internet: <http://www.itto.or.jp>