

SUMMARY OF THE FORTY-FIRST SESSION OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL: 6-11 NOVEMBER 2006

The forty-first session of the International Tropical Timber Council (ITTC-41) took place from 6-11 November 2006, in Yokohama, Japan. Delegates discussed issues concerning operational, project and policy work for 2006-2007, including, *inter alia*: the International Tropical Timber Organization (ITTO) Biennial Work Programme for 2006-2007; measures to improve and strengthen the ITTO project cycle; and ITTO Objective 2000. Delegates to ITTC-41 approved 11 projects and seven pre-projects, and pledged US\$5.4 million in project financing. Additional funding from the European Commission was allocated to support capacity building in ITTO member states for the implementation of CITES listings of timber species.

Delegates also convened in the thirty-ninth sessions of the Committees on Economic Information and Market Intelligence, Forest Industry, and Reforestation and Forest Management to approve projects and pre-projects, review projects and pre-projects under implementation and *ex-post* evaluations, and conduct policy work. The twentieth session of the Committee on Finance and Administration also met to discuss the administrative budget for 2007, the current status of the Administrative Account, and considered a request by the government of Liberia for the complete waiver of all arrears to the ITTO.

Many delegates regarded the thematic programmes initiative as very promising, and there was a general consensus that the quality of projects being proposed appears to be improving. However, underlying ITTC-41 discussions was implicit recognition of the need to address the ITTO's financial situation, and reverse the decline in funding as the organization prepares for entry into force of the ITTA, 2006. This pervaded many aspects of the Council and Committee sessions, including discussions around criteria for the selection of the new Executive Director. While Japan may have brought immediate reprieve to ITTO's funding woes with an announcement that it would foot much of the bill for the external costs of the next Council session, to be held in Papua New Guinea in May 2007, the long-term financial viability of the organization remains in question.

A BRIEF HISTORY OF THE ITTC

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 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 during 1993-1994. The successor agreement, the ITTA, 1994, was adopted on 26 January 1994, and entered into force on 1 January 1997. It contains broader provisions for information sharing, including non-tropical timber trade data, allows for consideration of

IN THIS ISSUE

A Brief History of the ITTC	1
ITTC-41 Report	2
Council Sessions	3
Joint Committee Session	6
Committee on Economic Information and Market Intelligence and Committee on Forest Industry	6
Committee on Restoration and Forest Management	8
Committee on Finance and Administration	10
Informal Joint Producer-Consumer Session on Thematic Programmes	11
Closing Plenary	11
A Brief Analysis of ITTC-41	12
Upcoming Meetings	14
Glossary	14

non-tropical timber issues as they relate to tropical timber; and includes the ITTO 2000 Objective for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000. The ITTA, 1994 also established the Bali Partnership Fund to assist producing members in achieving the Year 2000 Objective. Initially concluded for three years, the ITTA, 1994 was extended twice for three-year periods and is now scheduled to expire upon entry into force of the ITTA, 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 and develop policies on issues relating to international trade in, and utilization of, tropical timber and the sustainable management of its resource base. The ITTO also administers assistance for related projects. The ITTO has 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 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. The ITTC performs, or arranges for the performance of, all functions necessary to carry out the provisions of the ITTA, 1994.

ITTC-37: The 37th session of the ITTC met from 13-18 December 2004, in Yokohama, Japan. During the session, delegates examined a range of issues, including: measures to improve the effectiveness and efficiency of ITTO's project cycle; 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 in project funding.

ITTC-38: The 38th session of the ITTC convened in Brazzaville, Congo, from 19-21 June 2005. Participants deliberated on, *inter alia*: ITTO missions to Liberia and Gabon; *ex-post* evaluations of project work, including on transboundary protected areas; phased approaches to certification; and the State of Tropical Forest Management report. Participants also discussed ITTO's support to the Conference of Ministers in Charge of Forests in Central Africa, and approved US\$7.6 million in project funding.

ITTC-39: The 39th session of the ITTC met from 7-12 November 2005, in Yokohama, Japan. During the session, delegates discussed a range of issues, including: the ITTO Objective 2000; negotiating a successor agreement to the ITTA, 1994; and phased approaches to certification. Delegates approved 11 projects and one pre-project and pledged US\$5.2 million in project financing, and adopted a decision requesting the ITTO Executive Director to implement a list of thirty Biennial Work Programme activities and to seek voluntary contributions to finance these.

UN CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO ITTA, 1994, FOURTH PART:

The fourth and final part of the United Nations Conference for the Negotiation of a Successor Agreement to ITTA, 1994 convened at the Palais des Nations in Geneva, Switzerland, from 16 to 27 January 2006. The Conference, held under the auspices of UNCTAD, focused on elements of the agreement which had eluded consensus during the previous three meetings, including scope and finance, operational activities, statistics and information, and entry into force of the new Agreement. The Agreement was adopted, and the ITTA, 2006 was opened for ratification. The ITTA, 2006 builds on the foundations of the previous agreements, focusing on the world tropical timber economy and the sustainable management of the resource base, simultaneously encouraging the timber trade and the improved management of the forests. In addition, it contains provisions for information sharing, including non-tropical timber trade data, and allows for the consideration of non-tropical timber issues as they relate to tropical timber.

ITTC-40: The 40th session of the ITTC met from 29 May to 2 June 2006, in Mérida, Mexico. Delegates proposed the formation of a committee on wildlife trafficking, and received a report on the status of tropical forest management. The Council approved 18 projects, three pre-projects and allocated US\$3.9 million in project funding. The Council also decided to allocate US\$200,000 to help fund the First Parliamentarians Meeting on the Management of Central African Forests.

ITTC-41 REPORT

ITTC-41 Chair Koichi Ito (Japan) opened the Council session on Monday, 6 November 2006. He noted that sustainable forest management is still a major challenge, quoting the UN Food and Agriculture Organization (FAO) findings that global deforestation is continuing at a rate of 13 million hectares per year. He highlighted ITTO's work to date, including the approval and funding of over 800 projects and pre-projects, emphasizing that the forthcoming entry into force of ITTA, 2006 will permit this work to continue.

Hiroshi Nakada, Mayor of Yokohama, reiterated the support of the citizens of Yokohama for the ITTO and its work, stating that tropical forests are important for maintaining biodiversity, water resources, climate, and local communities.

ITTO Executive Director Manoel Sobral Filho reported on the major tasks facing ITTC-41, including consideration of: strengthening the ITTO project selection process; matters relating to the selection of the next Executive Director; actions needed for ITTA, 2006 to enter into force; and issues including wildlife trade, forest degradation and deforestation. He lamented the trend of decreasing voluntary contributions by donor countries for ITTO project work since ITTA, 1994 entered into force, from US\$18.14 million in 1997 to US\$2.3 million in 2006. Describing this decline in funding as the single biggest obstacle to achieving ITTO's objectives, he appealed to donors to seek ways to reverse this trend.

Elvis Ngolle Ngolle, Minister of Forestry and Wildlife, Cameroon, expressed appreciation for the ITTO's support for the First International Conference of Parliamentarians on the Sustainable Management of Central African Forest Ecosystems, held in October 2006 in Yaoundé, Cameroon. He noted the adherence to commitments on illegal logging in the 2001

Libreville Declaration and Cameroon's imminent agreement with the EU on a project addressing this topic. He called on ITTO members to implement commitments outlined in the ITTA, 2006, particularly those related to funding.

Ambassador Jörg Al. Reding, Economic Development Cooperation, Switzerland, agreed that ITTO merits a higher status in the global context as it succeeds in bringing the trade and economic aspects of tropical forests into the global agenda, highlighting a proposal by Switzerland and Ghana for a decision to be made at this session on developing forests as carbon sinks as a way for ITTO members to capture additional value from tropical forests. He also noted Switzerland's new contribution to the ITTO trust fund and called on other donors to contribute regularly. He noted that Switzerland is considering putting forward a candidate for the position of ITTO Executive Director.

On the proposal on forests as carbon sinks, Switzerland stated that the project is the direct outcome of ITTO work and can feed into the international debate on avoiding deforestation in the context of climate change. The European Community (EC) noted that the likely outcomes of this proposal would be peripheral to ITTO's focus.

Kenji Tsuji, Ministry of Agriculture, Forestry and Fisheries, Japan, said that members of the ITTO should continue to pursue the goals of the ITTO Objective 2000. He highlighted Japan's commitment to combat illegal logging and related trade. He urged all members to support the ITTO through donations and to support the ITTA, 2006.

Ambassador Michael Maue, Papua New Guinea, said that preparations to hold ITTC-42 in his country in May 2007 were on schedule and that adequate funding had been secured. He assured delegates that Papua New Guinea will provide a secure and comfortable venue, and invited delegates to attend the session.

ORGANIZATIONAL MATTERS: Sobral noted that quorum had been attained. Delegates then adopted the agenda and organization of work (ITTC(XLI)/1) without amendment. Sobral reported that there had been no change in ITTO membership since 2005 and that the total membership remains at 59, with 26 consuming and 33 producing members. Chair Ito introduced the proposed distribution of votes for 2007, as outlined in the agenda, and noted that votes determine members' assessed contributions. Delegates adopted the document without amendment. Chair Ito updated participants on applications for observer status, and the relevant document (ITTC(XLI)/Info.3) was adopted without amendment.

The Officers presiding at ITTC-41 were Chair Koichi Ito (Japan) and Vice-Chairperson Luis Macchiavelo (Peru). The committee officers were: Committee on Economic Information and Market Intelligence (CEM) Chair James Gasana (Switzerland) and Vice-Chair Chantel Adingra (Côte d'Ivoire); Committee on Reforestation and Forest Management (CRF) Chair Petrus Gunarso (Indonesia) and Vice-Chair Flip van Helden (the Netherlands); Committee on Forest Industry (CFI) Chair Jung-Hwan Park (Republic of Korea) and Vice-Chair Dani Pitoyo (Indonesia); and Committee on Finance and Administration (CFA) Acting Chair James Singh (Guyana). The Producer Caucus Spokesperson was Luiz César Gasser (Brazil), the Consumer Caucus Spokesperson was Aulikki Kauppila (Finland).

COUNCIL SESSIONS

The Council met throughout the week to discuss, *inter alia*: the annual review and assessment of the international tropical timber situation; preparations for entry into force of ITTA, 2006; ITTO Objective 2000; and measures to improve and strengthen the ITTO project cycle.

REPORT OF THE INFORMAL ADVISORY GROUP:

On Monday, Chair Ito presented the Report of the Informal Advisory Group (IAG) (ITTC(XLI)/2), and said that the IAG met on Sunday, 5 November 2006, and highlighted that producer and consumer members need to further discuss matters of the frequency, duration and financing of Council sessions, and noted that funding for ITTC-42 was still pending.

ANNUAL REVIEW AND ASSESSMENT OF THE INTERNATIONAL TIMBER SITUATION: On Tuesday, the ITTO Secretariat reported on the Annual Review and Assessment of the World Timber Situation 2006 (ITTC(XLI)/4). He noted that data was incomplete due to: the failure of many countries to supply data to the ITTO; problems in using other sources of information; and incomplete or erroneous responses to the ITTO Joint Questionnaire. He reported on trends in the tropical timber trade, including China's rise as the largest importer, due to Japan's declining population and associated decrease in timber consumption; the regularization of data on exports and imports in the tropical roundwood trade between Indonesia and China; the continuing recovery of timber prices since the Asian financial crisis of 1997; the decreasing proportion of tropical timber imports relative to all timber imports in developed countries; the increasing demand for wood imports in tropical countries; and the eclipsing of primary product imports by secondary product imports in consumer countries.

PREPARATIONS FOR ENTRY INTO FORCE OF ITTA, 2006: On Monday, the Secretariat introduced document ITTC(XLI)/5 on preparations for entry into force of the ITTA, 2006, that identifies actions required of members, the Council, and the Secretariat, including further extension of the ITTA, 1994, to ensure a successful transition to the entry into force of the successor agreement. This includes consideration of the scope of the new "Committee on Economics, Markets, and Statistics" and procedures relating to the new sub-accounts of the Thematic Programmes and the Administrative Budget.

Delegates discussed the relative merits of discussing thematic programmes in a small intersessional working group or more informally.

ITTO OBJECTIVE 2000: On Tuesday, delegates heard presentations on diagnostic missions made to India and Thailand in support of achieving the ITTO Objective 2000 and sustainable forest management (SFM). Markku Simula, ITTO Consultant, presented a report on the current state of SFM in Thailand (ITTC(XLI)/6), and recommended, *inter alia*: improving the management of protected forest areas and forest reserves; addressing conflicting policy objectives regarding forestry expansion and agricultural expansion; approving the Community Forestry Bill; and training producers in quality management. Maharaj Muthoo and Jürgen Blaser, ITTO Consultants, reported on work completed on SFM in India, identifying the importance of joint forest management and the dependence of communities on forest resources.

Reporting on Implementation of National Training

Workshops on ITTO Reporting Formats: On Tuesday, Blaser reported on the progress of national training workshops on the use of criteria and indicators (C&I) for SFM and C&I-based ITTO reporting formats. He reported that 21 workshops have been held to date, and over 900 forest managers, concessionaires, government officials, and other forest stakeholders have been trained. He noted that the national workshops provide practical input to the process of harmonizing C&I internationally. Sobral added that the ITTO has already worked on C&I harmonization with the African Timber Organization and is involved in dialogue with the Tarapoto and Montreal Processes and the Ministerial Conference on the Protection of Forests in Europe.

PROGRESS REPORT ON THE ITTO BIENNIAL WORK PROGRAMME FOR 2006-2007: On Tuesday, Executive Director Sobral presented the progress report on implementation of the ITTO Biennial Work Programme (BWP) (ITTC(XLI)/8). He summarized administrative, strategic policy and project activities including studies and fieldwork, workshops and conferences, revision of manuals and guidelines, project evaluations, and communication and outreach. Sobral highlighted completed activities, including: a training programme for forestry management and concessions; case studies in forest law enforcement and timber tracking systems; and studies in tropical plantation timber and community forest-based industries. Activities ongoing or planned for 2007 include: studies of forest certification schemes and subsidies affecting tropical timber products; case studies on prevention and management of forest fires; and workshops on law enforcement best practices, economic valuation of the forest sector, wood-based bio-energy, and non-timber forest products and services. Many delegates praised the work of the ITTO in carrying out the BWP.

ITTO GUIDELINES FOR THE RESTORATION, MANAGEMENT AND REHABILITATION OF DEGRADED AND SECONDARY TROPICAL FORESTS:

On Monday, Executive Director Sobral presented the Council with a report on the implementation of national training workshops to promote the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests (ITTC(XLI)/9).

MEASURES TO IMPROVE AND STRENGTHEN THE ITTO PROJECT CYCLE: On Wednesday, Chair Ito introduced the item, recalling that the Council had agreed to review the ITTO Project Formulation Manual and related materials in ITTO Decision 3(XXXVII).

Erik Lammerts van Bueren and Ricardo Umali (ITTO Consultants) presented a paper detailing the new and revised manuals and guidelines pertaining to the ITTO Project Cycle (ITTC(XLI)/10), explaining that the revised system aims to improve the consistency, impact, sustainability, monitoring and review of projects. They described newly-developed items, including a manual of project standard operating procedures, and software to facilitate project proposal and budget preparation, and items that have been updated, including: the manual for project formulation; the manual for project monitoring, review and evaluation; the guidelines for the selection and employment of consultants; and the guidelines for the procurement and payment of goods and services financed from the special account. The consultants also outlined the process undertaken in developing the new system, including consultation and a

validation workshop involving the ITTO Secretariat and experts from producer and consumer countries.

Discussion on the review of measures to improve and strengthen the project cycle resumed on Thursday morning. The Secretariat recalled that Decision 2(XXVII) had, *inter alia*, encouraged members to limit the number of proposals submitted to no more than three per country per Expert Panel meeting, ranked in order of priority, and had called for Council review of this recommendation after two years. He reported that the number of proposals submitted had decreased since ITTC-38, after having increased prior to that time, and the proportion needing no or few revisions had increased.

In the ensuing discussion, Japan and the Philippines supported continuing the limit on proposal submissions. The US stated that the demands of members and the ability of the organization to fulfill them must both be considered. Brazil said that any improvement in project proposals must be judged in light of all 56 recommendations for improvement that had been made, not just the limit on submissions, and requested that the number of project proposals should be made more flexible to take into account the size of projects.

On the new and revised project manuals and guidelines, numerous members praised the Secretariat and consultants for their work, and suggested improvements. Switzerland, Ecuador and India recommended a simpler and more user-friendly manual. India proposed including aspects of economic sustainability and feasibility in the evaluation process. Switzerland suggested testing the process with a limited number of projects, seeking feedback and developing a revised draft for review at a future meeting. Indonesia noted the difficulty of ensuring comprehensiveness while maintaining a streamlined and user-friendly process. The Philippines, the US and Indonesia requested more time to examine and comment on the new manual.

The Executive Director proposed that members review the new project cycle guidelines following the Council session and submit comments for consideration, and said several member countries could volunteer to pilot the new guidelines. The Council accepted this proposal, and a deadline for comments will be set.

MATTERS RELATED TO ARTICLE 16 OF ITTA, 1994: On matters relating to Article 16 of ITTA, 1994 concerning procedures for selecting an Executive Director, the US proposed that candidate qualifications include a demonstrated ability to raise funds. Brazil opposed the proposal, calling this prerequisite unnecessary. The EC and China cautioned against substantial changes to the selection procedures, with the EC stressing that the procedure should not present biases against the selection of any individuals. China added that the job description of the Executive Director should be in strict agreement with the requirements outlined in the ITTA, 2006. The matter was referred to the drafting group.

ENHANCED COOPERATION BETWEEN ITTO AND CITES FOR RAMIN AND MAHOGANY: On Wednesday, the Secretariat reported that there were no new CITES listings proposals for tropical timber species and highlighted new CITES decisions to, *inter alia*, not subject mahogany to a Review of Significant Trade nor an import ban. He noted planned ITTO work to enhance cooperation among governments on CITES

matters related to tropical timber and improve the capacity of members to implement CITES listings of timber species.

Malaysia reported on outcomes of the ITTO expert meeting on the effective implementation of the inclusion of ramin in Appendix II of CITES. The Netherlands confirmed that CITES 14th Conference of the Parties (COP-14) will take place from 2-15 June 2007, in The Hague, and highlighted a planned ministerial segment on the enforcement of CITES regulations, with a special focus on timber and marine species.

The US underscored the importance of beginning work under this thematic element, noting that at a recent CITES Standing Committee meeting, proposals that would have affected the trade of tropical timber species were discussed without consulting ITTO. The EC underlined the importance of ongoing work to combat illegal logging in South East Asia. Indonesia highlighted her country's development of new ramin silviculture techniques.

PROMOTION OF SUSTAINABLE FOREST

MANAGEMENT IN THE CONGO BASIN: On Thursday, Markku Simula (ITTO Consultant) presented a report (ITTC(XLI)/12) on activities for promoting SFM in the Congo Basin, including a feasibility study on implementing revised training programmes in SFM and a project proposal for building the human resource capacity of forestry training institutions in the region. He outlined the main proposal project outputs, including revising and implementing a training programme for trainers and personnel.

Jean Gerard (ITTO Consultant) presented a project proposal (ITTC(XLI)/11) for developing further processing of timber in Central Africa. The proposal focuses on enhancing the involvement of small- and medium-sized enterprises in further timber processing. He emphasized the importance of achieving results that would continue beyond the life of the project, and said the project would benefit artisans, wood industry contractors, and consumers. Gabon thanked ITTO for supporting this work and called for implementation of the projects. Chair Ito requested that interested members contact the consultants directly.

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

On Friday, Alfredo Carrasco (Ecuador), reported on the National Decentralized Forest Control System (SNDCF ITTC(XLI)/14). Highlighting the shortcomings in forestry monitoring and the severity of illegal logging that created the urgent need for enhanced forest law enforcement, he said the SNDCF has taken a different approach to monitoring than its predecessor. He described the more proactive role his ministry was playing in delegating monitoring responsibilities to provincial, local and community governments, and said Ecuador was striving towards the harmonization of its policies on afforestation and reforestation and decentralized forest monitoring and that this would lead to reduced forest depletion.

Commending the plan, the US noted that implementation can be challenging, and suggested ensuring that provincial authorities have the same priorities as national authorities.

ITTO FELLOWSHIP PROGRAMME: On Friday, the Secretariat presented a progress report on the ITTO Fellowship Programme (ITTC(XLI)/16), noting that 342 fellowships and over US\$1 million has been awarded to date. He said that the Fellowship Selection Panel had met twice during this session to consider fellowship applications, recommending 21 of 77

applications for approval by the Council. He said of the 21 selected, 43% were female, 86% of the projects concerned reforestation and forest management, 5% were on the forest industry, and 9% on economics and market intelligence.

SPECIAL ACCOUNT AND BALI PARTNERSHIP FUND:

On Friday, the Netherlands noted that his government is engaged in discussions with the Secretariat on the establishment of a thematic programme on forest law enforcement and governance and related trade and is considering making a substantial contribution to this. The US pledged US\$100,000 to the Bali Partnership Fund, and Switzerland pledged €150,000.

Report of the Panel on Sub-Account B of the Bali

Partnership Fund: On Saturday, CFA Chair James Singh presented the report of the 11th Panel on Sub-Account B of the Partnership Fund (ITTC(XLI)/17). He noted that the Panel recommended the partial financing of two items from the resources of this account and/or from Unearmarked Funds: improving the capacity of members to implement CITES listing of timber species, and, if necessary, the intersessional working group on the thematic programme. The EC said that funds for the thematic programme intersessional working group should come from the Working Capital Account. The Council approved the report, with the EC-proposed amendment.

EXPERT PANEL FOR TECHNICAL APPRAISAL OF PROJECT PROPOSALS: Peter Schröder (Germany) presented the Report of the 32nd Expert Panel for Technical Appraisal of Project Proposals (CEM, CRF, CFI, CFA (XXXIX)/1).

He described the work of the expert panel, consisting of six members from producer countries and six from consumer countries, which assessed 41 projects and 10 pre-projects. He outlined a new system for project analysis that was used for project and pre-project appraisal, and which uses qualitative award criteria and weighted scores to assess project proposals.

STATEMENTS OF OBSERVERS: On Wednesday, Wulf Killmann, FAO, said FAO was committed to strengthening collaboration with the ITTO. He outlined the work of the Collaborative Partnership on Forests (CPF), noting that CPF members have an expressed commitment to supporting a strong international arrangement on forests.

The Civil Society Advisory Group (CSAG) reported on a side-event held during ITTC-41 that examined the role of tropical forests in alleviating poverty, reducing violent social conflicts, and mitigating climate change, and highlighted the need for significant progress on forest governance in order to achieve SFM. The CSAG recommended, *inter alia*: a global review of forest tenure transitions; new guidelines and evaluation criteria to ensure that ITTO projects respect local rights and contribute to poverty alleviation; and the replenishment of the private and civil society partnership fund.

The Trade Advisory Group (TAG) delivered a statement calling for, *inter alia*: better harmonization standards to facilitate the tropical timber trade; an ITTO study of ways to reduce tropical timber trade distortions and barriers; and further work to promote investments to contribute to improving product quality and human resources in tropical timber plantations.

OTHER BUSINESS: REDD Proposal: On Friday, Jürgen Blaser (Switzerland) presented on "Reduction of Greenhouse Gas Emissions through Avoiding Deforestation and Forest Degradation (REDD) – the UN Framework Convention on Climate Change (UNFCCC) process and its implications for

ITTO,” as background for a Swiss/Ghanaian proposed decision on this topic. He explained that the proposed decision calls for: participating in the proposed REDD process; gathering knowledge on approaches to conserving carbon reservoirs within the tropical timber resource base; building capacity through national workshops and pilot projects; and informing the UNFCCC process on concepts used in ITTO, such as “SFM” and “permanent forest estate.” Blaser noted the need to keep up with the fast pace of UNFCCC developments.

Supporting the proposal, Ghana added that ITTO must stay relevant by examining opportunities to engage on climate issues. The UK highlighted the ITTO’s successes on forest restoration and the relevance of climate change issues, urging delegates to focus on outcomes and not become unduly embroiled in the process. Papua New Guinea highlighted the work of the Coalition for Rainforest Nations in raising this matter at UNFCCC. The Philippines supported the proposed decision in principle, but noted the need to start with study and evaluation. Canada suggested that the UNFCCC might appreciate assistance with technical work on carbon sinks, stated that maintaining carbon reservoirs does not always mean preserving forests, and warned against measures that might restrict land use.

Brazil called for further discussion and analysis before any decisions are made, suggested that ITTO had a mandate only to monitor developments and exchange information with UNFCCC, and cautioned against taking any further immediate steps. He proposed that the Executive Director monitor UNFCCC developments and report back to ITTC-42.

Cameroon, Togo, Ecuador and Côte d’Ivoire expressed support for the Swiss/Ghanaian proposal. Japan backed the proposal, and recalled that the Yokohama Action Plan calls for cooperation with the UNFCCC. Indonesia, Brazil, Malaysia, India, Republic of the Congo and China requested further information and preferred suspending the matter until ITTC-42, when the outcome of UNFCCC COP 12 would be known. Switzerland acknowledged the relevance of UNFCCC COP 12 and COP/MOP 2, but stressed the need for the ITTC to act at this session and recalled that a decision had already been made to draft a decision on this issue.

Proposed draft decision on wildlife trafficking: On Monday, the Secretariat presented a paper (ITTC(XLI)/18), which responds to the Council’s request for further background information on the issue of wildlife trafficking, including from areas of tropical timber production. Brazil, China and Malaysia called for discussions within the caucuses on whether the issue falls within ITTO’s mandate. The US suggested drawing upon the paper, hearing reactions, and preparing a revised draft decision through the Caucuses. The EC, supported by Malaysia, noted the need to debate the matter within the legal context of ITTA, 1994, especially Article 14(2) (Cooperation and coordination with other organizations).

The EC, Brazil, Malaysia and Indonesia said that although they recognized the severity of the impacts of wildlife trafficking, this proposal conflicted or did not coincide with ITTO’s main objectives. The US acknowledged that the details of their proposal limited its acceptability, but stressed that other members shared their view regarding the importance of the fight against wildlife trafficking. Following informal discussions, delegates agreed to defer this item to ITTC-42.

JOINT COMMITTEE SESSION

On Monday, Joint Committee Chair James Gasana (Switzerland) introduced the provisional agendas of the Committees on Economic Information and Market Intelligence, Forest Industry and Reforestation and Forest Management (CEM-CFI(XXXIX)/1 and CRF(XXXIX)/1). The agendas were adopted without amendment. Delegates decided to begin, at ITTC-42, to examine *ex-post* evaluations in joint committee sessions.

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

The Committee on Economic Information and Market Intelligence (CEM), chaired by James Gasana (Switzerland), and the Committee on Forest Industry (CFI), chaired by Jung-Hwan Park (Republic of Korea), met from Monday to Friday to consider, *inter alia*: completed projects and pre-projects; *ex-post* evaluation; projects, pre-projects and activities in progress; project and pre-project proposals; policy work; election of officers; and other business.

COMPLETED PROJECTS AND PRE-PROJECTS: On Monday, the CEM/CFI considered completed projects and pre-projects (CEM-CFI(XXXIX)/2). Delegates heard reports of completed projects and pre-projects; including on:

- economic and technical information to train professionals in the production, processing and marketing of timber products in Colombia;
- data collection and dissemination for timber marketing statistics in Cameroon;
- technology for sustainable utilization of raw forest materials in Brazil;
- technical manpower development for the Ghana Wood Industry Training Center;
- improved and diversified use of tropical plantation timbers in China;
- facilitation and adoption of reduced impact logging in Indonesia and the Asia Pacific region;
- the Clean Development Mechanism and opportunities relating to the forest industry sector in the Asia-Pacific Region (Republic of Korea);
- training in sustainable forest management in Central African forestry schools (Gabon); and
- processing and utilization of logging residues in Ghana.

EX-POST EVALUATIONS: On Monday and Tuesday, the CEM/CFI considered *ex-post* evaluations. Delegates reviewed the *ex-post* evaluation of a project on development and implementation of guidelines to control illegal logging for sustainable forest management in Indonesia (CEM-CFI(XXXIX)/3). The Secretariat provided an update on progress in the implementation of several *ex-post* evaluations, and reported that several *ex-post* evaluation missions will be conducted together to lower costs, including to Indonesia, Thailand and the Philippines.

Two CFI projects were recommended for consideration for *ex-post* evaluation:

- technology for sustainable utilization of raw forest materials in Brazil (Phase II); and
- improved and diversified use of tropical plantation timber in China.

CONSIDERATION OF PROJECT AND PRE-PROJECT PROPOSALS: On Tuesday, the CEM/CFI discussed project and pre-project proposals (CEM-CFI(XXXIX)/5) and noted the recommendations of the Expert Panel for Technical Appraisal of Project Proposals (CEM,CRF,CFI,CFA(XXXIX)/1). The Committees recommended that the Council approve projects on:

- enhancement of the timber marketing information system in Papua New Guinea;
- promoting and creating market demand for certified tropical wood and verified legal tropical wood in Japan;
- economic and technical information to train professionals in producing and marketing timber products in Colombia;
- a testing laboratory for the development of quality standards for Mexican tropical forest products;
- developing environmentally-sound wood preservation technology for plantation timber in China;
- value-adding and kiln-drying of commercial timber by small-scale community saw millers in Guyana;
- sustainable management and utilization of tropical bamboo in China;
- sustainable production and development of eaglewood (*gaharu*) in Indonesia;
- processing and utilization of trees on farmlands and logging residue through collaboration with local communities in Ghana; and
- introduction of a village industry around an industrial forest plantation in Indonesia.

The Committees recommended that the Council approve pre-projects on:

- value-adding processes for community teak plantations in Indonesia; and
- a national training programme to promote the adoption of Reduced-Impact Logging in Papua New Guinea.

The Committees recommended delaying examination of project proposals on:

- establishment of a voluntary and independent monitoring system for forest concessions in Central Africa;
- capacity building for environmental and forestry training institutions in Central Africa; and
- nanotechnology applied to tropical timber products in Brazil.

The Committees recommended that a pre-project proposal on training and operation of sawnwood stocking centers with legal timber in the Ecuadorian Amazon Region not be considered further by ITTO.

POLICY WORK: On Tuesday, Wednesday and Thursday, the CEM/CFI considered strategic policy activities and issues. On a study on subsidies affecting tropical timber products, the Secretariat announced that the final report is now available (CEM-CFI (XXXVIII)/6 Rev.1). The Netherlands, the US and Switzerland expressed satisfaction with work to date, and suggested that no further work is needed. New Zealand noted the current paucity of information on timber subsidies and, with Colombia and Indonesia, called for further work on the issue. New Zealand offered to lead development of a non-paper as a basis for further informal intersessional discussion. The CEM agreed to defer consideration of the topic to allow for further intersessional consultations among interested members.

The Secretariat reported on consultations carried out since ITTC-40 on the transport of tropical timber and its vulnerability to the permeation of illegal trade, sought feedback on the idea

of holding a larger international conference on the topic, and introduced a revised draft terms of reference for a baseline study investigating trade data discrepancies, documentation, monitoring mechanisms to ensure legality, and legal aspects of sea trade. The Netherlands suggested investigating “types of categorization used for tropical timber.” Malaysia cautioned against a study that could be biased against producer countries. The US questioned the need for a conference and suggested that a study might suffice. Following discussions in an informal working group, the CFI agreed on the terms of reference for an analytical study to advance the planning for an international conference.

The Secretariat presented a report on Community-Based Forest Enterprises (CBFEs), noting the abundance of ITTO projects relevant to this topic, and suggesting that CBFEs could be considered as a thematic area for policy work and be included in the 2008-2009 BWP.

Ivan Tomaselli (ITTO Consultant) presented the preliminary findings of a market study on tropical plantation timber products (CEM/CFI (XXIX)/6), including data on, *inter alia*, plantation timber production, trade, competitiveness, and market trends and perspectives.

The Committees heard updates on strategic policy activities, including:

- considering further work on forest law enforcement and illegal trade in timber and timber products;
- enhancing statistical work and training workshops on statistics;
- monitoring progress on the comparability and equivalence of certification systems;
- performing an economic valuation of the forest sector with particular reference to the Amazon Basin;
- auditing existing tracking systems in tropical forest industries in Brazil, Cameroon and Malaysia;
- European Conformity (“CE”) grading requirements for structural timber in the EU;
- a conference on bio-energy in Hannover, Germany, from 17-19 May 2007, which will, *inter alia*, raise awareness of the potential to increase energy efficiency using residues from wood processing;
- three regional forums on promoting private investment to be held in Brazil, Ghana and a yet-to-be chosen South-East Asian country, in the first half of 2007; and
- the promotion of non-timber forest products and services which can improve the economic attractiveness of maintaining forest cover.

REVIEW OF PROJECTS, PRE-PROJECTS AND ACTIVITIES IN PROGRESS: On Wednesday and Thursday, the CEM/CFI discussed projects, pre-projects and activities under implementation, pending agreement, or pending financing (CEM-CFI (XXXIX)/4). The Secretariat provided updates on projects on, *inter alia*:

- training workshops on tropical forestry and timber trade statistics worldwide;
- strengthening capacity to promote efficient wood-processing technologies in Indonesia;
- enhancement of the forest statistics information system in Gabon;
- establishment of a statistics network for tropical timber in India;

- adoption and implementation of a forestry information system for the Philippines;
- a study of market access for Papua New Guinea's wood products in key export markets;
- provision of training to a wood workers and craftsmanship village in Ghana;
- forest industry development in Guatemala;
- development of a vocational training programme in reduced impact logging and SFM in Guyana;
- establishment of a forest and timber marketing statistics system in Ecuador; and
- promotion of sustainable management of African forests.

On the market information service for tropical timber and timber products, including the publication of the Tropical Timber Market Report, the Secretariat described the revamping of the Market Report and noted that readership has grown fourfold in the last two years. The US emphasized the value of the Market Report.

On an already-approved and funded project to hold an international conference on innovation in the forest and wood product industries, the Secretariat reported that Australia had withdrawn as lead proponent country. The Netherlands, the US and India noted that changing proponent countries could change the nature of the project. The Secretariat encouraged Côte d'Ivoire, the new proponent, to submit a revised proposal without reference to Australia as a funder, in time for review and decision by the Committee at the next session.

On a project on the industrialization, marketing and sustainable management of ten native species in Mexico, the CFI endorsed a revised version provided by Mexico with a reduced budget.

ELECTION OF CHAIRPERSONS FOR 2007: The CEM/CFI elected Chantal Adingra (Côte d'Ivoire) as CEM Chair, Brian Woodward (USA) as CEM Vice-Chair, Dani Pitojo (Indonesia) as CFI Chair and Jürgen Blaser (Switzerland) as CFI Vice-Chair for 2007.

DATES AND VENUES OF FUTURE MEETINGS: The fortieth, forty-first and forty-second sessions of the Committees will be held in conjunction with ITTC-42, ITTC-43 and ITTC-44, respectively.

ADOPTION OF REPORT: On Friday, the CEM/CFI draft report to ITTC-41 (CEM-CFI(XXXIX)/8) was adopted by the Committees with minor amendments.

COMMITTEE ON RESTORATION AND FOREST MANAGEMENT

The Committee on Restoration and Forest Management (CRF), chaired by Petrus Gunarso (Indonesia) with Flip van Helden (the Netherlands) as Vice-Chair, met from Monday to Friday to consider: completed projects and pre-projects; *ex-post* evaluations; projects and pre-projects in progress; approval of project and pre-project proposals; policy work; election of officers; and dates and venues of future committee meetings.

EX-POST EVALUATION OF PROJECTS: On Tuesday, delegates heard *ex-post* evaluations for projects selected according to themes of training (CRF(XXXIX)/5) and community development (CRF(XXXIX)/6).

Ken Rodney, ITTO Consultant, reported on projects involving training in SFM in Bolivia, Indonesia and Cameroon. He highlighted the findings of the *ex-post* evaluation relating to the development of human resources and the achievement of

numerous ITTO objectives. He said there was a need for similar projects in the future to internalize SFM within major decision-making processes.

Marc Dourojeanni, ITTO Consultant, presented a synthesis report on *ex-post* evaluations of projects on community participation in SFM in Bolivia, Ghana, Panama, Peru, Philippines and Togo. He highlighted several shortcomings of the projects, including: failure to achieve additional income for the communities; the unsustainable nature of many new economic ventures; the unwillingness of governments to provide conditions necessary for the success of certain projects; and inadequate strategic analyses and management plans. He recommended, *inter alia*, that: sustainability of new economic ventures be assessed; forestry technical assistance be incorporated at the design stage; forest natural regeneration be considered in project plans; and sharing of benefits be defined at an early stage.

Participants discussed: problems associated with timing and funding gaps between project phases; natural forest regeneration limiting community participation by limiting their ability to grow crops alongside the trees; the need to consider *ex-post* evaluations in joint sessions; including business plans in project design; and how to encourage community participation and consultation in project proposals when funding is not yet assured.

COMPLETED PROJECTS AND PRE-PROJECTS: The Committee met on Monday to discuss completed projects and pre-projects, including those with financial audits pending (CRF(XXXIX)/3). Projects completed with financial audits included those on:

- a transboundary management plan in Indonesia;
 - support for local species propagation in Togo; and
 - the development of models for the establishment of commercial *Dipterocarp* plantations in Indonesia.
- Completed projects with financial audits pending included those on:
- SFM and development in peninsular Malaysia;
 - management and conservation of mangroves in the Gulf of Fonseca, Honduras;
 - development of a demonstration area in the sustainable management of Gabonese forests;
 - development of teak cloning and establishment of industrial plantations in Côte d'Ivoire;
 - development of human resources in SFM and reduced impact logging in the Brazilian Amazon; and
 - management and conservation of forest seeds in Côte d'Ivoire.

Switzerland said that the report and executive summary for the Indonesian transboundary management project, which Switzerland had funded, were not acceptable, and requested that this project not be considered completed. Indonesia said that the executing agency would take Switzerland's recommendations into account and resubmit the reports in due time.

REVIEW OF IMPLEMENTATION OF APPROVED PROJECTS AND PRE-PROJECTS: This agenda item (CRF(XXXIX)/4) was addressed on Monday, Tuesday, Wednesday and Thursday.

Projects in progress: The Committee reviewed projects and pre-projects in progress, including:

- management of the Tapajos National Forest for sustainable production of industrial timber in Brazil;
- landowner education and training for SFM in Fiji;
- community forest management in Cameroon;

- using satellite imagery to support forestry legislation monitoring in the Republic of the Congo;
- forest resource monitoring using canopy density data in the Philippines; and
- a workshop to increase exposure for CDM forestry projects in Africa.

Project extensions: Extensions were granted for projects including:

- evaluation of mangrove forests in the northeastern Orinoco Delta Region in Venezuela;
- knowledge transfer of SFM models to timber producers in Peru; and
- conservation and reforestation of mangrove forests in Panama.

Project extensions with additional funding: Malaysia described the third phase of a project on a model forest management area, for which an extension with additional funding was being requested. He noted that the project needs to be completed properly to serve as a model for forest management.

The US questioned the progress of the project's implementation, said the extension proposal lacked necessary information, and underscored that such extensions should be considered carefully and on a case-by-case basis. Japan, noting his country's substantial contribution to the project, supported the extension with additional funding, but requested more information on the project before continuing the discussion. Debate ensued on the proper procedure for consideration of project extensions seeking additional funding, with the Philippines and Switzerland arguing that a decision on the extension should be made first, and then donors should decide on funding only once the extension is granted. Delegates decided to hold small group consultations to further discuss the merits of the project in question. Malaysia later decided to defer its request for additional funds to the next Committee session, and instead applied for a three-month extension without additional funds. This extension without funds was approved by the Committee.

Paul Chai (Malaysia) presented on a project on transboundary biodiversity conservation in the Pulong Tau National Park in Sarawak, Malaysia, for which an extension with additional funding had also been requested. He said the extension was needed to, *inter alia*: secure the park boundaries in sensitive areas; continue dialogue with local populations to address their basic needs; and identify and secure traditional use areas. After a brief discussion of project details, the Committee approved the extension with additional funding.

Projects awaiting financing, coming under sunset provisions, and awaiting implementation:

The Committee noted that 22 projects approved at earlier sessions are still awaiting funding, eight of which will be sunsetted if funding is not secured before the next session, and that six projects have been sunsetted since the last session.

CONSIDERATION OF PROJECT AND PRE-PROJECT PROPOSALS AND RECOMMENDATIONS TO THE ITTC:

The Committee discussed this item (CRF(XXXIX)/2) on Thursday and Friday. The Chair noted that project proposals from member countries that had not paid their contributions would not be considered at this session. The Committee reviewed recommendations of the Expert Panel and recommended that Council approve project proposals on:

- the development of cloning for the samba (obéché), West African mahogany and tiokoué tree species;

- a conflict resolution approach for developing plantation forests in Indonesia;
- the prevention of further loss and the promotion of rehabilitation and plantation of ramin in Sumatra and Kalimantan, Indonesia; and
- village-level reforestation and nutrition promotion by self-motivated women's community groups.

The Committee recommended that Council approve pre-projects on:

- reforestation of tropical savannah grassland with high-value teak in Papua New Guinea;
- strengthening capacity for forest law enforcement and governance in Cambodia; and
- identification of a project for the regeneration and management of mangrove forests surrounding the Douala/Edea Reserve in Cameroon.

The Committee recommended that Council not approve projects on:

- a national programme for the restoration, management and rehabilitation of secondary and degraded forests in Ecuador;
- using clonal technology for productivity enhancement of tropical forests of Uttar Pradesh state, India; and
- demonstration of restoration, management and rehabilitation of degraded and secondary tropical forest in Hainan, China.

China and India withdrew their countries' project proposals that had not been approved. The Committee debated the procedure of project proposal withdrawals, with some stating that withdrawing proposals after they have been listed as Category Five (not recommended for funding) complicates matters, and others stating that withdrawing and re-submitting proposals may be beneficial for the submitting agency.

POLICY WORK: On Thursday, Stewart Maginnis, IUCN, provided an update on the field testing of the revised ITTO/IUCN guidelines for biodiversity conservation in tropical production forests (CRF(XXXIX)/7), with field sites and consultants selected in Indonesia, Cameroon, Guyana and Brazil. He stressed the importance of adapting the guidelines locally and considering the landscape level, and said their implementation will require skilled forest managers.

Ivan Tomaselli, ITTO consultant, presented a study on encouraging private sector investment in industrial forest plantations in the tropics (CRF(XXXIX)/9). He reported on potential production capacity of plantations in different regions, and said that plantation timber will be more competitive than timber from natural forests in the future.

New Zealand and the US noted that the study's economic focus did not reflect the theme of the requested policy work on monitoring and assessing the environmental, social and economic costs and benefits of forest plantation development and the utilization of that information to promote new plantations.

ELECTION OF CHAIR AND VICE-CHAIR FOR 2007:

On Thursday, the Committee elected Flip van Helden (the Netherlands) as Chair and Alfredo Carrasco (Ecuador) as Vice-Chair of the Committee for 2007.

DATES AND VENUES FOR FUTURE SESSIONS: The fortieth, forty-first and forty-second sessions of the Committee will be held in conjunction with ITTC-42, ITTC-43 and ITTC-44, respectively.

OTHER BUSINESS: On Thursday and Friday, the Committee discussed activities in the ITTO BWP relating to

strengthening cooperation and collaboration between ITTO and Amazon Cooperation Treaty Organization (ACTO) countries on C&I and the organization of a regional workshop to consolidate ITTO C&I and the Tarapoto Process. Brazil circulated ToR on the main activities of the Amazon Basin countries concerning C&I, stating that the ToR were the result of several regional meetings. Brazil voiced strong concerns that the ITTO would make undue use of consultants in this project, saying that a capacity-building workshop on forest monitoring would be more appropriate. Noting the discrepancies between these terms of reference and the outcomes of previous discussions between ITTO and ACTO, Chair Gunarso requested that the concerned parties work with the Secretariat and ACTO to agree on terms of reference for the implementation of this project.

ADOPTION OF REPORT: On Friday, the Committee adopted the report of the Council (CRF(XXXIX)/10), with minor amendments.

COMMITTEE ON FINANCE AND ADMINISTRATION

Acting Chair James Singh (Guyana) opened the twentieth session of the Committee on Finance and Administration (CFA) on Tuesday. The agenda (CFA(XX)/1) and organization of work were adopted.

EXPERT PANEL FOR TECHNICAL APPRAISAL OF PROJECT PROPOSALS: On Tuesday, the Report of the Expert Panel for Technical Appraisal of Project Proposals (CEM/CRF/CFI/CFA(XXXIV)/1) was approved without amendment.

ADMINISTRATIVE BUDGET FOR 2007: On the Indicative Administrative Budget for the Financial Year 2007 (CFA(XX)/2 and CFA(XX)/2/Rev.1), the Secretariat noted that, with changes in staffing and expected expenditure, exchange rates and inflation, the budget for 2007 now stands at US\$5,460,138, which is US\$95,937 (or 1.77%) less than that approved at ITTC-37. He noted that proposed assessed contributions for 2007 equal US\$5,553,000, excluding discounts given if members pay their assessed contributions on time in April 2007. On a question on adjustment for inflation, he stated that the post-adjustment multiplier had been changed by the UN. On a question on financing for the proposed intersessional working group on developing thematic programmes of work, he noted that the Council must authorize the use of funds from the Working Capital Account (WCA) for this US\$80,000 expenditure, which was therefore not included in the 2007 budget. On whether the US\$2,441,460 reserves of the WCA are sufficient to meet the Organization's potential needs, he said that US\$2 million is generally considered enough.

The Secretariat stated that the WCA has at times approached US\$4 million, but that it has recently been used for expenses related to the negotiation of ITTA, 2006 and trial engagement of regional officers. He said the Secretariat also has authorization to use up to US\$300,000 per year from the WCA to make up for insufficient contributions and that the Secretariat did not intend to request an increase in this figure for 2006. In answer to a question from the EC, he noted the existence of a Special Reserve Fund of US\$1.5 million reserved for the possibility of eventual liquidation of the ITTO and said this represented an increase from the former reserved amount of US\$600,000.

Delegates agreed to reconsider in Council the question of how to finance the proposed intersessional working group, and the budget for 2007 was adopted.

REVIEW OF CONTRIBUTIONS TO THE ADMINISTRATIVE BUDGETS: On Tuesday, the Secretariat presented the Statements of the Administrative Account (1986-2006) (CFA(XX)/3), highlighting that US\$1,324,699.30 and US\$85,724.80 are outstanding from producer and consumer country members, respectively. Delegates discussed the procedure of processing project and pre-project proposals submitted by members with cumulative arrears and the gravity of only having received half of the assessed contributions.

STATUS OF THE ADMINISTRATIVE ACCOUNT: On Tuesday, the Secretariat presented a report on the Status of the Administrative Account for the Financial Year 2006 (CFA(XX)/4). The Secretariat noted that actual expenditures for the year were expected to be US\$544,122 less than the amount allocated, due to cost-saving efforts and a delay in recruiting for two positions in the Secretariat. He noted that: there is a deficit of US\$173,464 within the US\$300,000 authorized for covering shortfalls; arrears for 2006 are expected to amount to US\$717,586; and arrears in contributions to previous budgets total US\$6,665,141, but some are expected to be written off due to offers of 20% discounts on arrears for the years 1986 to 1994 to those paying their contributions from 2002 onwards in full. The report was accepted.

RESOURCES OF THE SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND: On Tuesday, the Secretariat introduced the relevant document (CFA(XX)/5), which outlines expenditures from, and contributions to, the two sub-accounts of the Special Account. The Committee took note of the document.

FINANCING THE POSITIONS OF THE TWO REGIONAL OFFICERS: On Tuesday, the Secretariat outlined financing for one regional officer position in Latin America and another in Africa, through a 2% programme support charge. Delegates sought clarification of the budget breakdown of the 8% total programme support charge, discussed the importance of the two positions, and approved the proposal to continue financing the positions.

BIENNIAL WORK PROGRAMME OF THE COMMITTEE FOR THE YEARS 2006-2007: On Tuesday, the CFA took note of the BWP for the Years 2006-2007, which includes both administrative activities and strategic policy activities.

ELECTION OF CHAIR AND VICE-CHAIR FOR 2007: On Friday, the Committee elected James Singh (Guyana) as Chair, and Marcel Vernooij (the Netherlands) as Vice-Chair for 2007.

DATES AND VENUES FOR FUTURE SESSIONS: The twenty-first, twenty-second and twenty-third sessions of the Committee will be held in conjunction with ITTC-42, ITTC-43 and ITTC-44, respectively.

OTHER BUSINESS: On Wednesday, the Committee considered a request by the Government of Liberia for the complete waiver of all arrears to the ITTO. Ghana, on behalf of Liberia, made a plea for complete debt cancellation, considering Liberia's war-torn circumstances. The EC, Japan, the US and Brazil were hesitant to write off the debt completely, favoring a re-scheduling of payments and reaffirmation of Liberia's commitment to the ITTO. Japan cautioned that the principle behind assessed contributions would be breached with a complete debt waiver, and the EC stressed that payments should be made from 2007. Republic of the Congo stressed

the importance of the commitment rather than immediate payment. Ghana requested that the ITTO at least cancel debts incurred during the period of Liberia's civil war, when the country was not able to participate in or benefit from ITTO activities. The Chair said this issue would be taken up by the Council. On Friday, the Secretariat explained that a draft text had been prepared by a small group consisting of the Chair and representatives of producer and consumer members. Malaysia requested that the Secretariat "urgently undertake consultations," rather than "take the necessary steps to initiate dialogue" with the Government of Liberia. The EC preferred to consider Liberia's "participation in" rather than "re-incorporation into" the activities of the ITTO. These and other minor amendments were accepted by the Committee.

The final text recommends that the Secretariat urgently initiate consultations with the Government of Liberia with a view to, *inter alia*:

- ensuring Liberia's participation in ITTC-42 to provide relevant information on the debt relief request;
- updating information gathered during the ITTO mission to Liberia in 2005;
- determining the need for another technical country mission to Liberia; and
- exploring the possibility of Liberia's full participation in ITTO activities and gathering information on Liberia's intentions with regard to ratifying ITTA, 2006.

FINANCIAL AGREEMENT FOR EXTERNAL COSTS OF ITTC-42: On Friday, Japan announced a contribution of US\$300,000 to cover the remaining gap in funding for ITTC-42, describing this as an "exceptional step" in the transition period between ITTA, 1994 and ITTA, 2006. Japan emphasized that the contribution represents a final push to help ITTO Council meetings function, and should not be seen as setting a precedent. He urged that decisions on the venue and hosting of future Council meetings include robust consideration of how meetings are to be financed and called for the establishment of predictable mechanisms for future financing, especially in view of the impending entry into force of ITTA, 2006. Many countries expressed gratitude to Japan. Brazil, on behalf of Producers, described the action as providing a solid basis for progress towards the entry into force of the ITTA, 2006. Papua New Guinea called Japan's contribution "a signal of solidarity and cooperation" and highlighted that as the new Agreement enters into force, Consumer and Producer members alike need to work to establish financial mechanisms to ensure that such situations do not occur again. The EC added the need to exert discipline in the future to avoid such situations. The US highlighted that decisions on the frequency, location and duration of Council sessions should consider all implications, including financial ones.

RECOMMENDATIONS TO THE COUNCIL: On Friday the Committee approved the Administrative Budget for the Financial Year 2007 and recommended that the posts of the two regional officers be continued and financed from the programme support component of the Special Account.

REPORT OF THE SESSION: On Friday, the Committee considered the draft report of the session (CFA(XX)/6) and was presented with the Approved Administrative Budget for the Financial Year 2007 (CFA(XX)/2/Rev.2).

On the financial agreement to cover external costs for holding ITTC-42, Japan requested that the text reflect that the Japanese contribution does not set a precedent and that mechanisms should be established to avoid such situations in the future. Chair Singh requested that the Secretariat prepare a draft paragraph in consultation with members for insertion into the CFA's report to the Council.

INFORMAL JOINT PRODUCER-CONSUMER SESSION ON THEMATIC PROGRAMMES

On Wednesday, in an informal Joint Producer-Consumer Meeting to collect views on thematic programmes, Brazil noted that the topic originally arose due to producers' difficulties in getting funding and donors' difficulties in providing funds for unearmarked projects.

The Netherlands noted lessons from other international organizations with experience of thematic work. He recommended identifying both areas of, and modalities for implementing, thematic programmes of work, and supported: giving a strong role to the Executive Director and Council; avoiding micromanagement; and using relevant rules and regulations already established under the ITTA while recognizing the need for progressive learning, development of new rules, and transparency.

The Producer Group called for input in preparing for an intersessional working group on this subject and suggested establishing a small group to define terms of reference for the working group, which would then go into the report of this session.

The EC emphasized the importance of allocating donor funds in an appropriate manner, and said that projects on the development of environmentally-responsible industries and tools to assist in SFM and forest law enforcement should be prioritized. Brazil said that the management of funds should be more dynamic and transparent, so that countries proposing projects are aware of the amount of funding available for each phase, and noted that all projects should be related to SFM. Ghana stressed his country's need for development of timber-processing functions, community forestry and capacity building in statistical methods for forestry analysis.

Norway and Japan emphasized that thematic programmes are a new and important component of the ITTA, 2006, with Japan adding that the mechanism should be designed to be attractive to donors and should include monitoring, evaluation and accountability elements. Papua New Guinea and the Philippines called for sub-themes relating to core issues of SFM. In the evening, Co-Chair Gasser convened a small group to develop ToR for an intersessional working group on thematic programmes and asked the small group to report to Council on Saturday.

CLOSING PLENARY

On Saturday, Chair Ito opened the closing plenary session.

REPORT OF THE CREDENTIALS COMMITTEE: France, on behalf of Credentials Committee Chair Jürgen Hess (Germany), reported that 40 countries and the EC attended ITTC-41 and the Associated Committees. The Council adopted the report (ITTC(XLI)/3) without amendment.

ELECTION OF CHAIR AND VICE-CHAIR FOR 2007:

On Saturday, the Council approved the nominations Amb. Luis Macchiavello (Peru) as Chair and Katharina Kuehmayer (Austria) as Vice-Chair for 2007.

REPORTS OF THE ASSOCIATED SESSIONS OF THE COMMITTEES: The reports of the Associated Committees were presented to the Council on Saturday.

CEM Chair Gasana presented, and the Council adopted, the report of the Committee on Economic Information and Market Intelligence and the Committee on Forest Industry (CEM-CFI(XXXIX)/8).

CRF Chair Gunarso presented, and the Council adopted, the report of the Committee on Reforestation and Forest Management (CRF(XXXIX)/10).

CFI Chair Park presented, and the Council adopted, the report of the Committee on Forest Industry (CEM-CFI(XXXIX)/8).

CFA Chair Singh presented, and the Council adopted, the report of the Committee on Finance and Administration (CFA(XX)/6/Rev.1).

DATES AND VENUES OF 42ND, 43RD AND 44TH

SESSIONS: On Monday, delegates discussed financial issues relating to the date and venue of ITTC-42. The Chair noted a financial gap hindering preparations for this session which Papua New Guinea has offered to host. The Chair noted ongoing consultations with donor members toward seeking a solution by the end of the session. Papua New Guinea, supported by Brazil on behalf of Producers, reiterated his country's readiness to host ITTC-42 and fund the internal costs and said his government has already committed resources to this effort. He noted that external costs, traditionally funded by donor governments, would amount to approximately US\$343,000.

On Friday, CFA Chair Singh reported that Japan had agreed to contribute US\$300,000 towards funding the external costs of ITTC-42.

On Saturday, the Council confirmed that ITTC-42 and ITTC-43 will be held in Port Moresby, Papua New Guinea, and Yokohama, Japan, respectively. On the dates of ITTC-42, Papua New Guinea proposed 7-12 May 2007, extending the meeting by one day to include a field trip to local ITTO project implementation sites. Papua New Guinea noted that additional costs would be covered internally. Australia and Malaysia encouraged delegates to take advantage of the opportunity to observe ITTO work in progress, and the Council agreed to the extended meeting dates. Gabon and Ghana proposed that ITTC-44 be held in Africa, and delegates agreed to discuss this matter at ITTC-42.

OTHER BUSINESS: Terms of Reference of the working group on thematic programmes: On Saturday, the Secretariat circulated the draft ToR developed by the small group convened by the informal Joint Producer-Consumer Meeting. Brazil, for Producers, listed amendments to the draft terms of reference, which he said would give the working group a more proactive role. He further suggested that spokespersons from the Consumer and Producer Groups attend the working group, in addition to six representatives from each group. Finland, for Consumers, agreed to the changes made. The Netherlands and the US said that the working group should identify possible themes and propose to the Council an appropriate process for thematic programme support. The Council approved the ToR with these amendments.

DECISIONS AND REPORT OF THE SESSION: On Monday, delegates noted three proposed decisions that had been submitted for consideration by ITTC-41: extension of the ITTA, 1994; selection procedures for the new Executive Director; and the proposal by Switzerland and Ghana on reduction of greenhouse gas emissions through avoiding deforestation. A drafting group met throughout the week to prepare draft decisions for consideration by the Council.

On Saturday, Chair Ito presented three draft decisions (ITTC(XLI)/19). Following a query by Brazil on projects, pre-projects and activities (Decision 1(XLI)), Vice-Chair Macchiavello clarified that additional funding of US\$100,000 would be allocated to expansion of the activity within the BWP to "monitor the political implications for the resource base of climate change and related policy developments, and the contribution of the resource base to the mitigation of the effects of climate change." Following this amendment, Decision 1(XLI) was adopted. Decision 1(XLI) approves 13 new projects and funding for 11 projects and seven pre-projects.

Decision 2(XLI) on terms of reference for selecting a new Executive Director (Decision 2 (XLI)) was adopted with minor amendments. It sets out the terms of the selection Panel, composed of four producer and four consumer members and the spokesperson from each group, and allocates up to US\$100,000 from the Working Capital Account for the search process.

Decision 3(XLI) addresses the extension of ITTA, 1994. Chair Ito recalled that according to Article 46 (Duration, extension and termination) of that Agreement, such a decision must be taken by a special vote. However, he suggested adopting the decision by consensus, and this was agreed. The decision extends the agreement until the provisional or definitive entry into force of the ITTA, 2006.

The US expressed disappointment that consensus on a decision to address wildlife trafficking was not achieved, and expressed hope that this would occur at the next session.

CLOSING STATEMENTS: Brazil, on behalf of Producers, recognized Japan's generous offer to support ITTC-42, and expressed hope that this would serve as a stimulus for all members to prepare for entry into force of the ITTA, 2006. He nominated Freezailah Che Yeom (Malaysia) as the new Producer spokesperson. Finland, on behalf of Consumers, expressed satisfaction with the session's outcome, and hoped that entry into force of the new Agreement would take the Organization forward.

Many members expressed thanks to the city of Yokohama for hosting the session, to Japan for their generous offer in support of ITTC-42, and to the Chairs and the Secretariat for their hard work. Gabon added that the ITTO must evolve to adapt to a changing world or be doomed to extinction. Republic of the Congo announced it had achieved its first forest concession certification in June 2006. Council Chair-elect Macchiavello said that continuing high levels of deforestation within the "lungs of the earth" provides a motivation to ensure rapid entry into force of ITTA, 2006. Chair Ito thanked delegates for their participation and declared the session closed at 2:19 pm.

A BRIEF ANALYSIS OF ITTC-41

This time last year, ITTC-39 took place as the final round of negotiations of the ITTA, 2006 loomed. Now almost a year has passed since the finalization of that Agreement and

the ITTC is engaged in the dual tasks of carrying on with its ongoing activities while simultaneously gearing up for the new Agreement's entry into force. This analysis considers the situation of the ITTC in a time of transition and speculates on what the future may hold.

The weather in Yokohama was unseasonably mild for most of the week, reflecting the general mood of delegates. There was a relaxed business-as-usual mood as the meeting got underway, perhaps due to the afterglow from the successful completion of the ITTA, 2006 in January and a productive ITTC-40 meeting in Mérida, Mexico, in May. In his opening statement, Executive Director Sobral focused on issues related to the Work Programme for 2006-7, the selection of a new Executive Director, measures to improve the project cycle, and issues pertaining to preparations for the entry into force of the new Agreement, such as the substance and modalities of work in new thematic programme areas. Potential storm clouds appeared on the horizon almost immediately, however, as Sobral also pointed to a precipitous 87% drop in project funding over the last ten years. The progress made in routine Council matters at the meeting must thus be considered in light of more fundamental questions on the health of the Organization.

ITTC-41 produced many positive outcomes. Delegates generally expressed satisfaction with revisions that have been made on the project cycle, and the new electronic system for project submissions, and indeed the Secretariat reported that project quality is already improving thanks to revisions now in place, particularly the encouragement of limits on the number of proposals submitted by countries. One example of how far the ITTO has come in the eyes of many is the fact that one large consumer member, traditionally skeptical of commodity agreements, is now considering the strategic benefits of engaging in other commodity organizations on the basis of their experience in the ITTO.

At this Council, the ITTC-41 continued to explore a new area of activity, with the authorization and funding of work to monitor the potential implications of climate change and related policy developments for tropical forests, and the contribution of tropical forests to the mitigation of the effects of climate change. The prospect of expanding work related to climate change in the ITTO was still resisted by some delegations, perhaps because of its association with many donor countries' interest in preserving forests as carbon sinks as an alternative to taking costly actions to reduce their own greenhouse gas emissions and the implicit threat that this interest would result in the diversion of project funds from other work more directly related to the ITTO's objectives. Other delegates, however, see this as an opportunity to open up access to more funding, or as a way to have an influence on the climate change policy process to ensure that the interests of tropical timber producers, and indeed anyone who believes in sustainable forest management, are not overwhelmingly overshadowed by those other interests.

Preparations for the entry into force of the ITTA, 2006 were taken forward with agreement to establish a working group to discuss the development of thematic programme support within the framework of the ITTA, 2006. This funding repository, which evolved originally from European proposals, was designed to allow donors to earmark funds to go towards projects related to issues of particular interest. Indeed, good news on that front was announced at ITTC-41, as both the European Commission

and the Netherlands announced new contributions to the Organization, and there was talk in private of the possibility of significantly more funding becoming available from other donors, such as other EU countries, depending on how the thematic programmes actually take shape.

On the other hand, the new funds committed to date do not come close to compensating for the steady loss of Japanese project funding over the last ten years. Japan, in addition to hosting the ITTO's headquarters, has historically been the largest funder of projects – by far – perhaps because its past position as the foremost importer of tropical timber created a desire to build goodwill as well as to improve sustainability of supply.

Now that Chinese timber imports have officially surpassed those of Japan, a more balanced and widespread donor base may be appropriate. However, after having virtuously carried the organization for all of the ITTO's life, Japan now runs the risk of seeing much good work and goodwill evaporated if future funding cannot be found. This was particularly evident in reactions to Japan's reluctance to fund external costs, amounting to US\$300,000, to enable Papua New Guinea to host ITTC-42 in 2007. In the end, Japan was convinced of the need to contribute funding for the meeting, as it has done for almost 20 years. It contributed enough funds to enable the mid-yearly meeting to be held, but warned that this was the last time that such a contribution would be made.

In the course of the debate over funding for ITTC-42, it was generally conceded that dependence on any one country is not healthy for an international organization, and that funding for any sessions held outside Yokohama that might take place in the future under either the ITTA, 1994 or the ITTA, 2006 should be regularized and come from within the Organization itself. One delegate mentioned the possibility of funding such costs from the Administrative Budget, indicating some willingness for Producers as a group to share the burden for meeting those costs.

There is a potential spanner in the works that may throw all these positive developments into question, as the Organization enters the transition period from Sobral's tenure to that of a new Executive Director. The selection of his successor became the subject of heated debate at ITTC-41, albeit behind closed doors, as different countries and regions favoring different candidates made clear that the stakes are high, given the upcoming challenges of addressing ITTO's funding issues and the demands of transitioning to ITTA, 2006. Some argue that the implicit rotation of this position between the three producer regions should bring Africa its turn now, given that the ITTO has thus far had one Executive Director from Malaysia and one from Brazil. However, Africans have not united behind one candidate so far, and this has raised the possibility of a candidate emerging from another region, or even from a Consumer country. In the end, the outcome may have to depend on finding the candidate that is the "least unacceptable" to all sides involved. The choice of Executive Director is critical to maintaining the further progress of the Organization and maintaining its growing reputation as a viable, efficient mechanism for formulating international policy. This links to the question of ITTO funding as well, because dynamic, pragmatic, yet visionary leadership is critical to making the Organization attractive to future project funders, and ensuring the future of the ITTO.

UPCOMING MEETINGS

ISSUES AND OPPORTUNITIES FOR INVESTMENT IN NATURAL TROPICAL FORESTS: The Latin American Tropical Forest Investment Forum will meet from 23-24 November 2006, in Curitiba, Brazil. This regional forum will discuss issues and opportunities for investment in natural tropical forests in Latin America. For more information, contact: ITTO Secretariat, Forest Industries; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: fi@itto.or.jp; internet: <http://www.itto.or.jp/live/PageDisplayHandler?pageId=223&id=1643>

UNFF AD HOC EXPERT GROUP ON A NON-LEGALLY BINDING INSTRUMENT: The UN Forum on Forests *Ad Hoc* Expert Group will meet from 11-15 December 2006, at UN headquarters in New York. The Expert Group is expected to consider the content of a Non-Legally Binding Instrument on all types of forests prior to the seventh session of UNFF. For more information, contact: UNFF Secretariat; tel: +1-212-963-3160; fax: +1-917-367-3186; e-mail: unff@un.org; internet: <http://www.un.org/esa/forests/adhoc-nlbi.html>

CHARTING THE WAY FORWARD 2015: The Country-Led Initiative in Support of the Multi-Year Programme of Work (MYPOW) of the UNFF will convene from 13-16 February 2007, in Bali, Indonesia. This meeting is intended to provide an opportunity to explore, elaborate and develop a broader understanding of the possible concepts and elements to be included in the new MYPOW of the UNFF. For more information, contact: Bambang Murdiono, Director of Bureau of International Cooperation, Ministry of Forestry; tel: +62-21-570-1114; fax: +62-21-572-0210; e-mail: biroklndephut@yahoo.com or Tri Tharyat, Permanent Mission of Indonesia to the UN; tel: +1-212-972-8333; fax: +1-212-972-9780; e-mail: tri_tharyat@yahoo.com; internet: http://www.un.org/esa/forests/pdf/cli/cli_bali-mypow130207.pdf and <http://www.dephut.go.id/news.php?id=487>

POLICY INTERFACE IN PRACTICE: The International Workshop on National Forest Programmes – A Tool for Strengthening Science, will be held from 20-21 February 2007, in Zagreb, Croatia. Organized by the European Forest Institute, FAO and the International Union of Forest Research Organizations, this workshop aims to improve the national science-policy interface in support of the Pan-European process. For more information, contact: Ilpo Tikkanen or Brita Pajari, European Forest Institute; fax: +358-10-773-4377; e-mail: Ilpo.Tikkanen@efi.int or Pajari.Brita@efi.int; internet: <http://www.efi.int/events/extra/2006/foperdecember2006>

IMPROVING FOREST GOVERNANCE: This seminar on Science, Policy and Practice for Improving Forest Governance, originally scheduled for October 2006, is expected to be held at UN headquarters, New York in early 2007. For more information, contact: Ghazal Badiozamani, UNFF Secretariat; tel: +1-212-963-3160 / 3401; fax: +1-917-367-3186; e-mail: badiozamani@un.org; internet: <http://www.un.org/esa/forests/nmayjun06.html>

SECOND INTERNATIONAL AGARWOOD CONFERENCE: This conference, organized by the Rainforest Project Foundation, will be held from 4-11 March 2007, in Bangkok, Thailand. It will follow up on the experience and the feedback of the First International Agarwood Conference, held in Vietnam in November 2003. For more information, contact: Rainforest Project Foundation; tel: +31-20-624-8508; fax: +31-

20-624-0588; e-mail: trp@euronet.nl; internet: <http://www.therainforestproject.net/>

EIGHTEENTH SESSION OF THE FAO COMMITTEE ON FORESTRY (COFO): The 18th biennial session of COFO will convene at FAO headquarters in Rome, Italy, from 12-16 March 2007. COFO-18 will bring together heads of forest services and other senior government officials to identify emerging policy and technical issues and advise FAO and others on appropriate action. For more information, contact: Douglas Kneeland, FAO Forestry Department; tel: +39-06-5705-3925; fax: +39-06-5705-5137; e-mail: douglas.kneeland@fao.org; internet: <http://www.fao.org/forestry/foris/webview/forestry2/index.jsp?siteId=6868&sitetreeId=35913&langId=1&geoId=0>

SEVENTH SESSION OF THE UNITED NATIONS FORUM ON FORESTS: UNFF-7 will be held from 16-27 April 2007, at UN headquarters in New York. For more information, contact: UNFF Secretariat; tel: +1-212-963-3160; fax: +1-917-367-3186; e-mail: unff@un.org; internet: <http://www.un.org/esa/forests>

ITTC-42: The forty-second session of the International Tropical Timber Council and Associated Sessions of the Committees will be held from 8-12 May 2007, in Port Moresby, Papua New Guinea. For more information, contact: ITTO Secretariat; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; internet: <http://www.itto.or.jp>

WORLD TRADE FAIR FOR FORESTRY AND WOOD INDUSTRIES: The LIGNA+ Hannover 2007: World Trade Fair for the Forestry and Wood Industries will take place from 14-18 May 2007, in Hannover, Germany. This exhibition provides a marketplace for wood and timber processing innovations, particularly for medium and small industries. For more information, contact: Anja Brokjans, tel: +49-511-89-31602; fax: +49-511-89-32631; e-mail: anja.brokjans@messe.de; internet: <http://www.ligna.de>

GLOSSARY

ACTO	Amazon Cooperation Treaty Organization
BPF	Bali Partnership Fund
BWP	Biennial Work Programme
C&I	Criteria and Indicators
CAWT	Coalition Against Wildlife Trafficking
CDM	Clean Development Mechanism
CITES	Convention on the International Trade in Endangered Species of Wild Flora and Fauna
CPF	Collaborative Partnership on Forests
CSAG	Civil Society Advisory Group
IAG	Informal Advisory Group
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
IUCN	World Conservation Union
REDD	Reduction of Greenhouse Gas Emissions Through Avoiding Deforestation and Forest Degradation
SFM	Sustainable Forest Management
SNDCF	National Decentralized Forest Control System
TAG	Trade Advisory Group
WCA	Working Capital Account