

**SUMMARY OF THE FORTY-FIFTH SESSION
OF THE INTERNATIONAL TROPICAL
TIMBER COUNCIL AND ASSOCIATED
SESSIONS OF THE FOUR COMMITTEES:
9-14 NOVEMBER 2009**

The forty-fifth session of the International Tropical Timber Council and the associated sessions of its four Committees were held in Yokohama, Japan, from 9-14 November 2009. At this session the Council considered: implementation of the Biennial Work Programme 2008-2009, and activities to be included under the Biennial Work Programme (BWP) for 2010-2011; the current status of implementation of the International Tropical Timber Organization Thematic Programmes, including on Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests (REDDES), and on Tropical Forest Law Enforcement, Governance and Trade (TFLET). The Council also reviewed the status of the deposit of instruments of ratification, acceptance, approval, or accession to the International Tropical Timber Agreement, 2006, and discussed the frequency and location of future Council sessions.

Delegates also convened the forty-third 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 twenty-third session of the Committee on Finance and Administration also met to discuss, *inter alia*, the administrative budget, the current status of the Administrative Account, and resources of the Special Account and the Bali Partnership Fund. A total of US\$9.3 million in new funding was announced, including US\$2 million towards Thematic Programmes on Community Based Forest Management, and on Enterprise and Trade and Market Transparency. The Council also adopted three decisions, including on: entry into force of ITTA, 2006; activities included in the BWP 2010-2011; and on the selection of Projects, Pre-Projects and Activities to receive funding.

The meeting was by and large productive and showcased the wealth of research undertaken by the Organization. This was only slightly marred by a last-minute disagreement between

Producer and Consumer members over the financing of meetings held outside of the headquarters in Yokohama. This debate is likely to continue until the ITTA, 2006 enters into force.

**A BRIEF HISTORY OF THE INTERNATIONAL
TROPICAL TIMBER COUNCIL**

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.

IN THIS ISSUE

A Brief History of the International Tropical Timber Council.	1
ITTC-45 Report	2
Council Sessions	3
Joint Committee Session	8
Committee on Economic Information and Market Intelligence and Committee on Forest Industry	9
Committee on Reforestation and Forest Management .	11
Committee on Finance and Administration	13
Closing Plenary	15
A Brief Analysis of ITTC-45.	16
Upcoming Meetings	17
Glossary.	18

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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 on non-tropical timber trade data, allows for consideration of non-tropical timber issues as they relate to tropical timber; and includes the ITTO Objective 2000 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 (BPF) to assist Producer members in achieving the Year 2000 Objective. Initially concluded for four years, the ITTA, 1994 was extended twice for three-year periods and was extended indefinitely in 2007.

In 2003 negotiations began on a successor agreement to the ITTA, 1994. The ITTA, 2006 was adopted in Geneva on 27 January 2006. The ITTA, 2006 builds on the foundations of the previous agreements and focuses on the world tropical timber economy and the sustainable management of the resource base, simultaneously encouraging the timber trade and improving forest management. It also allows for the consideration of non-tropical timber issues as they relate to tropical timber.

The ITTA, 1983 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 60 members, including the European Community (EC), which are divided into two caucuses: Producer countries (33 members) and Consumer countries (27 members). The ITTO's membership represents 90% of world trade in tropical timber and 80% 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 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 on: Economic Information and Market Intelligence (CEM); Reforestation and Forest Management (CRF); Forest Industry (CFI); and Finance and Administration (CFA).

ITTC-41: The 41st session of the ITTC met from 6-11 November 2006, in Yokohama, Japan. The Council approved 13 new projects and granted funding for 11 projects and seven pre-projects. Additional funding from the EC was allocated to support capacity building in ITTO member states for the implementation of Convention on International Trade in Endangered Species of Flora and Fauna (CITES) listings of timber species. The Council adopted a decision to extend the ITTA, 1994, which also provides for a review of the status of deposits of instruments of ratification, acceptance, approval or accession to the ITTA, 2006, as well as other provisions of the decision at Council sessions held between 2007-2009 and for consultations to be undertaken by the Secretary-General of the UN if the ITTA, 2006 did not come into force by 1 September 2008.

ITTC-42: The 42nd session of the ITTC met from 7-12 May 2007 in Port Moresby, Papua New Guinea. The Council selected Emmanuel Ze Meka as the new ITTO Executive Director. Delegates also discussed issues concerning operational, project and policy work, including: forest law enforcement in the context of sustainable timber production and trade; CITES listing proposals; ITTO guidelines for the restoration, management and rehabilitation of degraded and secondary tropical forests; civil society/private sector partnerships for sustainable forest management; and developments in the UN Framework Convention on Climate Change (UNFCCC) regarding forests.

ITTC-43: The 43rd session of the ITTC met from 5-10 November 2007, in Yokohama, Japan. The Council approved: the Biennial Work Programme (BWP) for 2008-2009; funds for studying the linkages between climate change and tropical forests; and Guidelines on the Conservation and Sustainable Use of Biodiversity in Tropical Timber-Producing Forests. The Council also approved draft Rules of Procedure and Financial Rules of Procedure, to be considered at the first meeting of the ITTC after the ITTA, 2006 enters into force.

ITTC-44: The 44th session of the ITTC met from 3-8 November 2008, in Yokohama, Japan. The Council discussed issues concerning operational, project and policy work for 2008-2009, including: Thematic Programmes; the BWP for 2008-2009; ITTO Objective 2000; and the ITTO Action Plan 2008-11. It was agreed that future Council sessions would be held on an annual basis and would alternate between Yokohama and Producer member countries, subject to sufficient funding being available for the incremental costs associated with the latter.

ITTC-45 REPORT

ITTC-45 Chair Michael Maue (Papua New Guinea) opened the Council session on Monday, 9 November 2009. He thanked the Government of Japan and the City of Yokohama for hosting the session, and underscored issues to be considered at ITTC-45, including: how to encourage entry into force of the ITTA, 2006, considering its slow ratification by governments; further engagement of the private sector and civil society, including a US proposal for the establishment of a private sector consultancy board; and financing the work of the organization, including the proposal to establish a structured donors' coordination group to secure funds.

Fumiko Hayashi, Mayor of the City of Yokohama, welcomed participants, and highlighted a children's environmental education conference, held in Yokohama in July 2009, which brought together children from around the world to learn about tropical forests.

ITTO Executive Director Emmanuel Ze Meka welcomed participants, noting declining markets, bank lending and employment in the tropical timber industry resulting from the world financial crisis. He stressed ITTO's role in strengthening recovery. He highlighted proposals for activities and projects submitted under pilot Thematic Programmes on Tropical Forest Law Enforcement, Governance and Trade (TFLET) and Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests (REDDES), consisting of 15 proposals totaling US\$6 million and 27 proposals totaling US\$14 million, respectively. He bemoaned continuing decreases in voluntary funding during the spring project cycles in 2008 and 2009, summarized ITTO activities

during 2009, and said future challenges include achieving the ITTA, 2006's entry into force, structural reforms of ITTO-related bodies, and improved funding and implementation of all five Thematic Programmes.

Alhaji Collins Dauda, Minister of Lands and Natural Resources, Ghana, noted the Accra Action Plan's importance for coordinating activities on tropical forests in Africa. He noted the need to remove barriers to timber trade within Africa, and stressed ITTO's role in furthering business partnerships as proposed by the Accra Action Plan. He pointed to a Voluntary Partnership Agreement (VPA) with the EU as a cornerstone of Ghana's attention to improved governance, and he stressed the need for a holistic approach to forestry, recognizing the importance of food security, poverty alleviation, strengthening of domestic timber markets, and job creation.

Don Koo Lee, President of the International Union of Forest Research Organizations (IUFRO) noted IUFRO's work on knowledge generation and dissemination and enhancing research capacity. He discussed partnerships with ITTO on the Global Forestry Information System and work on research relevant to reducing emissions from deforestation and forest degradation (REDD) and forest ecosystem services. He underlined the importance of partnerships, networking and cooperation for improving forest management.

Chinami Nishimura, Vice-Minister of Foreign Affairs, Japan, noted Japan's continued contributions to ITTO's efforts, and urged countries to ratify ITTA, 2006.

Martin Mabala, Minister of Water, Forests and Environment, Gabon, spoke on Gabon's commitment to sustainable forest management (SFM) and the ITTO, noting Gabon's ratification of the ITTA, 2006. He noted that 2 million hectares of forest in Gabon had achieved Forest Stewardship Council certification, and confirmed Gabon's work to help to save the planet but noted that for all Central African Forestry Commission countries, including Gabon, there is a dilemma of reconciling this with economic development. He called for compensation for conservation of forests and implementation of the "polluter pays principle."

Jan McAlpine, Director, United Nations Forum on Forests (UNFF), spoke about the Non-legally Binding Instrument on All Types of Forests and challenges to financing SFM. She announced adoption of a landmark UNFF resolution on forest finance in October 2009, culminating a 17-year debate. She noted that the agreement establishes both a four-year open-ended intergovernmental *ad hoc* expert group process for addressing implementation of SFM and a facilitative process that will address obstacles to obtaining forest-related financing in countries where there has been a 20-year decline in forest financing. She cautioned against valuing forests only for timber or carbon values and highlighted the value of ITTO's experience, such as in forest assessment and monitoring, to other UN work.

ORGANIZATIONAL MATTERS: Executive Director Ze Meka noted that a quorum for the meeting had been attained. Delegates adopted the agenda (ITTC(XLV/1)) without amendment. On the status of membership in the ITTC, Ze Meka noted that this remains unchanged, with 60 country members, including 27 Consumers and 33 Producers. On the proposed distribution of votes for 2009, the Chair noted an annex to the agenda on members' contributions to the 2009 budget (ITTC(XXIV)/3). On admission of observers (ITTC(XLV)/

Info.3), the Council admitted all observers with no objection. During the closing session of Council, Bledée Dagbe (Liberia), Chair of the Credentials Committee, reported that the Committee had met on 13 November 2009, and had examined and accepted 41 member countries and the EC.

COUNCIL SESSIONS

The Council met throughout the week to consider issues concerning operational, project and policy work. The following summary is organized according to the agenda.

REPORT OF THE INFORMAL ADVISORY GROUP:

Chair Maue presented the Report of the 23rd Informal Advisory Group (IAG) meeting (ITTC(XLV)/2), held on Sunday, 8 November 2009, which included a list of possible decisions to be considered at ITTC45. He noted that the IAG had discussed the issue of financing for ITTC-46, scheduled to be held in Guatemala in 2010, at great length. He also noted that two developments of concern had been brought to light, including the Swiss Approach to a Declaration of Timber and Timber Products, and the adoption of a public procurement policy by the UK, and invited relevant delegations to present on these developments.

Guatemala reiterated its intention to host the next Council Session in Guatemala City. Australia objected to taking a decision on looking at procurement of wood products. Japan, the US and China cautioned against trying to arrive at a permanent and lasting solution for funding future ITTC sessions, with the US favoring a focus on funding for ITTC-46 at this session. The US supported the IAG's conclusions on the value of teleconferences, but highlighted the need for transparency and dissemination of the results to all members.

On the Chair's proposal for a donors' coordination group, the EC queried the function of such a group relative to existing bodies. The US called for awareness-raising on sources of funds and non-traditional donors but, opposed by Malaysia and Indonesia, said that a formal donor coordination mechanism may not be necessary. The US thanked Japan for its leadership on coordinating virtual donor discussions in the spring cycle, noting its success.

Malaysia called for a change in format for ITTC sessions or postponement of some agenda items due to the tight schedule.

Japan called for a more structured modality for coordinating donors, lamenting the tight schedule for this session. Indonesia called for funding the three Thematic Programmes yet to be funded.

The Chair suggested the formation of a contact group on donor coordination, but this was not supported.

ENHANCING COOPERATION BETWEEN ITTO AND CITES: The Secretariat noted two species that have been proposed for CITES Appendix II listing in Latin America: *Aneba rosiodora* (Brazilian rosewood), proposed by Brazil, and Argentinean *Lignum vitae*, proposed by Argentina. He said that in both cases the ITTO and other range countries must be consulted, and these consultations are taking place. He announced ITTO's participation at CITES COP-15 in Doha in 2010 and other cooperative work with CITES, including co-sponsorship of a meeting for improving non-detriment findings, ITTO comments on proposals for listings, and training countries in annotation of timber species.

The Secretariat reported on a CITES-ITTO programme aimed at improving country capacity for implementing CITES listing requirements for tropical tree species. He reviewed the funding situation, the programme's scope, and initial projects, and said 13 projects are pending funding. Malaysia described four projects funded by the programme to build capacity for DNA tracking and *in vitro* production and to assist with non-detriment findings. Peru said the programme has facilitated advances in developing non-detriment reports. The US, supported by the EC and Switzerland, stressed the importance of the thematic approach as a way to gather more funding for the work of the organizations.

REVIEW OF THE TIMBER SITUATION: The Secretariat presented the Annual Review and Assessment of the World Timber Situation (ITTC(XLV)/6). She noted limitations due to, *inter alia*, data gaps for some producer countries, and discrepancies between importing and exporting country data. On the Review's findings, she highlighted, *inter alia*: China's increasing imports of tropical roundwood; the diversity of sawnwood importers; Asian dominance in sawnwood exports; and a decline in Japan's plywood imports and in secondary products exports from producers. She said that the global financial crisis combined with a negative public perception of the environmental impacts of tropical timber had been drivers of decreased trade.

RECENT POLICY DEVELOPMENTS IN MARKETS: Flip van Helden (EC) updated participants on European Union (EU) measures against illegal logging and trade, including the 2003 EU Forest Law Enforcement, Governance, and Trade (FLEGT) Action Plan, related VPAs, and ongoing European legislative efforts to develop due diligence regulations. He noted that VPAs are voluntary but carry obligations, once agreed, based on the laws and procedures in the timber exporting countries, and they aim to guarantee the legality of timber exports from partner countries to the EU through control measures, licensing systems, and EU support. He announced completion of VPAs with Ghana and the Republic of Congo and ongoing negotiations with other countries. He noted that ongoing due diligence legislative efforts are intended to address the risks of laundering and circumvention of FLEGT VPA controls and will specify obligations for operators who place timber in the market within the EU, but that risks will be assessed and FLEGT- and CITES-compliant timber imports will be presumed legal.

David Brooks (US) reported on US efforts to combat illegal logging and associated trade in the context of the Lacey Act of May 2008. He stressed key themes of consultation, transparency, capacity building, partnerships between governments, the private sector and civil society, and enforcing obligations, specifically under trade-related agreements. He said the Lacey Act is just one enforcement tool to combat trafficking in illegal wildlife through prohibiting trafficking and false labeling, it applies to both imported and domestically produced timber products and, unlike the EU due diligence approach, it is based on investigation of facts rather than documentation and places the burden of proof on the US government. He differentiated between forfeiture, monetary and criminal penalties, based on how much should have been known about the product.

Delegates then heard four presentations on multilateral funding mechanisms for legality verification. Gerhard Breulmann, ITTO Secretariat, presented on ITTO's TFLET Thematic Programme, calling it a project-based initiative that

allows beneficiaries to define the forest governance activities to be undertaken. Aimi Lee Abdullah, European Forest Institute, explained the work of the EU-FLEGT Facility in supporting the implementation of the FLEGT Action Plan by offering support to and building the capacity of countries wanting to sign VPAs. Eva Müller, Food and Agriculture Organization (FAO), discussed the African, Caribbean and Pacific Countries FLEGT Support Programme, another initiative meant to achieve the FLEGT Action Plan. She reviewed its approach to funding and project selection, stressing its aim to complement other instruments. Stefanie von Scheliha, GTZ, discussed the World Bank's Programme on Forests, a multi-donor trust fund, which finances, carries out, and supports tools and analytic work promoting SFM through work on, *inter alia*, forest governance.

To a question from Japan on the due diligence legislation and VPAs, van Helden said VPA countries will be considered compliant. In response to Colombia, he said they consider FLEGT in free trade agreements, and stressed that they are not concerned about World Trade Organization obligations because VPAs are voluntary. He also noted that FLEGT is about progressing towards SFM. On a question about the scope of VPAs from the Sarawak Timber Association, he said legality definitions encompass all of a country's relevant laws, and stressed that these are determined country-by-country and that VPAs will not selectively address forest-relevant laws. In response to Australia, he agreed that estimating the risk of illegality by assessing the credibility of verification schemes or governance systems could be a useful approach.

To a question on Lacey Act implementation from Japan, Brooks said the US is using phased enforcement and is slowing implementation due to difficulties with declaration requirements for complicated products. Switzerland explained a proposed mandatory declaration of timber origins and species that will enable consumer-product labeling and enhance transparency.

ENTRY INTO FORCE OF ITTA, 2006: Executive Director Ze Meka reported on progress on the entry into force of the ITTA, 2006 (ITTC(XLV)/7/Add.1 and (ITTC(XLV)/7/Rev.1), noting that 48 members have signed the Agreement, of which 27 have ratified: 13 Consumer members and 14 Producer members. He recalled that entry in to force requires ratification by at least 12 Producer members holding a minimum of 60% of the votes, and 10 Consumer members, responsible for at least 60% of the global imports volume of tropical timber in the reference year 2005. He underlined the slow pace of ratification, and mentioned work, supported by Japan and the US, to encourage countries to expedite ratification.

Japan said the new Agreement is important because of its ten-year span and attention to environmental issues. He urged governments to accelerate ratification processes, while noting the need to discuss the extension of ITTA, 1994 to 2010. The EC, Canada, China, Austria, Papua New Guinea, Togo, and Guatemala updated the Council on the status of domestic approvals. Indonesia called for quickened approval processes since broad participation is needed to boost internal markets for tropical timber and improve management. Brazil said it was assessing ITTO's role and the Thematic Programmes, stressing the importance of the assessment for garnering domestic support for the ITTA, 2006, and requested understanding and cooperation from other countries to assist its embassies with the assessment. Switzerland pressed for quick ratification, and said the Council

should begin discussing the Agreement's implementation; agreeing, the US stressed a need for certainty about when and how it will enter into force, especially given the shift in international attention to forests.

ITTO BIENNIAL WORK PROGRAMME 2008-9

PROGRESS REPORT: On Monday, Executive Director Ze Meka presented a progress report on the implementation of the Biennial Work Programme (BWP) 2008-9 (ITTC(XLV)/8). He reported on training activities, workshops, publications and consultancies that had been carried out under the BWP, and highlighted a number of administrative and strategic project activities, including enhanced cooperation on CITES matters related to tropical timber and increased involvement in the activities of the Collaborative Partnership on Forests (CPF) and climate-change related activities. He further noted activities under the BWP that had not received funding, including one on conducting an analysis of community forestry enterprises in each region and sharing lessons among entrepreneurs.

Switzerland congratulated the organization for successfully positioning SFM and tropical forests in climate change talks and its focus on REDD-plus. Germany highlighted its support for ITTO's activities related to fire management.

BIENNIAL WORK PROGRAMME 2010-2011: On the draft BWP for 2010-2011 (ITTC(XLV)/9 Rev. 2), Executive Director Ze Meka summarized proposed activities, with estimated funding requirements totaling US\$9,610,000, including on, *inter alia*, enhancing public education, outreach, and knowledge management and monitoring progress in applying criteria and indicators (C&I) for SFM.

In the ensuing discussion, Japan called for a workshop to share the outcomes of a proposed study on Forest Law Enforcement and Governance (FLEG). Côte d'Ivoire requested a re-launching of tree-planting activities. Switzerland suggested funding some activities under Thematic Programmes or the project cycle. Ecuador offered to host a conference on conservation and protection in transboundary areas. Brazil noted a lack of balance between environmental and economic activities.

The US, supported by China, the EC, and Papua New Guinea, called for a practical, priority-focused BWP. The EC added that this can appeal to current and potential donors. Panama highlighted activities on transport of tropical timber and mangrove recovery. China queried whether BWP activities would deplete resources available for projects. Papua New Guinea, with Mexico, said the functioning of REDD-plus will depend on how countries interpret it, and queried the impact on SFM of a focus on preservation. Mexico noted successful promotion of non-timber forest products for SFM and improved livelihoods. Australia stressed cost-benefit analysis of ITTO projects and equal treatment of certification schemes.

In response, the Executive Director said, *inter alia*, that the Council should determine priorities.

ITTC-45 Vice-Chair Daniel Birchmeier (Switzerland) noted new elements of the BWP, including: work on the impact of the global financial crisis; expansion of civil society and private sector partnerships; work on transboundary conservation; and support to Thematic Programme advisory committees.

Brazil recommended prioritizing ITTO's trade and economics expertise, such as proposed work on impacts of government procurement policies on trade in forest products. Switzerland

asked whether some BWP items might be covered by other financial means. The US suggested adding an annex with information on the Thematic Programmes. He noted cross-cutting activities needing more discussion, such as ITTO's secondment to the UNFF, lessons learned from projects, and activities on major groups. Côte d'Ivoire, on behalf of Producers, announced creation of a Producer working group to consider BWP priorities. The EC said it was also considering priorities. Australia requested information on shifting to implementation of the ITTA, 2006.

Regarding Thematic Programmes, Executive Director Ze Meka explained that only those on TFLET and REDDES had received financing. Germany noted the need to discuss the BWP in conjunction with the biennial budget to see what is financially possible. The US noted that it is premature to discuss funding for an agreement yet to enter into force. Regarding an Annex on Thematic Programme activities, the US proposed leaving a placeholder for Thematic Programmes yet to be implemented.

The Chair established a contact group to discuss the BWP in further detail.

On Saturday, the Council took a decision (ITTC(XLV)/18) adopting the 2010-11 BWP (Decision ITTC(XLV)/2), with an amendment, suggested by the US and supported by the EC, to make this BWP subject to revision if the ITTA, 2006 enters into force.

As opposed to previous BWPs that were structured according to committee, the 2010-11 BWP is structured according to: Core/Council Activities; Committee Work; For Further Development in the Context of the Thematic Programmes; and Financial and Administrative Activities.

Core/Council Activities: On administrative activities, the Council adopted the following activities:

- publication of a quarterly Tropical Forest Update;
- seeking advice from and supporting activities of the Trade Advisory Group (TAG) and Civil Society Advisory Group (CSAG);
- enhancing public relations, education, and outreach activities to convey ITTO achievements;
- assessing submitted project and pre-project proposals through work of the Expert Panel for Technical Appraisal of Project Proposals;
- cooperating and consulting with the CPF and support for UNFF and other relevant international and regional organizations, institutions and initiatives;
- reviewing the achievements of SFM in tropical timber producing forests;
- monitoring progress in the application of SFM criteria and indicators;
- supporting the ITTO Children's Environmental Education Programme on Tropical Forests;
- supporting the Thematic Programme Advisory Committee;
- examining the implications of climate change for tropical forests and the role these forests play in mitigating climate change effects;
- assessing the implications of the global economic and financial crisis for the tropical forest sector and helping countries build resilience to future downturns through information on market drivers;
- analyzing the economic impact of government procurement policies for the tropical timber markets;

- assessing resources required to implement SFM;
- considering progress in implementing the 2010-11 BWP;
- considering the Draft 2012-13 BWP;
- reviewing measures related to the entry into force of ITTA, 2006;
- deciding on eligibility of approved actions, projects and pre-projects for funding out of Sub-Account B of the BPF;
- deciding on project work, including financing, accounting for recommendations made by the Committees on project proposals and on-going and completed approved projects;
- making allocation from unearmarked funds available in the BPF and/or Special Account to fund implementation of eligible approved actions, projects and pre-projects;
- considering progress in the implementation, monitoring and evaluation of pre-projects, projects and activities under the Thematic Programmes Sub-Account;
- compiling the annual/biennial review and assessment of the international timber situation;
- considering the reports of the IAG;
- ensuring effective monitoring and evaluation of approved projects in the relevant Committees;
- reviewing the results of relevant project and policy work of the Committees;
- selecting projects for *ex-post* evaluation following procedures outlined in ITTC Decision 3(XXVIII);
- providing guidance on the formulation of relevant project proposals that meet the priorities set in the ITTO Action Plan 2008-2011;
- disseminating information on project findings and results;
- increasing the involvement of non-governmental stakeholders in the activities of the organization; and
- furthering work on civil society/private sector partnerships for SFM, certification and legality verification.

Committee Work: The following biennial committee work was adopted by the Council:

- collaborating with the TAG for the ITTO Annual Market Discussion on the world tropical timber trade during ITTC sessions in 2010 and 2011;
- publishing the ITTO bi-weekly Market Information Service; and
- investigating gender equity in relation to forest management and enterprises.

For Further Development in the Context of the Thematic Programmes: On work in the context of the Thematic Programmes, the Council adopted activities on:

- sharing the outputs, outcomes, impacts and lessons learned from ITTO's project work and its contributions to SFM and sustainable development in member countries, with special focus on community involvement/participation;
- showcasing improvements of new technology from ITTO projects;
- considering impacts of conservation and protection in transboundary areas in relation to achieving SFM;
- promoting accessible financing for small and medium forest enterprises;
- enhancing African timber and timber projects for sustainable intra-African trading;
- promoting roles of non-timber forest products and services for SFM and improved livelihood in tropical countries;

- promoting the adoption of voluntary codes of conduct for forest industry enterprises;
- supporting selected producing member countries to promote wood-based bioenergy using wood residues and waste;
- strengthening capacity to promote efficient wood processing technologies in tropical timber-producing countries;
- enhancing the technical capacity of member countries, particularly developing member countries, to meet statistics and reporting requirements;
- enhancing statistical work and databases on statistics;
- reviewing the timber market in two significant tropical timber-importing countries;
- promoting improvement in forest law enforcement;
- promoting trade in tropical timber and tropical timber products from sustainably managed and legally harvested sources;
- organizing an International Conference on Forest Tenure, Governance and Small and Medium Forest Enterprises in the Asia-Pacific;
- updating of the ITTO Guidelines for the Sustainable Management of Natural Tropical Forests;
- promoting the implementation of guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land;
- facilitating the application of the ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests; and
- enhancing cooperation between ITTO and CITES.

Financial and Administrative Activities: The Council adopted the following activities on financial and administrative issues:

- reviewing the independent audited statements for the 2009 and 2010;
- making recommendations to the Council on the appointment of auditors for a three-year term for the purpose of auditing the accounts of the Organization for 2010, 2011 and 2012 financial years;
- reviewing the Organization's Administrative Budget for the year 2011 of the Biennial Administrative Budget for 2010-2011;
- examining and making recommendations to the Council, regarding the approval of the Organization's Biennial Administrative Budget proposals for 2012-2013;
- reviewing the assets of the Organization to ensure prudent asset management and sufficient reserves to carry out ITTO's work; and
- examining and making recommendations to Council on the budgetary implications of the Organization's work programme, and the actions that might be taken to secure the resources needed to implement it.

ESTABLISHMENT OF A PRIVATE SECTOR

CONSULTATIVE BOARD: The US presented its proposal for the establishment of a private sector consultative board, modeled after similar boards of other commodity agreements, stating that its purpose would be to recognize the importance of the commercial private sector to the ITTO, and to enhance the value of the ITTO to tropical timber exporters and importers. He said that in addition to providing recommendations to the Council,

the value of the proposed formal structure would be to provide a venue for the private sector to discuss relevant issues amongst themselves.

Malaysia noted that the Council was already receiving input and views on trade issues from the TAG and CSAG and various technical committees, and cautioned against privatizing the organization. The US responded that the board would be a subsidiary body of the ITTO.

The EC supported the proposal, and called for further discussion of its goals. In response to a Norwegian query on the added value of the proposed board, the US highlighted: the formalized structure and ability of the Council to select board representatives; increased transparency and elevated importance of private sector participation; and improved communication among board members.

Ghana asked who should bear the cost of board member participation, and the US replied that an initial investment by ITTO would likely be necessary, but that similar boards of other agreements are self-supported. Australia said industry would also benefit from better understanding the ITTO's activities. Indonesia called for a careful assessment of the role of the private sector in the ITTO.

A TAG representative cautioned against focusing on form rather than substance, and against creating an exclusive board, and called for more participation of major consumers in the TAG.

ITTO OBJECTIVE 2000: Diagnostic Mission to Cameroon: Kouami Kokou, ITTO consultant, presented the results of a diagnostic mission to Cameroon (ITTC(XLV)/10) meant to: identify and rank factors constraining SFM; recommend actions to overcome these factors; and estimate their costs. The mission identified: political, legal, regulatory and governance constraints; economic constraints; institutional constraints; and technical constraints. The mission also made recommendations to the Cameroon government, the ITTO, and others, stressing a broad range of necessary reforms. Cameroon said the mission's work was critical and positive and will inform ongoing reforms. He stressed the constraints identified are relevant to other tropical countries and urged funders to support the implementation of the mission's recommendations. Japan commended Cameroon's commitment and stressed that, as with many producing countries, constraints on SFM often emanate from outside the forest sector. He also requested: more specific recommendations, such as ranking or prioritizing the necessary reforms; greater attention to the results of past ITTO activities; and further analyses of supply side constraints. Switzerland, supporting Japan, requested more advice on how ITTO can help Cameroon and better analysis of the ITTO's past activities in this vein.

Review of ITTO Diagnostic Missions: Marc Dourojeanni, ITTO consultant, presented the Review of ITTO Diagnostic Missions (ITTC(XLV)/11) assessing the validity, efficiency, and effectiveness of 20 missions between 2001 and 2008. He called for, *inter alia*: revising the scope and terms of reference for missions; improved team selection and implementation of mission recommendations; and limiting missions to countries seeking advice.

Switzerland called for improved mission evaluation. The EC questioned the value of projects that do not advance SFM in recipient countries. Liberia said the mission in its country

informed governance reforms. Japan, supported by the US, agreed that host countries must be willing to implement advice; the US added that missions should only be deployed where unique circumstances in a country demand examination. Indonesia called for guidelines for implementing mission recommendations. Colombia, supported by Togo, Côte d'Ivoire, Cameroon and Thailand, stressed the need for funding.

THEMATIC PROGRAMMES: The Secretariat gave an overview of the current status of the Thematic Programmes and invited Members to announce new contributions (ITTC(XLV)/12). He noted that only two of the five Thematic Programmes had been funded so far, to be carried out in pilot projects over three years, and gave an overview of the advisory committees established for their implementation. He said that in the spring cycle, four proposals were received for the Thematic Programme on TFLET, of which two were funded, and REDDES had received 12, of which one was funded. He noted that the number of proposals had increased in the autumn cycle, totaling 35 from 18 countries. He said that lack of funding may limit further Thematic Programme activities. The US and Norway highlighted that Thematic Programmes are only limited to pilot status because of "frustratingly slow" entry into force of the ITTA, 2006. The EC stated that funding is forthcoming from the EU.

The UK announced a contribution of US\$1 million to TFLET. Norway, Japan and the US said their contributions were in the process of being finalized. The US and Switzerland said their contributions target the initiation of the Thematic Programmes on Community Forest Management and Enterprises and Trade and Market Transparency, with Switzerland pledging US\$900,000. Executive Director Ze Meka delivered a statement on behalf of the Japanese International Cooperation Agency pledging US\$50,000 to REDDES and launching a new training course on strengthening capacity for forest conservation in the Congo Basin.

DEVELOPMENTS IN THE UNFCCC: Jürgen Blaser, ITTO consultant, reported on developments in the UNFCCC regarding REDD and on the implications of this for tropical forests and tropical timber producers (ITTC(XLV)/13). He delineated three categories of work: reducing deforestation and increasing forest conservation; reducing degradation and enhancing existing forest stocks; and creating new forests. He noted differences in terminology that have arisen, including: ITTO's use of "SFM," as opposed to "sustainable management of forests" under the UNFCCC, which he suggested could result in a greater emphasis on conservation; and "forest restoration" versus "enhancement of carbon sinks." He said other key issues include: the choice of policy instrument for forests in the post-2012 climate change scenario; the need for further work on modalities and procedures through the UNFCCC; the choice of financing mechanisms for implementing climate-related forest policies; and technical issues such as reference levels, additionality, monitoring, reporting and verification, leakage, and permanence. He noted ITTO's work on forest restoration, tropical timber production forests as carbon reservoirs, and the REDDES Thematic Programme. He called for strengthening ITTC's capacity to participate in the UNFCCC process to ensure that its experience is included in discussions on REDD, and for further developing REDDES.

In the ensuing comments, Brazil, supported by the US, cautioned against overlaps, duplications, and conflicts between different instruments with regards to climate change. She recommended limiting ITTO's role to reporting on UNFCCC-related negotiations, and objected to policy approaches based on non-consensus-based positions such as the document's assertion that biofuel production has a negative effect on food prices. Switzerland stressed the importance of ITTO activities and the role of timber-producing forests vis-à-vis climate change. She called for further development of C&I guidelines in the context of climate change and for continued updates on ITTO's climate change-related initiatives and progress. The US suggested considering the report's recommendations under REDDES. He emphasized that climate change negotiations do not change the core work and relevance of the ITTO on slowing deforestation and furthering SFM.

ITTO FELLOWSHIP PROGRAMME: The Secretariat reported progress on the implementation of the ITTO Fellowship Programme (ITTC(XLV)/14) and the work of the Fellowship Selection Panel (ITTC(XLV)/15), reviewing the number, topic focus, and regional distribution of fellowships awarded and the approach taken to selecting the 2009 recipients.

DRAFT ANNUAL REPORT: The Secretariat presented the Draft Annual Report for 2008 (ITTC(XLV)/4), reviewing the activities in 2008 including: ITTC-44; policy work on Thematic Programmes, *inter alia*; conferences, workshops and diagnostic missions; and funding for projects, pre-projects and activities.

SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND: On Saturday, Chair Maue opened the floor for the announcement of voluntary contributions to the Special Account and the BPF. Switzerland announced that in addition to the US\$1.5 million already announced during ITTC-45, US\$4 million would be contributed to a trust fund from which future pledges would be drawn.

OTHER BUSINESS: In a statement to the Council, the CSAG expressed interest in helping to expand ITTO stakeholder engagement, review projects and organize conferences, and called for ITTO to provide further national and regional workshops on preparing project proposals.

FAO reported on collaborative work between ITTO and FAO, including: data gathering for the global forest resources assessment; publishing a policy brief on forest law compliance and governance and on monitoring of forest degradation; and financing for SFM and trade and processing of wood and non-wood forest products.

The Republic of Korea invited ITTO participants to attend the 23rd IUFRO World Congress, on Forests for the Future: Sustaining Society and the Environment. He said the Congress, to be held in Seoul in 2010, will cover the science of degradation caused by climate change and forests as carbon sinks. It was also noted that the Korean government has given US\$3.6 million in support of the Congress.

JOINT COMMITTEE SESSION

On Tuesday, participants met in a Joint Committee session to discuss the report of the Expert Panel for Technical Appraisal of ITTO Project Proposals and to discuss *ex-post* evaluations of projects linked to the four Committees.

REPORT OF EXPERT PANEL: The Chairs of the four Committees presented the Report of the Expert Panel for Technical Appraisal of ITTO Project Proposals (ITTC/EP-37 and EP-38). CRF Chair Hideaki Takai (Japan) reviewed the terms of reference for the Panel's work and the procedures for review, noting the transition to the third edition of the ITTO Manual for Project Formulation. He said the 37th and 38th meetings of the Panel assessed 28 and 31 proposals, respectively. He highlighted project weaknesses, including immeasurable indicators, poor use of ITTO project guides, and limited attempts to learn from past ITTO projects and missions. He called for improving the use of the Project Formulation Manual and said the new assessment scoring system is intended to reduce subjectivity and inconsistency. He recommended: better stakeholder participation in project formulation; more focused projects; improved use of ITTO guides; national-level prioritization of submissions; and more ITTO training in project development.

Switzerland commended the improvements in the evaluation process, while the US queried whether the new approaches are improving project performance. Cameroon supported national pre-selection of projects, and, with China and Indonesia, increased training.

EX-POST EVALUATIONS: Erik Lammerts van Bueren, ITTO consultant, presented on the *ex-post* evaluation of a project on expanding and improving the Global Mangrove Database and Information System (GLOMIS). He stated that while GLOMIS is a comprehensive, up-to-date information system, indicators on its use are lacking due to flaws in the project design. Japan, as host government for GLOMIS, noted difficulty in finding indicators and measuring the impacts of "soft output" projects.

Jean-Marie Samyn, ITTO consultant, presented a synthesis report on the impacts and long-term effects of six projects on forest management and inventory (CRF(XLIII)/4). He outlined national-level impacts, including the projects' effects on concession management, introduction of reduced impact logging (RIL) practices, integration of the social dimension and participatory approaches, and capacity building for SFM. He recommended that future project design have a longer-term perspective, include stakeholder participation from the start, and incorporate information on expected extended impacts and capacity building to evaluate these. He stressed that projects should work at both the local and policy dialogue levels.

Australia stressed that the ITTO should help donors understand the financial returns of these projects. Colombia underscored the difficulties in emphasizing a long-term perspective with such projects. Switzerland called for a more focused thematic approach for evaluations.

Antonio Manila, ITTO consultant, presented on the *ex-post* evaluation of a project on the sustainable use of bamboo in Myanmar, emphasizing its contributions to meeting ITTO Objective 2000 and the Yokohama Action Plan.

Hiras Sidabutar, ITTO consultant, presented *ex-post* evaluation reports of two projects in the Philippines. He explained that the first, on establishing stress grading guidelines for timber products, was only partially successful due to lack of market interest, and that the second project, on enhancing the quality of wood furniture, was fairly successful despite weak project design and objectives.

Erika del Rocío López Rojas, ITTO consultant, presented *ex-post* evaluations of projects on: developing and assessing management techniques for forests in Antimary State Forest, in Acre, Brazil; enhancing forest product processing in the Puerto Dias Extractive Reserve of Brazil; and enhancing capacity for training on RIL in Guyana. She noted good prospects for the ongoing sustainability of the projects, but underlined weaknesses in project design and in the use of indicators for performance evaluation.

Brazil and Guyana noted the projects' positive impacts, and Brazil suggested that the ITTO evaluate the Expert Panel's conclusions about project performance. CRF Chair Takai concluded that project design is important, but does not guarantee success, and that good project teams and country-level support are also important.

ANNUAL MARKET DISCUSSION: Barney Chan, TAG Coordinator, opened the session on Tropical Timber Markets at a Crossroads: A Buyers Perspective. Andy Pitman, TRADA, reported on the UK and EU market situation for tropical timber, noting increased competition from temperate and boreal timbers and reviewing trends in market requirements for construction materials. Shengfu Wu, China National Forest Products Industry Association, presented on changes in China's market for tropical timber, reviewing, *inter alia*: China's import, export, and production capacity across products; trends towards plantation wood; technological changes in processing; forest laws and programmes; certification developments; and future market trends. Ramkrishna Somaiya, Indian Plywood Association, described India's strong and growing demand for tropical timber, while lamenting the declining quality of tropical wood coming from monoculture plantations for species such as teak, and highlighted the benefits of growing trees as part of a functioning ecosystem. He reassured producers that raw material shortages mean demand will remain strong for tropical timber, regardless of quality.

Y. Ohashi, Japan Lumber Importers' Association, reported on Japanese trends in timber imports, supply, demand and stock situation. He highlighted drops in log and plywood imports and increasing domestic softwood plywood production, and outlined Japan's green procurement policy. He called on governments to produce incentives for the timber industry and housing construction.

Stefan Wille, AKTRIN Group, reported on the characteristics of US wood and wood products markets. He noted that the US share of global consumption of roundwood is 24%, of sawnwood 28% and of furniture 29%, and that tropical lumber comprises 18% of its overall hardwood imports. He highlighted the increased demand for imported wood products due to the decline in US commercial forest land. Indonesia queried India's high duty on wood products as compared to raw materials. Somaiya responded that as per a recent Association of Southeast Asian Nations (ASEAN) agreement, this duty will be reduced proportionately every year over five years.

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

The CEM and CFI, chaired by Siti Syaliza Mustapha (Malaysia) and James Singh (Guyana), respectively, met from Tuesday to Friday to consider: *ex-post* evaluations; policy work;

completed projects and pre-projects; projects and pre-projects in progress; approval of project and pre-project proposals; election of officers; and dates and venues of future Committee meetings.

COMPLETED PROJECTS AND PRE-PROJECTS:

Presentations were given on the results of the following completed projects and pre-projects (CEM-CFI(XLIII)/2):

- a comprehensive information system for sustainability of the wooden furniture industry in Malaysia;
- collecting and disseminating information on timbers of tropical Africa;
- promoting Guatemalan certified timber and timber products;
- systematizing and modeling economic and technical information to train professionals in timber production, processing and marketing in Colombia;
- establishing a national forest and timber marketing statistics system in Ecuador;
- promoting non-timber forest products (NTFPs) in China;
- demonstrating rubberwood processing technology in China and other Asian countries;
- convening an international conference on innovation in tropical forestry and forest product industries in Côte d'Ivoire;
- strengthening capacity to promote efficient wood processing technologies in Indonesia;
- convening a regional workshop on teak plantations in India; and
- developing a local forest industry based on SFM within the Mayan Biosphere Reserve in Guatemala.

On a project to create and sustain markets for environmental services from China's tropical forests, China said the project faced unforeseen challenges in implementation since markets for forest ecosystem services were new to China. Switzerland asked that a revised final report reflect these challenges.

Four projects were approved for *ex-post* evaluation:

- collecting and disseminating information on timbers of tropical Africa;
- strengthening the capacity to promote efficient wood processing technologies in Indonesia;
- development of sustainable rattan production and utilization through participation of rattan small holders and industry in Indonesia; and
- promoting selected NTFPs based on community participation to support SFM in East Kalimantan, Indonesia.

PROJECTS IN PROGRESS: The Committees considered 41 projects and ten pre-projects under implementation; one project and one pre-project pending agreement; and eight projects pending financing.

CEM Projects and Pre-Projects Under Implementation:

The CEM considered four projects and pre-projects nearing completion. On a project to upgrade and strengthen the national forest statistical information system in Venezuela, delegates noted that a technical manual, report, and final equipment purchases remain for completion.

On a pre-project in the Democratic Republic of Congo to establish a forest statistics management system, the Secretariat noted the lack of a final report. The Committee then accepted the Secretariat's proposal to suspend the pre-project, ending any further payments.

CFI Projects and Pre-Projects Under Implementation:

The Secretariat noted it was awaiting reports from projects on: research and development of alternative energy from biomass

in Malaysia and Cameroon; establishing a woodworkers and craftsmanship village in Ghana; a handbook on tree and wood identification of 100 lesser-used and lesser-known timber species from tropical Africa; and improving strategies to achieve SFM in Suriname.

On a project for developing skills and technical structures in Cameroon, Switzerland and Japan called for an evaluation of problems and successes from the first phase before starting the second. The CFI approved a request by Peru to extend a project on applying intermediate technologies for sustainable harvesting. Japan and the US accepted a request by Guyana to use unutilized funds towards further project activities with regard to developing a vocational training programme in RIL and SFM. The Committee requested additional information on a revised proposal for a project promoting forest sector activities by Gabonese nationals through small and medium enterprise partnerships. Gabon agreed to produce a revised timeline to complete the project within six months and to submit a progress report in December 2009.

Projects Awaiting Implementation Agreement or Financing: The Committees noted two projects awaiting implementation agreements, and eight projects approved at earlier sessions awaiting funding. On a pre-project on strengthening Thailand's national forest information system, Thailand reported on its imminent signing of the agreement.

BWP 2010-2011: Chair Singh presented the Committees with a list of activities relevant to CEM/CFI under the BWP 2010-2011 (ITTC(XLV)/9 Rev.2). Upon the US's request to prioritize activities, the CEM/CFI prioritized all activities, including on:

- promoting accessible financing to small and medium enterprises;
- enhancing African timber markets;
- promoting NTFPs;
- promoting wood-based energy;
- strengthening wood-processing technologies;
- organizing the Annual Market discussion in 2010 and 2011;
- publishing bi-weekly reports of the market information service;
- enhancing Producers' technical capacity to meet statistics requirements and build databases; and
- presenting the timber market situation in two member countries.

The US called for identifying activities as possible Thematic Programme-related projects.

On an activity to strengthen the capacity to promote efficient wood-processing technologies in Asia-Pacific, members requested its extension to Latin America and Africa. Papua New Guinea and Japan requested information on similar past projects to avoid duplication.

POLICY WORK: Reviewing Timber Markets: Michael Adams, ITTO consultant, presented a review of the UK timber market (CEM-CFI(LXIII)/5), noting that, in spite of the poor economic conditions, opportunities for tropical timber exporters remain, especially for producers of final products that adhere to certification or legal-verification requirements. Responding to Malaysia, he said the UK has not adopted an economic stimulus specific to timber processing.

Long-term Outlook for Tropical Timber: James Turner, ITTO consultant, presented a report forecasting the long-term outlook in tropical timber (CEM-CFI(LXIII)/7), outlining

four modeled scenarios ranging from optimistic to pessimistic outcomes for tropical timber, based on economic, societal and political drivers and trends. He stressed the importance of global economic recovery, perceptions of tropical timber in existing and developing markets, and investment climate as key to influencing future scenarios.

The Secretariat reviewed policy activities on: strengthening policies and opportunities for forest investment; enhancing statistical work and training workshops; studying technical and environmental standards for tropical timber in international markets; working with the TAG to organize the annual market discussion at ITTC-44 and 45; and promoting wood-based bio-energy using wood residues and wastes in tropical countries. Thailand said they would like to participate in future activities to promote wood-based bio-energy.

Monitoring the Competitiveness of Tropical Woods:

Rupert Oliver, ITTO consultant, presented on tropical timber's competitiveness vis-à-vis other wood and non-wood products (CEM-CFI(XLIII)/8). He commented on wood's loss of market share, as well as tropical wood's loss to other wood, due to many factors including denigration of tropical wood. He said that tropical timber's strengths included the wood's superior natural quality and aesthetics, range of species, presence of high-value niche markets and favorable design trends. He recommended that ITTO facilitate the development of an industry-wide, design-led generic marketing campaign for tropical hardwoods.

The EC queried whether producers had to choose between focusing on high-volume plantations of low-grade softwoods or on hardwood niche markets, to which Oliver replied that both options could be pursued since they appeal to different markets. The EC also asked how competing producers are expected to cooperate to market timber, to which Oliver suggested they focus on commonalities such as the message that wood is a carbon-friendly material. Malaysia recommended that the ITTO promote the use of tropical timber by application rather than species, to assist the acceptance of lesser-known species.

On assisting market remuneration for forest environmental services, the Secretariat reported that Peru had prepared a project proposal for REDDES, and they were helping Liberia to do so.

Promoting Further Processing: The Secretariat reported on implementing four case studies promoting secondary processing in tropical timber. Côte d'Ivoire presented a case study on production and marketing of wood charcoal in metal stoves, describing results such as increased employment and income for women and youth and higher efficiency in charcoal production.

Monitoring Developments and Progress in Timber Procurement Policies: Markku Simula, ITTO consultant, presented a comparative analysis on developments and progress in timber procurement policies (CEM-CFI(XLIII)/6). He noted that of 12 Producer and Consumer countries with central government policies in operation, some had elaborate criteria to prove supplier compliance with legality and/or sustainability, while others refer to existing certification schemes. He noted that Producer countries had the option to demonstrate compliance through government-implemented assurance systems or private sector-implemented systems. He recommended that ITTO, *inter alia*: monitor demand, supply and trade of verified timber; and explore the feasibility of common standards or guidelines.

The EC commented that the report was heavily biased towards EU schemes, and called for outlining the underlying principles on which each scheme was based to clarify the schemes' rigor. He expressed reservations with the recommendation to facilitate producers' participation in designing of schemes, noting that this was up to the legislative body creating the policy. The US added that defining legality was also up to individual countries, making it infeasible to harmonize policies. Simula commented on the need to facilitate producers' ability to meet different countries' requirements.

Market Access: The Secretariat called attention to issues affecting market access, including weak demand for tropical timber from major markets and the strengthened awareness of SFM and legality issues. He recommended that ITTO strengthen market information and dissemination and monitor new initiatives.

Forest and Timber Certification: The Secretariat highlighted an ITTO report on the comparability and acceptance of timber certification schemes. He said only a few developing countries had national certification schemes, and noted that the additional costs of certification and institutional weakness slowed uptake of certification in developing countries.

Annual Review of World Timber Situation: James Turner, ITTO consultant, described how data from ITTO's Annual Review of the World Timber Situation was used to modify a global forest products model to forecast the tropical timber market. Switzerland suggested highlighting the future of the tropical timber supply, and the US called for a statement on key lessons learned from forecasted outcomes.

OTHER BUSINESS: TAG recommended that ITTO play an active role in countering the decline in tropical timber trade by promoting it in markets. On the proposed private consultative board, he called for more attention to substance rather than form, and questioned whether the Council would pay attention to such a board's advice, noting past advice from TAG that had not been considered. He announced that the theme for the 2010 Annual Market Discussion would be "Innovations and technologies in the wood-based industry."

RECOMMENDATIONS TO ITTC: The Chair reminded donors that several projects were awaiting funding.

ELECTION OF CHAIR AND VICE-CHAIR FOR 2010: The CEM/CFI elected Carla Boonstra (the Netherlands) as Chair of CEM, and Carlos Gonzalez Vicente (Mexico) as Vice-Chair. Kug-Bo Shim (Republic of Korea) and Samuel Ebia Ndongo (Cameroon) were elected CFI Chair and Vice-Chair, respectively.

DATES AND VENUES OF FUTURE MEETINGS: It was agreed that the forty-fourth and forty-fifth meetings of the Committee will be held in conjunction with ITTC-46 and ITTC-47, respectively.

REPORT OF THE SESSION: On Friday, the draft report (CEM-CFI/XLIII/11) was accepted, with minor amendments, by the Committee for submission to the Council.

COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT

The Committee on Reforestation and Forest Management (CRF), chaired by Hideaki Takai (Japan), met from Tuesday to Friday to consider: *ex-post* evaluations; policy work; completed

projects and pre-projects; projects and pre-projects in progress; approval of project and pre-project proposals; election of officers; and dates and venues of future Committee meetings.

COMPLETED PROJECTS AND PRE-PROJECTS:

The Committee considered completed projects and pre-projects, including those with final financial audits pending (CRF(XLIII)/2).

Seven projects were considered complete, including financial audits:

- intensifying teak forestry in Côte d'Ivoire;
- creating an alternative financing model for SFM in Colombia (both phases);
- managing mangrove forests in Egypt;
- teak conservation in Myanmar;
- applying internal monitoring of SFM at the forest management unit level in Indonesia; and
- reforestation and nutrition promotion by women's groups in Ghana.

Switzerland commented that completed project reports should highlight concrete project outcomes and impacts.

Six projects were considered complete pending financial audit:

- testing ITTO's revised C&I in Cameroon;
- implementing a permanent network of stand dynamics monitoring plots in Côte d'Ivoire;
- sustainable management of secondary forests in Peru;
- fire monitoring based on remote sensing data in China;
- sustainable management of mahogany in Peru; and
- community participation in producing planting materials for indigenous species plantations in Bali.

On the project to improve forest fire monitoring and forecasting in China, Chair Takai called for a mechanism to compare and synthesize lessons from fire-related projects and Johann Goldammer, ITTO consultant, noted relevant work of the Global Wildland Fire Network. Indonesia, Panama and Mexico called for further ITTO work on fire forecasting and prevention.

On the project to produce plant material for indigenous species plantations in Bali, participants asked how the work could be scaled up to other Indonesian districts. Indonesia replied that they were spreading the idea of community participation in planting.

The Committee considered six pre-projects as complete, four of which were pending financial audits. On a completed pre-project in Papua New Guinea on reforesting tropical savannahs with teak, Indonesia asked about lessons learned in financial feasibility in the short and long-term.

EX-POST EVALUATIONS: The Committee established an informal working group to select projects for *ex-post* evaluation (CRF(XLIII)/5). Reporting on results of the group, Brazil said 13 projects and pre-projects were proposed for *ex-post* evaluation, and, supported by Switzerland, the US and the UK, proposed a meta-analysis to help inform future *ex-post* evaluations. Switzerland and the US called for revising the terms of reference for the evaluations. The Committee approved the selected projects.

PROJECTS IN PROGRESS: The Committee considered 61 projects under implementation, and granted extensions for projects on:

- community involvement in forest management and management of a forest reserve in Cameroon;

- mangrove forest evaluation in Venezuela;
- a reforestation pilot project, sustainable production under concessions in national forests, and a management regional training center in Brazil;
- binational conservation in Ecuador and Peru;
- criteria for management of mangrove and flooded forests, management of shoot-borers, and C&I for tropical forest management in Mexico;
- building capacity to develop and implement afforestation and reforestation projects under CDM; and
- establishing a transboundary gorilla sanctuary in Cameroon-Gabon.

On the Cameroon-Gabon gorilla sanctuary, Switzerland questioned the value of expanding this to a tri-national project, considering that all transboundary activities had been unsuccessful.

The Committee agreed that the Secretariat should urge two Brazilian executing agencies to use the appropriate ITTO template to submit a series of late reports for projects on a modular system of forest management and on conservation and recovery of degraded land in family agriculture units.

Three projects are awaiting implementation agreements and 17 are awaiting funding. Four pre-projects under implementation were considered.

POLICY WORK: Biodiversity Conservation Guidelines:

The Secretariat reported on the publication of updated ITTO/IUCN Guidelines for Conservation of Biodiversity in Tropical Production Forests.

Fire Management in Tropical Forests: Johann Goldammer, ITTO consultant, presented on ITTO's activities related to global wildland fire issues. The Secretariat, supported by several members, suggested using a budget surplus from an activity on fire management to sponsor the participation of Producer country members in the Fifth Wildland Fire Management Conference in 2011. The donor country, Japan, said funds could not be transferred to a new activity, and suggested modifying ongoing activities to include conference participation, to which the Committee agreed.

Forest Management Guidelines: Carol Saint-Laurent, IUCN, presented on collaborative work with ITTO to advise on implementing the ITTO Guidelines for Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests, through workshops on forest landscape restoration held in several countries. She supported increasing transparency about financial and human-resource commitments from the collaborators, and complementarity with other work on these issues.

Progress in C&I Application: On progress in applying C&I for SFM, the Secretariat noted 25 national C&I workshops that had been held, and ongoing work on the impact of C&I at the forest management unit level.

Updating ITTO SFM Guidelines: Jürgen Blaser, ITTO consultant, presented on revising ITTO's Guidelines on Sustainable Management of Tropical Forests in order to reflect changing priorities in forest management, including: the shift from timber-centric to multiple-use management and the valuation of non-timber goods and services; climate change adaptation and forest carbon management; and a revival of silvicultural and polycyclic management. Australia commented on the need to clarify the difference between SFM

and "sustainable management of forests." Chair Takai called for clarifying the target audience. The Committee endorsed the general direction of the Guidelines' revision.

Stakeholder Involvement in ITTO Activities: Augusta Molnar, Rights and Resources Initiative, presented on a conference on and assessment of forest tenure in Central and West Africa. She noted that since 2002, government-administered tenures are decreasing while tenures held and owned by communities, indigenous peoples and companies are increasing, and called for further tenure and legal reforms.

BWP 2010-11: The Committee was requested to assess the relevant activities under the draft BWP 2010-11 (ITTC(XLV)/9 Rev.2), specifically on two Expected Outcomes, "Tropical forest resources better secured" and "Tropical forest resources sustainably managed." The US and Colombia supported adding considerations for wildfire under the latter. Brazil requested more information on an activity in the former on promoting gender equity and forest tenure, and Liberia said the activity on gender equity should not include a reference to forest tenure. Brazil noted that it was premature to develop and disseminate guidelines on tropical forest tenure considering that a conference on tenure had yet to take place in the Asia-Pacific. The US said the Asia-Pacific conference should receive TFLET funds.

Reporting back from a contact group on this, Chair Takai introduced revised terms of reference for these activities that do not include developing guidelines for tropical forest tenure, which would only occur after the Asia-Pacific conference and would not aim to produce guidelines. Australia called for a synthesis report drawing lessons from the forest tenure conferences in the three regions. Participants agreed to add an output on a policy brief informing decision makers and industry of the multiple forest tenure issues and assisting small and medium enterprises to verify the legal origins of their resources.

ELECTION OF CHAIR AND VICE-CHAIR FOR 2010:

The CRF elected Tabi Agyarko (Ghana) as Chair and Patrick Hardcastle (UK) as Vice-Chair.

DATES AND VENUES OF FUTURE MEETINGS:

It was agreed that the forty-fourth and forty-fifth meetings of the Committee will be held in conjunction with ITTC-46 and ITTC-47, respectively.

OTHER BUSINESS: The Secretariat distributed information on an ITTO/World Agroforestry Centre study on timber supply from agroforestry systems. The Committee took note of the study.

REPORT OF THE SESSION: On Friday, the draft report of the Committee (CRF(XLIII)/6) was accepted, with minor amendments, by the Committee for submission to the Council.

COMMITTEE ON FINANCE AND ADMINISTRATION

The CFA, chaired by Schadrack Ondoua Ekotto (Cameroon), met from Tuesday to Friday to consider, *inter alia*: the administrative budget for 2010-2011; review of contributions to the administrative accounts; status of the Administrative Account; resources of the Special Account and the BPF; the Auditors' Report for 2008; the draft ITTO handbook; the biennial work programme of the CFA for 2010-2011; and other business. The Vice-Chair for the session was David Brooks (US).

REVIEW OF CONTRIBUTIONS TO THE ADMINISTRATIVE BUDGETS: The Secretariat presented the Statements of the Administrative Account (1986-2009)

(CFA(XXIV)/3/Rev.1). He said the Producer and Consumer caucuses were assessed equal contributions of US\$2,884,000 each, with Producers' remaining payments for 2009 totaling US\$1,264,881 and those of Consumers totaling US\$60,564. He said Producer arrears in contributions in previous periods are US\$5,150,928, which with interest of US\$124,982 totals US\$6,540,791. He noted that members lose voting rights after seven months in arrears, and receive penalties on project and pre-project processing if their arrears total three times the amount of their assessed annual contribution, adding that this also applies to projects under Thematic Programmes, but that countries paying their full assessments within four months receive a discount credited to their next annual assessment. He also acknowledged long-standing arrears of Russia, a former Consumer member. The EC cautioned that writing off former members' arrears would create a bad precedent. Several countries announced payments in process. The CFA took note of the report.

STATUS OF THE ADMINISTRATIVE ACCOUNT: The Secretariat presented the Status of the Administrative Account for the Financial Year 2008 (CFA(XXIV)/4 Rev.1). He noted that the Administrative Budget for 2009 had an estimated deficit of US\$659,757 and that the funds available for the Working Capital Account (WCA) totaled US\$3,316,698.

He noted that the Special Reserve Fund, currently at US\$1.5 million, is only to be used in the event that the ITTO is terminated, for repatriation of staff and other expenses. He noted that US\$190,000 from the WCA had been authorized for the Expert Panel, and that US\$680,814 in interest income had been set aside for hiring of consultants.

In response to the US, the Secretariat confirmed that the 2009 deficit was due to the stronger yen. The US suggested that the WCA be used to make up the deficit. In response to Malaysia's concern that the Special Reserve Fund is insufficient, the Secretariat noted that it could be increased if the Council so decides. Germany proposed re-examining the allocation for post adjustment and home leave.

The Secretariat said that the WCA can be used for any items Council deems fit, including covering contribution shortfalls, as occurred during the 2008 recession. The US noted that the surplus is less than one percent of the budget. In response to Switzerland's query on how low the WCA could be drawn down, the Secretariat said that there was no lower limit, although dipping below US\$2.5 million would trigger an alert to the Council. The Council took note of the report.

DRAFT BIENNIAL BUDGET: On Tuesday, the Secretariat presented the draft Biennial Administrative Budget for 2010-2011 (CFA(XXIV)/2). Delegates supported limiting discussion to the 2010 budget, under the ITTA, 1994. The Secretariat noted a 20% increase in the 2010 budget over that for 2009, due to: an exchange rate change from JPY106 to JPY95.5 = US\$1; the incremental costs of holding the next Council session in Guatemala; and a compulsory annual ITTO staff salary increase. The US noted that individual assessments can also change with recalculations of members' trade shares.

The Secretariat clarified that salaries must be set according to UN rules, which include a base salary in yen plus a post adjustment paid in US dollars. China, Japan and Malaysia expressed concern about the increase. Japan suggested

postponing staff replacements, which the Secretariat confirmed had been done, and, with the US, taking reductions in other elements of the budget.

Delegates considered how to offset the budget increases, with China, Japan, Malaysia and the EC supporting use of the WCA. The Secretariat also noted that donor contributions may increase with establishment of the Thematic Programmes.

To a Brazilian query regarding regional officers, the Secretariat noted their cost effectiveness. In response to Canada, the Secretariat explained that the WCA is replenished by surpluses from the Administrative Account and payments of arrears. Canada noted that currency fluctuations will always occur, and that the WCA should be able to absorb these. He concurred with the US that the budget is managed tightly and does not offer room to cut salaries, especially with the increased workload anticipated with the Thematic Programmes.

The EC questioned spending an additional US\$400,000 to hold ITTC-46 in Guatemala, given the current budget shortfall. Canada queried whether this was still open for debate, since the decision to hold ITTC-46 in Guatemala was agreed at ITTC-44. Japan and Germany asked whether this debate over financing of sessions held outside Yokohama will need to take place each year.

On Thursday morning, Vice-Chair Brooks introduced two alternative options for consideration regarding increases in the budget and in assessed contributions resulting from the exchange rate shift and the incremental costs of convening the Council in 2010 in Guatemala. The incremental cost of convening the 2010 Council session in Guatemala was included in the first option while both included a 10% increase in the budget's dollar amount to cover the exchange rate shift. He noted that option 2 reflected a 10% increase and option 1 a 17% increase in assessed contributions compared to 2008. No one supported option 1.

The EC, opposed by China, the US and the Philippines but supported by Japan, favored covering the exchange rate shift through the budget and assessed contributions rather than with WCA funds. He also recommended reverting to averaging exchange rates in preparing the budget. In response to Liberia, the Secretariat said all payments to the ITTO are made in US dollars and if the exchange rate shifts in favor of the dollar the savings go automatically into the WCA.

Japan, supported by the EC, recommended using future arrears to cover the incremental costs of Council meetings outside Yokohama.

Delegates discussed the sources and proper use of the WCA. The Secretariat noted recent receipt of over US\$200,000 in arrears from Brazil, which might go toward paying the costs of the Guatemala meeting, but Japan opposed this.

Papua New Guinea noted ongoing consultations regarding funding a Guatemala session. The Secretariat added that Guatemala's own budget of US\$190,000 for the meeting was not included in the US\$400,000 included in the option 1 budget.

Vice-Chair Brooks said the Executive Director's use of more than US\$300,000 from the WCA needs Council authorization, and payment of arrears also ranges around US\$300,000 annually. Japan said WCA funds may be needed for the transition to the ITTA, 2006.

China, supported by Ecuador, said both the exchange rate fluctuation and the Guatemala Council session question constituted appropriate extraordinary cases for using the WCA.

The US noted that the Expert Panel is funded from the WCA. A number of countries recommended accelerating the payment of arrears.

Brazil, supported by Switzerland, the US, Papua New Guinea, Malaysia and Canada, proposed using some WCA funds to partially cover the exchange rate fluctuations, with the Philippines adding that increasing the assessment to cover some of the fluctuation would be acceptable and Canada cautioning against crossing the threshold of WCA balance.

On Thursday afternoon, Vice-Chair Brooks then introduced new budget and assessment options 3 and 4, assuming funding of US\$400,000 and US\$300,000, respectively, from the WCA to partially cover the exchange rate shift. He recommended meeting the cost of the Expert Panel with non-WCA funds, either from the BPF or as a priority for programme support funds collected from projects.

To a question from the EC, the Chair said that if receipt of arrears did not replenish the WCA in 2010 the WCA would decrease. Peru announced efforts to pay its full arrears by the beginning of 2010. The Secretariat noted this would equal US\$236,673, for arrears from 2002-2008.

The EC accepted the Chair's recommendation that the WCA fund US\$300,000 of the US\$650,000 shortfall due to the exchange rate shift, while Japan and Ecuador asked for time to consult capitals. On Friday, this option received full approval and the CFA agreed on a budget of US\$6,465,756 and assessed net contributions totaling US\$6,310,000.

On Friday, Vice-Chair Brooks introduced the Approved Administrative Budget for the Financial Year 2010 (CFA(XXIV)/2/Amend.1), showing the revised budget and assessments reflecting the use of US\$300,000 from the WCA to partially cover the exchange rate fluctuation. The Committee approved its recommendation to the Council.

On funding for convening the 2010 ITTC session in Guatemala, Vice-Chair Brooks noted that this was not reflected in options 3 and 4. Japan, supported by Germany and Norway, reiterated that this cost should be covered by future arrears instead of current WCA funds. Germany, supported by the EC, called for a 30 March 2010 deadline for sufficient future arrears payments into the WCA to cover a Guatemala ITTC session. The EC, Guatemala, and Thailand added that knowing the location is necessary for making arrangements for the session. Switzerland expressed concern about embodying this uncertainty in a decision.

In response to the US, Japan opposed using the WCA to ensure adequate funding for Council meetings outside Japan, as per ITTC-42 Decision 4(XLII). The Chair said the decision did not prohibit this but acknowledged that the Council can decide what it wants. There was no further CFA discussion on this issue.

The Chair then introduced discussion on guidance for the 2011 budget assuming the ITTA, 2006 enters into force. Germany queried an overall 20% budget increase and some of the items in the new "core operations" category in a Secretariat-prepared information sheet on expected 2011 budget items. Japan cautioned that this trial formulation will be revised and discussed at ITTC-46. The US requested information on how the figures were linked to specific activities. The revised guidance was included in the report of the meeting.

RESOURCES OF THE SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND: The Secretariat introduced this item (CFA(XXIV)/5), noting that funds remaining after completion of projects are reallocated, if donors agree, for *ex-post* evaluations and that these *ex-post* funds currently total US\$934,000. The Committee took note of the report.

AUDITOR'S REPORT FOR THE FINANCIAL YEAR 2008: The Secretariat presented the Report of the Independent Public Accountants (CFA(XXIV)/6), noting that the ITTO has funded more than 900 project and pre-project activities. He added that although expenditures on projects exceeded revenues by almost US\$7 million in 2008, more project funding is expected soon. He noted that disbursement of funds depends on progress in project implementation, not on receipt of funding, which must be received in full before a project begins. Japan queried the external auditor selection process, requesting deliberation on trade-offs between cost-benefit considerations and audit quality, and queried the existence of the Japan Trust Fund. The Secretariat noted the Fund's long history prior to the transfer of almost all its funds to project accounts in 2002. The Committee approved the Report for Council consideration.

DRAFT ITTO HANDBOOK: The Secretariat introduced a draft ITTO Handbook (CFA(XXIV)/7), noting that it consolidates key documents and decisions. Indonesia suggested including previous ITTA agreements, in order to understand the evolution of the Organization. Japan questioned why staff guidelines had not been included, while Switzerland recommended keeping the Handbook concise and current, with links to more detailed and/or dated documents. The US and Canada suggested the creation of a web-based version that is easily updatable. Malaysia suggested highlighting decisions on certification, and Norway suggested that key decisions be organized by theme. The document was accepted for recommendation, with these revisions, to the Council.

BWP 2010-2011: Vice-Chair Brooks introduced the BWP 2010-2011 (ITTC(XLV)/9 Rev.2), highlighting items relevant to the CFA. Germany expressed concern over the implications of declining voluntary contributions for staffing. Papua New Guinea suggested that US\$3 million in additional funds could come from eliminating pre-projects. The Committee took note of the document.

FINANCIAL ASSISTANCE TO MEMBERS FOR DEVELOPING SUITABLE PROPOSALS FOR THE ITTO THEMATIC PROGRAMMES: Vice-Chair Brooks introduced this item (CFA(XXIV)/9), which stems from challenges regarding the quality of proposals to the pilot Thematic Programmes. He noted that the proposal would use an already assessed programme support charge to support enhancing proposal quality.

In response to Germany, Vice-Chair Brooks suggested specifying the time span for such support as the period of the Thematic Programme pilot phase. Responding to the US, the Secretariat said assistance could include hiring consultants or other support.

The draft decision was revised and agreed for recommending to Council.

ELECTION OF CHAIR AND VICE-CHAIR FOR 2010: David Brooks (US) was elected CFA Chair and Agus Sarsito (Papua New Guinea) was elected as CFA Vice-Chair for 2010.

DATES AND VENUES OF THE TWENTY-FIFTH AND TWENTY-SIXTH SESSIONS: CFA members agreed to link this to an expected Council decision on the dates and venues of ITTC-46 and 47.

OTHER BUSINESS: Germany called for a CFA recommendation that the Executive Director give an overview of the ITTO's financial situation at ITTC-46 and give recommendations for improvements and savings. The Chair agreed to reflect this in the CFA report.

The Secretariat introduced a draft decision on opening new bank accounts. Several countries suggested that this type of activity could be addressed instead by the Executive Director. This was agreed by the Committee.

REPORT OF THE SESSION: The CFA reviewed the draft CFA report (CFA(XXIV)/10). On the ITTO Handbook, Switzerland called for adding that the web version be updated on a regular basis.

On review of the Secretariat's work at ITTC-46, the report was amended to add that the Committee's review of the budget and recommendations for efficient use of technologies/facilities to achieve savings "and use of overhead costs for project cycles and Thematic Programmes" be facilitated. The report was agreed as amended.

CLOSING PLENARY

REPORTS OF THE COMMITTEES: The reports of the Associated Committees were presented to the Council on Saturday. CRF Chair Takai presented, and the Council adopted, the report of the CRF (CRF(XLIII)/6). CFI Chair Syalaza Mustapha presented, and the Council adopted, the report of the CEM/CFI (CEM-CFI(XLIII)/11). CFA Chair Ekotto presented, and the Council adopted, the report of the CFA (CFA(XXIV)/10).

ELECTION OF CHAIR AND VICE-CHAIR FOR 2010: The Producer Group nominated Daniel Birchmeier (Switzerland) as Chair and the Consumer Group nominated Bilé Allogho Joachim (Gabon) as Vice-Chair for 2010. Their elections were unanimously approved.

The incoming Chair thanked the delegates, highlighting the ITTA, 2006 and the tools it offers for grappling with global challenges. He noted operational issues, such as clarifying the role of the various financial tools. He called on members to continue their efforts during the coming year, particularly to bring the ITTA, 2006 into force. He stressed the new demands placed upon tropical forests and the growing niche role of the ITTO in the international environmental and economic context.

DATES AND VENUES OF ITTC-46 AND ITTC-47: This issue was first raised during the opening session of the CFA, and then again during the final Council session. On Saturday evening, the Chair introduced a Chair's compromise proposal based on the work of a contact group, which had been established earlier in the day to address this issue.

In a paragraph allowing use of the WCA to cover the costs of the next session outside headquarters, in 2011, up to US\$400,000, the EC, supported by Japan but opposed by Brazil and Guatemala, proposed specifying "from the new payment of arrears." Brazil said that if a meeting in Guatemala were to be made conditional on the payment of arrears, this would be a disincentive for Producers to pay their contributions on time, since Producers would want their contributions to go

towards paying for that session. She added that the lack of on time contributions would leave the Secretariat with insufficient resources for its work.

Norway proposed a compromise allowing this use of the WCA "as it is expected that the payment of arrears will replenish the WCA in 2010." To a query from Brazil, he denied this was a condition for financing the meeting as it reflected intentions to pay heard throughout the day. Brazil, opposed by the EC and Japan, requested deletion of the amendment but had no support. The amendment was approved.

The text, to appear in the report of the meeting: confirms the principle of rotating Council meetings between headquarters and Producer countries and denies any link between ITTC-46 and -47 and the ITTA, 2006 entry into force. It also confirms that: a long-term solution on financing Council sessions outside headquarters will be addressed during ITTC-46; ITTC-46 will be held in 2010 in Yokohama; ITTC-47 will be held in 2011 in Guatemala; members in arrears shall strive to pay them by the end of 2010; the WCA will cover the costs of the 2011 session outside headquarters up to US\$400,000, as it is expected that the payment of arrears will replenish the WCA in 2010; and Council shall consider holding ITTC-48 in a Producer country.

DECISIONS AND REPORT OF THE SESSION: The Council adopted three decisions.

The first, on Projects, Pre-Projects and Activities (Decision 1(XLV)), was adopted without amendment. In it, the Council authorized financing for the 2008 and 2009 project cycles, the Freezailah Fellowship Fund, activities in the 2010-2011 BWP, and urged members to make further voluntary and un earmarked contributions.

The second, on the BWP 2010-2011 (Decision ITTC(XLV)/2), adopted the BWP, with an amendment, suggested by the US and supported by the EC, to make this BWP subject to revision if the ITTA, 2006 enters into force.

The third, on Entry into Force of the ITTA, 2006 (Decision 3(XLV)), was adopted following discussion of minor amendments. In it, the Council confirmed the extension of ITTA, 1994 beyond 2009, urged governments to speed national procedures needed to become parties to ITTA, 2006, and requested the Executive Director to prepare a report for circulation to members on the status of the Agreement no later than September 2010.

CLOSING STATEMENTS: Numerous speakers congratulated the Council officers and thanked the outgoing Chair, the Secretariat, the interpreters and the participants of ITTC-45. In addition, James Gassana (Switzerland) announced his resignation as Consumer spokesperson and the accession of Jennifer Conje (US) to that position.

Martial Me Kouame, Producer spokesperson, confirmed Producers' commitment to ratify ITTA, 2006 before the end of 2010 and their interest in the Thematic Programmes and in the promise of financing for two more Thematic Programmes. He said the ITTO exists in the interests of both Consumers and Producers and everyone should respect their commitments to keep the Organization alive.

The EC said decisions on Council sessions will continue to be a problem until equitable and predictable financing is put in place. He noted ITTC-45's success with a difficult agenda.

Japan extolled the number of donor countries pledging to support the work of ITTO and welcomed China's ratification of the ITTA, 2006, urging all countries to ratify the new Agreement. He also called for considering how to reduce the expense of holding meetings while increasing ITTO's mandate and visibility in tropical timber and other global environmental issues.

The new Chair passed the ceremonial gavel to the outgoing Chair as a symbol for his hard work.

Outgoing Chair Maue noted the success of ITTC-45, particularly the adoption of a BWP for the 4th time in ITTO history and new donor interest in Thematic Programmes. He called for: funding for the 5th Thematic Programme, on industrial development and efficiency; acceleration of ratifications; and a solution to funding for Council sessions. He thanked everyone and closed the meeting at 9:00 pm.

A BRIEF ANALYSIS OF ITTC-45

A climate of uncertainty pervaded ITTC-45, not only because of external events such as the looming Copenhagen climate change summit in December, or the ongoing repercussions of the world financial crisis, but also due to concerns surrounding the Organization itself. Most of the session progressed calmly and productively, with useful presentations exhibiting quality research and technical discussions during the Committees and in Council itself. Several delegates were impressed by presentations for the Annual Market Discussion and for policy work on market analyses of tropical timber production, trade and consumption undertaken by the Committee on Economic Information and Market Intelligence. Yet, there were question marks in everyone's mind about the continuing decline in project funding and the operationalization of new Thematic Programmes, both of which hinge upon entry into force of the International Tropical Timber Agreement (ITTA), 2006. This analysis considers these questions and the future challenges and opportunities facing the ITTO vis-à-vis other international agreements related to forests.

UNCERTAINTY— THE PERENNIAL PROBLEM

Nearly four years after it was signed, ITTA, 2006 has yet to enter into force. While this is not unduly long compared to the experience of other environmental agreements (the Kyoto Protocol took over seven years to enter into force), the delay has had implications for the Organization's work and on ITTC-45. The usual biennial budget was split in half. Approval of the 2010 budget followed ITTA, 1994 rules and procedures, but the resulting 2011 budget received only preliminary "guidance" on items and categories of work based on an assumption that the ITTA, 2006 will enter into force by the end of 2010, thus leaving concrete terms and figures "to be determined" later.

This uncertainty had concomitant effects on agreeing to activities in the Biennial Work Programme for 2010-2011, since some delegates were uncertain about which Secretariat activities will be covered as Core Operation Costs rather than traditional administrative costs as this has implications for contributions. More generally, voluntary project funding continues to decline at the same time that arrears in assessed contributions, particularly on the part of Producers, continue to hamper the organization's day-to-day work. The Thematic Programme approach for project funding introduced in ITTA, 2006 also remains in limbo. Five programmes covering Forest Law

Enforcement, Governance and Trade, Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests (REDDES), Trade and Market Transparency, Industry Development and Efficiency, and Community Forest Management and Enterprises were adopted on a pilot basis by decision at ITTC-44. Because they remain in a pilot phase until ITTA, 2006 enters into force, one delegate expressed frustration that the approach will be rendered less effective. Several delegates went so far as to say that entry into force is no longer a question of "when" but "if." Although pessimistic speculations "in the corridors" are nothing new to multilateral environmental agreements, this question was raised publicly for the first time in the closing plenary of ITTC-45, by a delegate and former Council Chair, Producer spokesperson, and the ITTO Executive Director. The delay is partly due to slow administrative procedures necessary for countries to become parties. Still it has implications for finances since the Thematic Programme approach was designed to enhance voluntary contributions.

The ITTO's financial uncertainty manifested itself most clearly in the discussion of one agenda item: the location of the next Council session. This question has plagued the Organization for over half a decade, ever since Japan indicated it would no longer fund meetings not held at ITTO headquarters in Yokohama. Despite previous recognition of this pressing issue at ITTC-44 and previous sessions, ITTC-45 did not deal with the matter head-on until the eleventh hour, and as many expected, it was the most controversial topic of the session. Two years ago ITTC-43 was buoyed by optimism over the entry into force of the ITTA, 2006 and the prospect of a new lease on life for the Organization, including greater certainty regarding financing of meetings. With the stalling of the new instrument, finances are suffering, making the request for \$400,000 for a session in Guatemala more difficult than it otherwise would be. On a positive note, however, consensus grew at this session that the norm of alternating meeting locations between Yokohama and Producer countries should be institutionalized through the establishment of a more permanent financing mechanism after the ITTA, 2006 enters into force.

Finally, there are the larger uncertainties for forests in relation to other environmental issues and the ITTO in relation to other organizations. Delegates were updated on developments in the climate change negotiations and the importance of the links between forests and climate were continually mentioned during the session, along with views on their implications for the ITTO. The developments on reducing emissions from deforestation and forest degradation (REDD) within the climate change regime also raise questions for ITTO and its REDDES Thematic Programme. The most recent draft negotiating text on REDD indicates that this mechanism may end up being primarily about forest *management*, and not *protection* as previously envisioned. The former is clearly ITTO's territory, exemplified by ITTO publications since its early years, including its first *Guidelines for the Management of Natural Tropical Forests* in 1990 and *Guidelines for the Sustainable Management of Planted Tropical Forests* in 1991. Yet ITTO is not among the international organizations involved in UN-REDD, a multi-organizational partnership assisting tropical countries with capacity building for a probable REDD mechanism, nor is it one of the high profile organizations positioning to be at the forefront of this issue globally. As greater financial support for efforts on

forests in relation to climate change becomes a reality, there is serious concern that funds may be diverted away from ITTO. To put things in perspective, the World Bank's Forest Carbon Partnership Facility, a collaborator with UN-REDD, has thus far received US\$107 million from 11 donors dedicated to a REDD Readiness Fund. Another US\$51 million has been committed to a Carbon Fund. Contrast this with the US\$4.4 million that has been pledged to the ITTO's Thematic Programme on REDDES, or even the US\$400,000 amount for a Council session held outside Yokohama, that kept delegates debating for eight hours after the session was scheduled to end. This competition of mandates might result in ITTO using the opportunity to focus on enhancing other environmental services in its REDDES Thematic Programme, leaving attention to climate change mitigation to other forest-related institutions, such as UN-REDD.

INTERSECTIONS AND OPPORTUNITIES GOING FORWARD

Questions surrounding entry into force of ITTA, 2006, funding for administration, core operations and projects and activities of the ITTO, and ongoing forest-related discussions within the climate negotiations each present challenges for the ITTO. Nevertheless, as was evident at this session of the Council, the ITTO has developed organizational competencies and expertise and has contributed to capacity building among its members in the management of tropical forests through its policy and project work. This represents a niche within the increasingly crowded field of international environmental governance, including within the Collaborative Partnership on Forests.

Since 1983, ITTO has financed over 900 projects, pre-projects and activities at a cost of approximately US\$330 million. This track record has made ITTO an organization well positioned to further international forest policy work. At this juncture, its work on the management of tropical forests is especially germane, given the anticipated need to define what types of forest management practices will be acceptable within REDD. ITTO's experience in defining criteria and indicators for tropical forest management may be drawn upon, and indeed plans to revise ITTO's guidelines on tropical forest management are particularly well-timed to take ongoing discussions on forest carbon management into account. However, ITTO will have to contend with many other actors vying to do the same, some of which are pushing for REDD to prioritize the protection of natural forests. All in all, ITTO remains a vibrant organization capable of delivering valuable support to its members, and fills an important niche, but its capacity will be increasingly limited in the absence of the certainty that entry into force of the ITTA, 2006 can deliver.

UPCOMING MEETINGS

UNFCCC COP 15 AND KYOTO PROTOCOL COP/MOP 5: The fifteenth Conference of the Parties to the UNFCCC and fifth Meeting of the Parties to the Kyoto Protocol will take place from 7-18 December 2009 in Copenhagen, Denmark. These meetings will coincide with the 31st meetings of the UNFCCC's Subsidiary Bodies. Under the "roadmap" agreed at the UN Climate Change Conference in Bali in December 2007, COP 15 and COP/MOP 5 are expected to finalize an agreement on a framework for combating climate change post-2012 (when

the Kyoto Protocol's first commitment period ends). For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: secretariat@unfccc.int; internet: <http://unfccc.int/>

TROPICAL FORESTS UNDER A CHANGING CLIMATE: LINKING IMPACTS, MITIGATION, AND ADAPTATION: This conference, hosted by the Yale Chapter of the International Society of Tropical Foresters, will take place from 11-13 February 2010, in New Haven, Connecticut, US. It will bring together practitioners and researchers from government, academia, communities, and environmental and development organizations to explore the relationship between tropical forests and climate change. For more information, contact: Yale School of Forestry and Environmental Studies; tel: +1-203-432-5100; fax: +1-203-432-5942; e-mail: yaleistf@gmail.com; internet: <http://www.yale.edu/istf/>

17TH SESSION OF THE AFRICAN FORESTRY AND WILDLIFE COMMISSION: This meeting will take place from 22-26 February 2010 in Brazzaville, Republic of Congo. This meeting will address: forestry and wildlife in support of sustainable livelihood systems in Africa; sustainable management and benefits; climate change, forests and wildlife in Africa; and other regional issues. For more information, contact: Foday Bojang, FAO Regional Office for Africa; tel: +233-21-675000 ext. 3202; fax: +233-21-668427 e-mail: Foday.bojang@fao.org; internet: <http://www.fao.org/forestry/afwc/en/>

CITES COP-15: The fifteenth meeting of the Conference of the Parties to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) will take place from 13-25 March 2010, in Doha, Qatar. For more information, contact CITES Secretariat; tel: +41-0-22-917-8139/40; fax: +41-0-22-797-3417; e-mail: info@cites.org; internet: <http://www.cites.org>

19TH SESSION OF THE NEAR EAST FORESTRY COMMISSION: This session of FAO's Near East Forestry Commission will take place from 5-9 April 2010 in Hammamet, Tunisia. For more information, contact: Moujahed Achouri, FAO Regional Office for the Near East; e-mail: moujahed.achouri@fao.org; internet: <http://www.fao.org/forestry/31112/en/>

35TH SESSION OF THE EUROPEAN FORESTRY COMMISSION: This session of FAO's European Forestry Commission will take place from 27-30 April 2010 in Lisbon, Portugal. For more information, contact: Ed Pepke, FAO Forest Communication Service/UNECE Timber Branch; e-mail: ed.pepke@fao.org; internet: <http://www.fao.org/forestry/efc/en/>

25TH SESSION OF THE NORTH AMERICAN FORESTRY COMMISSION: This session of FAO's North American Forestry Commission will take place from 3-7 May 2010 in Palenque, Mexico. For more information, contact: Federica Felicani; e-mail: lpaqueo@fs.fed.us; internet: <http://www.fs.fed.us/global/nafc/welcome.html>

26TH SESSION OF THE LATIN AMERICAN AND CARIBBEAN FORESTRY COMMISSION: This session of FAO's Latin American and Caribbean Forestry Commission will take place from 24-29 May 2010 in Guatemala. For more information, contact: Carlos Carneiro; e-mail: carlos.carneiro@fao.org; internet: <http://www.rlc.fao.org/es/comisiones/coflac/default.htm>

23RD SESSION OF THE ASIA-PACIFIC FORESTRY COMMISSION: This session of FAO's Asia-Pacific Forestry Commission will take place from 7-11 June 2010. The location is to be determined. For more information, see: <http://www.fao.org/forestry/33587/en/>

18TH COMMONWEALTH FORESTRY CONFERENCE: The Commonwealth Forestry Conference will take place from 28 June - 2 July 2010 in Edinburgh, Scotland. The theme of this conference is "Restoring the Commonwealth's Forests: Tackling Climate Change." For more information, contact the Secretariat: tel: +44-131-339-9235; fax: +44-131-339-9798; e-mail: cfcc@in-conference.org.uk; internet: <http://www.cfc2010.org/>

XXIII IUFRO WORLD CONGRESS: The 23rd World Congress of the International Union of Forest Research Organizations (IUFRO) takes place from 23-28 August 2010 in Seoul, Republic of Korea. The theme is "Forests for the Future: Sustaining Society and the Environment." For more information, contact: Korea Forest Research Institute; tel: +82-2-961-2591; fax: +82-2-961-2599; e-mail: iufrococ@forest.go.kr; internet: <http://www.iufro2010.com/>

WORKSHOP ON FOREST GOVERNANCE, DECENTRALIZATION AND REDD IN LATIN AMERICA: This workshop will be held from 30 August - 3 September 2010 in Mexico City, Mexico. This country led initiative by the governments of Switzerland and Mexico, and organized by the Center for International Forestry Research (CIFOR), the UN Forum on Forests (UNFF), and others, will involve participants from government, development and environmental NGOs and local community and indigenous peoples representatives discussing regional perspectives on REDD and develop a better understanding of how decentralization and forest governance contribute to sustainable management of forests. The results are expected to feed into the 9th session of the UN Forum on Forests. For more information, contact Christoph Durr, Swiss Federal Office for the Environment; tel: +41-31-324-7689; fax: +41-31-324-7866; e-mail: christoph.duerr@bafu.admin.ch; internet: <http://www.cifor.cgiar.org/Events/CIFOR/decentralisation-redd.htm>

FOREST LANDSCAPES AND GLOBAL CHANGE – IUFRO LANDSCAPE ECOLOGY CONFERENCE: This IUFRO Landscape Ecology international conference will take place from 21-27 September 2010 in Bragança, Portugal. It aims to bring together scientists, planners and managers to share science and experiences on approaches, methods and tools to assess change, to forecast change in structures and processes, and to optimize goods and services provided at multiscale-multifunctional levels under a context of change. Topics to be addressed include: scaling in landscape analysis, patterns and processes in changing landscapes, disturbances in changing landscapes, biodiversity conservation and planning in changing landscapes, monitoring landscape change, tools of landscape assessment and management, management and sustainability of changing landscapes, and urban forestry in changing regions. For more information, contact: João Azevedo; tel: +351-273-303-341; fax: +351-273-325-405; e-mail: lufrole2010@ipb.pt; internet: <http://www.ipb.pt/iufro2010/>

TWENTIETH SESSION OF THE FAO COMMITTEE ON FORESTRY (COFO): The 20th session of the FAO Committee on Forestry is expected to convene at FAO headquarters in Rome, Italy in October 2010. For more

information, contact: FAO Forestry Department; tel: +39-06-5705-3925; fax: +39-06-5705-31 52; e-mail: COFO2010@fao.org; internet: <http://www.fao.org/forestry>

ITTC-46: The forty-sixth meeting of the International Tropical Timber Council (ITTC-46) and associated sessions of the four committees are tentatively scheduled for 13-18 December 2010 in Yokohama, Japan. For more information, contact: ITTO; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; internet: <http://www.itto.int>

GLOSSARY

BPF	Bali Partnership Fund
BWP	Biennial Work Programme
C&I	Criteria and Indicators
CEM	Committee on Economic Information and Market Intelligence
CFA	Committee on Finance and Administration
CFI	Committee on Forest Industry
CITES	Convention on International Trade in Endangered Species of Flora and Fauna
CPF	Collaborative Partnership on Forests
CRF	Committee on Reforestation and Forest Management
CSAG	Civil Society Advisory Group
FLEG	Forest Law Enforcement and Governance
FLEGT	Forest Law Enforcement, Governance and Trade
IAG	Informal Advisory Group
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
NTFPs	Non-timber forest products
REDD	Reducing deforestation and forest degradation in developing countries
REDD-plus	Reducing deforestation and forest degradation in developing countries; conservation, sustainable management of forests and enhancement of forest carbon stocks
REDDES	Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests
RIL	Reduced impact logging
SFM	Sustainable forest management
TAG	Trade Advisory Group
TFLET	Tropical Forest Law Enforcement, Governance and Trade
UNFCCC	United Nations Framework Convention on Climate Change
VPA	Voluntary Partnership Agreement
WCA	Working Capital Account